

Title: Energy Bills Support Scheme (EBSS) IA No: BEIS061(F)-22-PAD RPC Reference No: RPC-BEIS-5234(1) Lead department or agency: Department for Business, Energy and Industrial Strategy (BEIS) Other departments or agencies: N/A	Impact Assessment (IA)			
	Date: 12/10/2022			
	Stage: Final			
	Source of intervention: Domestic			
	Type of measure: Other			
	Contact: energy.bills.rebate@beis.gov.uk			
Summary: Intervention and Options				
RPC Opinion: Awaiting Scrutiny				

Cost of Preferred Option (2021 prices)			
SNPV: -£6,267m	Business Net Present Value: -£44m	Net cost to business per year £44m	Business Impact Target Status £44m

What is the problem under consideration? Why is government action or intervention necessary? The UK is currently experiencing an unprecedented rise in household energy bills, driven by rising global energy prices. The default tariff cap for a typical dual fuel household paying by Direct Debit rose by 54% in April 2022 and prior to the announcement of the Energy Price Guarantee (EPG) would have increase by a further 80% in October 2022. This is placing pressure on household budgets and could lead to potentially harmful underconsumption of energy or other essential goods and services during the winter. The government wants to help households manage the increase in energy prices and, in February and May 2022, announced a package of measures intended to help households with the rising cost of living.

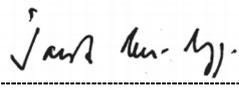
What are the policy objectives of the action or intervention and the intended effects? The Energy Bills Support Scheme (EBSS) aims to help households manage rising energy bills. The EBSS will provide a £400 grant to over 30 million domestic electricity customers in the United Kingdom over the winter months. This is intended to reduce pressure on households' budgets, helping them avoid harmful underconsumption of energy or other essential goods and services. The EBSS is designed to align the consumer experience across all different energy bill payment types, to be delivered through the energy system and to ensure households feel the benefit over the winter 2022/23 period.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base) Since early 2022, BEIS and other government departments have been working closely to track the increase in the cost of living and formulate appropriate policy responses. The announcement of a further increase in the GB default tariff cap pointed to the need to for greater support to be offered. As such on the 26th of May 2022, the government announced the doubling of the supported offered through previous announce from £200 to £400 for each household and no future requirement for this to be repaid. This Impact assessment considers the implementation of the EBSS compared to a counterfactual of providing no additional support.

Is this measure likely to impact on international trade and investment?	No			
Are any of these organisations in scope?	Micro Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/A		Non-traded: N/A	

Will the policy be reviewed? It will not be reviewed. **If applicable, set review date:** N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:  Date: 11 October 2022

FULL ECONOMIC ASSESSMENT

Price Base Year 2022	PV Base Year 2022	Time Period Years 1	Net Present Value (PV) (£m)		
			Low: Optional	High: Optional	Best Estimate: -6,267

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition)	Total Cost (Present Value)
Best Estimate	N/A	18,318	18,318

Description and scale of key monetised costs by 'main affected groups'

The total value of the grant would be £12.1bn, which would be a transfer from government to domestic electricity customers via their electricity supplier. The cost to government to administer the EBSS is estimated at £9m. The costs borne by domestic electricity suppliers is estimated at £44m, reflecting the need to make multiple payments. The social cost of emissions and air quality impacts associated with the net increase in energy consumption is estimated at £6.2bn.

Other key non-monetised costs by 'main affected groups'

There could be additional social costs i.e., carbon emissions and air quality impacts associated with households spending some or all the grant on increased consumption of other goods and services. However, this impact is challenging to assess.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Best Estimate		12,051	12,051

Description and scale of key monetised benefits by 'main affected groups'

The total value of the grant transfer to households would be £12.1bn which is expected to help maintain consumption of energy and other goods and services during winter 2022/23 compared the counterfactual. This will benefit households in the form of heating and utility from increased consumption of other goods and services.

Other key non-monetised benefits by 'main affected groups'

There are expected to be significant non-monetised benefits in addition to the value of the grant which we lack robust evidence to fully monetise. These benefits are expected to arise from the avoided underheating and associated health impacts, potential reduction in household borrowing (£49-136 per lender) and associated interest payment costs and reducing the total number of homes in fuel poverty relative to the counterfactual (4.2%).

Key assumptions/sensitivities/risks	Discount rate	3.5%
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We assume that between 15 and 66% of the grant is spent on energy consumption based on evidence from the Winter Fuel Payment. All key assumptions are tested in sensitivity analysis.

BUSINESS ASSESSMENT (Option 11)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 44	Benefits: 0	Net: 44	
			44

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Executive summary

1. The cost of living in the UK has been rapidly increasing – inflation rose by 9.9% in the 12 months to August 2022¹. A key contributor to this is the unprecedented rise in energy prices, driven by global energy prices. As a result, the default tariff cap for a typical dual fuel (electricity plus gas) household paying by Direct Debit rose by 54% in April 2022 and was expected to increase by a further 80% in October 2022. The increase in energy cost is placing more pressure on household budgets, with many households facing difficulty managing their energy bills.
2. Cost of living increases mean that, in the absence of government support, many households would have to make a difficult choice about where to prioritise their finances this winter and, for fuel poor consumers in particular, could end up choosing to underheat their homes to save money particularly over the winter months. The increase in energy prices means the proportion of households at risk is likely to increase, outside of those covered by existing targeted support. As all households will be impacted by the increase in energy prices and to minimise the risk of not supporting those in need, the Government has decided to provide support to as many households as possible.
3. The EBSS is a one-off measure to provide a £400 energy grant to over 30 million domestic electricity customers in the United Kingdom this winter, which will be delivered through their electricity suppliers. This will be supported by additional funding to ensure households without a direct relationship with an energy supplier will be supported, alongside legislative changes which mean the support reaches those intended. This support will sit alongside the recently announced Government Energy Price Guarantee which will reduce the unit cost of electricity and gas so that a typical household in Great Britain pays, on average, around £2,500 a year on their energy bill, for the next 2 years, from 1 October 2022². The combination of these measure will provide great support to UK households, the interaction with the EPG is considered in policy considerations section, however the impact of the EPG is considered in a separate IA³.
4. This impact assessment sets out the estimated costs and benefits of delivering the scheme in terms of benefits to consumers, delivery costs and the wider cost to society due to additional energy consumption. There are also benefits such as reduced underheating, reduced borrowing and avoided fuel poverty which we have not been able to monetise to the same extent. As a result, this is only a partial quantification, and the policy intent of reducing under-consumption of energy leads to a negative quantified social net present value.
5. The impact assessment also considers wider distributional impacts of the EBSS, such as an assessment of the impact on those with protected characteristics and small and micro businesses, across which the impact of the EBSS is expected to be largely neutral or positive. Where any adverse impacts have been identified, appropriate mitigations have been put in place. Finally, a summary of the future monitoring and evaluation plans for the EBSS is provided.

¹ CPI - <https://www.ons.gov.uk/economy/inflationandpriceindices>

² <https://www.gov.uk/government/news/government-announces-energy-price-guarantee-for-families-and-businesses-while-urgently-taking-action-to-reform-broken-energy-market>

³ ADD link to Domestic EPG IA

Problem under consideration

6. The cost of living in the UK has been rapidly increasing – the inflation level rose to 9.9% in the 12 months to August 2022⁴. A key driver of this is rising global energy prices, largely caused by a surge in demand following the Covid 19 recovery period and stresses on supply chains because of the war in Ukraine and role of Russia as an energy exporter. The increase in energy prices will be the single largest year-on-year increase in energy costs in recent history, pushing energy bills up to levels not seen before.
7. There are several government policy initiatives already available to domestic energy consumers who are fuel poor or in vulnerable situations through several energy schemes, including:
 - **Warm Home Discount**⁵ – provides pensioners and fuel poor households with £140 (increasing to £150) off their energy bills. Funded by all domestic billpayers.
 - **Energy Company Obligation**⁶ – obligated suppliers provide energy efficiency measures to fuel poor, vulnerable and low-income households. Funded by domestic billpayers.
 - **Winter Fuel Payments**⁷ – pensioners receive between £100 and £300 to help with heating bills.
 - **Cold Weather Payments**⁸ – people on certain benefits can receive £25 for each 7-day period of very cold weather between 1 November and 31 March.
 - **Affordable Warmth Scheme (NI)**⁹ – a grant aimed at low-income households of up to £10,000 to install energy efficiency and improved heating measures.
8. However, given the size of the increase in energy bills, further support is required, including for those not targeted by existing measures above – for example, a recent survey from the ONS reporting on consumer experience from March 2021 to June 2022 reported that 40% of respondents found it difficult to pay their energy bills and 19% of household reported increasing borrowing¹⁰. The most common actions reported by adults who said their cost of living had increased were spending less on non-essentials (57%), shopping around more (36%), using less fuel such as gas or electricity at home (51%), spending less on food shopping and essentials (35%). This is expected to worsen as energy bills increase further.
9. In the absence of additional support, the increase in the cost of energy will require all households to either allocate a larger proportion of their budget to consume the same level of energy at the expense of consumption of other goods and services, or reduce their energy consumption, or a combination of both. This problem will be faced by more households than ever before and is expected to be most acute over the winter period when the need for energy to heat homes is greatest. Many households may have to make difficult choices about where to

⁴ <https://www.ons.gov.uk/economy/inflationandpriceindices>

⁵ <https://www.gov.uk/the-warm-home-discount-scheme>

⁶ <https://www.ofgem.gov.uk/environmental-and-social-schemes/energy-company-obligation-eco>

⁷ <https://www.gov.uk/winter-fuel-payment>

⁸ <https://www.gov.uk/cold-weather-payment>

⁹ <https://www.nihe.gov.uk/Housing-Help/Affordable-Warmth-Boiler-Replacement/Affordable-Warmth-Scheme>

¹⁰ <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/impactofincreasedcostoflivingonadultsacrossgreatbritain>
<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/articles/therisingcostoflivinganditsimpactonindividualsingreatbritain/november2021tomarch2022>

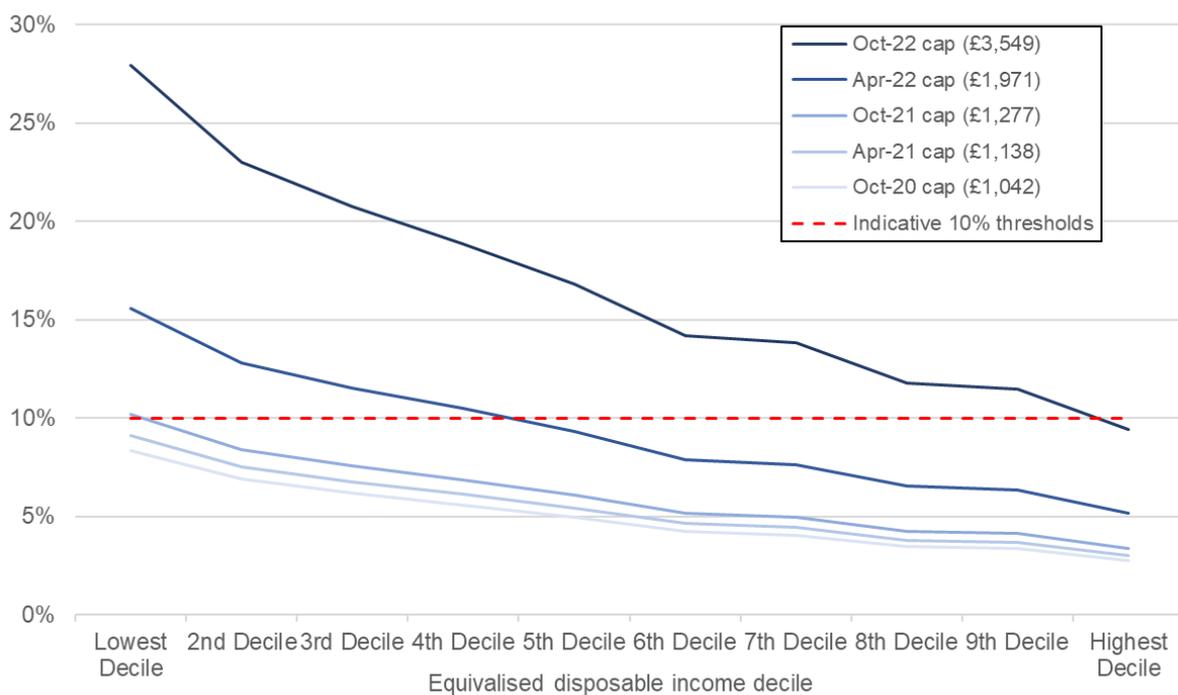
prioritise their finances this winter and – for fuel poor consumers in particular – could end up choosing to underheat their homes to save money at a risk to their health.

Rationale for intervention

10. The increase in energy prices observed to date is unprecedented – historic bills have not exceeded £1,600 (in real terms) on average before this current crisis. Energy is an essential and unavoidable expense for all households. This level of energy bills will create financial difficulties for many households beyond those already in or at risk of fuel poverty and within the scope of existing schemes, and these constraints are expected to lead to potentially harmful underconsumption of energy and other essential goods and services
11. At projected cap levels, even households consuming the average amount of energy for the highest income decile could see energy spending exceed 10% of total household expenditure (see Figure 1). These significant energy price rises will also have significant impacts on inflation more generally, further worsening the cost of living – private sector forecasters are expecting CPI to peak between 13% and 17%, with an average of 15.5%.¹¹

Figure 1: Energy spend as share of total expenditure after housing costs at each price cap level

Source: BEIS analysis using Ofgem and ONS Family Spending data. Total expenditure based on FY19/20 levels.



12. More households than ever before are expected to face difficulty managing their energy bill and many will not be captured by existing support schemes. All households will face budgetary constraints and many households may be forced to select consumption bundles below desired welfare standards i.e., not sufficiently heating their home, reducing consumption of other essentials such as food or clothing or increase borrowing. In addition, when making this decision, it is possible consumers may not fully account for the positive impact associated with their consumption choices, for example health benefits and associated avoided societal costs.

¹¹ Further detail is provided in the 'Benefits' section

Package of support

13. The government recognises that more households than ever need support to help deal with rising energy bills. The EBSS discussed in this IA is part of a wider package of support worth £37 billion¹². The other elements of the package of measures are below:
- a £650 one-off Cost of Living payment for around 8 million households on means tested benefits.
 - a one-off £300 Pensioner Cost of Living payment for over 8 million pensioner households to be paid alongside the Winter Fuel Payment.
 - A council tax rebate of £150 for all household council tax bands A - D
 - a payment of £150 for around 6 million people across the UK who receive certain disability benefits.
 - a £500 million increase and extension of the Household Support Fund.¹³
14. However, the above package of measure was based on a projected October-22 price cap level at the time of £2,800¹⁴, compared with a final outturn level of £3,549 announced by Ofgem in August 2022, and worsening expectations of future prices. In response, on the 8th of September the government announced the Energy Price Guarantee¹⁵, which will reduce the unit cost of electricity and gas so that a typical household in Great Britain pays, on average, around £2,500 a year on their energy bill, for the next 2 years, from 1 October 2022. The consumer saving will be based on usage, but on average usage a household will save £1,000 a year (based on current prices from October). Energy suppliers will be fully compensated by the government for the savings delivered to households. The Energy Bill Relief scheme¹⁶ was also announced for non-domestic energy customers.
15. In general, the value of the support will represent the greatest benefit as a share of income/expenditure to the lowest income households. To provide an indication of what this support implies for households with different incomes, we have carried out analysis of the combined impact of the May 2022 Cost-of-Living package and a £2,500 EPG, which shows that households in the lowest income deciles are on average slightly better off in Financial Year (FY) 2022/23 than FY21/22 (see Figure 2). The EPG limits the average increase in energy bills for the lowest income decile to around £1,100 which is more than offset by support from the May 2022 package of around £1,200 – in the absence of the EPG the increase in bills would be £2,100.

¹² <https://www.gov.uk/government/publications/cost-of-living-support>

¹³ Cost of living support factsheet: 26 May 2022 <https://www.gov.uk/government/publications/cost-of-living-support/cost-of-living-support-factsheet-26-may-2022>

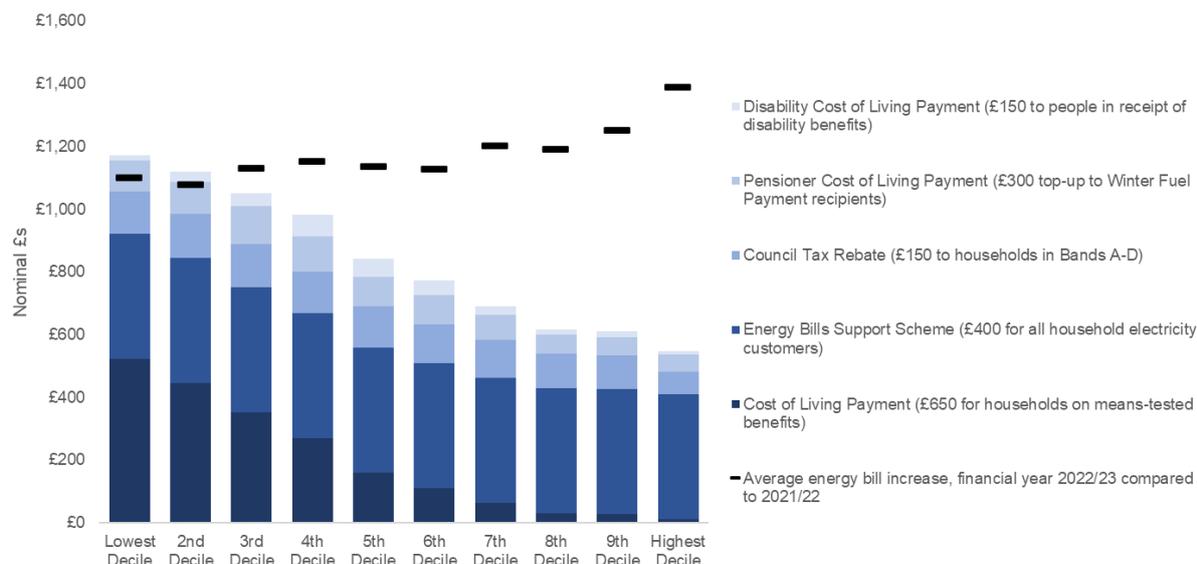
¹⁴ Oral evidence provided by Jonathan Brearley to the BEIS Select Committee on 24 May 2022: <https://committees.parliament.uk/event/13596/formal-meeting-oral-evidence-session/>

¹⁵ <https://www.gov.uk/government/news/government-announces-energy-price-guarantee-for-families-and-businesses-while-urgently-taking-action-to-reform-broken-energy-market>

¹⁶ <https://www.gov.uk/guidance/energy-bill-relief-scheme-help-for-businesses-and-other-non-domestic-customers>

Figure 2: Average energy bill increase between FY21/22 and FY22/23 with a £2,500 EPG compared against the May 2022 Cost-of-Living package

Source: BEIS analysis using ONS family spending data and HMT analysis of the May 2022 Cost-of-Living package.



Policy objectives

16. The policy objectives for the EBSS are set out below:

- To support 30 million UK domestic electricity bill payers to manage this year’s increase in energy prices between October 2022 and March 2023.** We will aim to reach as many of the 30 million as possible. Achieving this will ensure we have reached the full scope of customers who can benefit from the scheme. This will be measured through the number of customers who receive the grant over October 2022-March 2023.
- To help bill payers maintain appropriate levels of energy consumption by providing financial support (and so avoid underconsumption) between October 2022 and March 2023.** A key outcome is to help mitigate bill payers reducing energy consumption below desired welfare standards. We will measure this objective through impact evaluation of the delivery of the grant, and consumers’ energy consumption.
- Align consumer experiences so they are consistent, irrespective of supplier or payment type as far as possible. Customers should not be advantaged or disadvantaged based on their choice of supplier or payment type.** Customers pay their energy bills differently – for example quarterly payments or monthly direct debits. We do not want to create perverse incentives or for customers to feel the need to switch payment type or supplier. We will measure this through supplier delivery plans and assessments of customer experience across payment types.
- Deliver the scheme through the energy system, keeping costs and additional administrative burdens down by utilising existing processes.** We want to ensure that any additional costs are kept to a minimum (for example, mitigating industry costs to deliver the grant through using existing processes). We will measure this through ensuring costs are minimised in government and suppliers.

- **Ensure consumers understand the support they are receiving, and when and how they will receive it across the lifetime of the scheme.** We want to ensure that customers understand that they have received the grant. We will measure this through impact evaluation to measure customer awareness of the support.

Options considered

17. Since early 2022, BEIS and other government departments have been working closely to track the increase in the cost of living and formulate appropriate policy responses to the increase in the cost of energy faced by households. The GB default tariff cap (price cap) for a typical dual fuel household paying by Direct Debit rose by 54% in April 2022 (to £1,971) and was now expected to increase by a further 80% in October 2022 (to £3,549)¹⁷. This points to the need to offer greater support, beyond the package of measure announced in February 2022¹⁸.
18. As such on the 26th of May 2022, the government announced an additional support package for the increase costs of living, as discussed in the section above. This included the doubling of the support offer through EBSS from £200 to £400 and the removal on any requirement to repay the grant through a future levy which was announced in February.
19. This Impact Assessment focuses on the costs and benefits of the EBSS scheme announced in May 2022, against a counterfactual of not providing support though EBSS. The support provided via the government Energy Price Guarantee is not considered in counterfactual of the EBSS, given the sequencing of policy development and scheme delivery timeline.

Do nothing (Counterfactual)

20. Under the counterfactual, most energy bill payers would face the full extent of rising energy costs this winter without additional financial support through their energy bills. This is expected to result in a high proportion of domestic energy consumers facing unmanageable energy costs, putting increased pressure on household budgets. Overall, this is expected to lead to a reduction in the consumption of energy and/or other goods and services for many households, including those who are not currently in scope of existing targeted support.
21. All households will need to make trade off decisions in their budgeting. If they have no savings¹⁹ to rely on this will mean forgoing consumption of other goods and services. This is expected to result in opportunity costs for all consumers. For the most vulnerable households this could lead to potentially harmful levels of under consumption, such as underheating or undercooling. Evidence suggests that energy underconsumption is most common for lower income households²⁰. Underconsumption in these areas is expected to lead to adverse health impacts for individuals and wider costs on society, for example through healthcare costs and productivity losses.

¹⁷ The decision to expand the EBSS was taken before the Ofgem announcement of the October 2022 price cap level

¹⁸ <https://www.gov.uk/government/publications/government-support-for-energy-bills-and-the-cost-of-living-factsheets>

¹⁹ The English housing survey suggests that around 40% of household have no savings, and this may have increased in the broader cost of living context.

²⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/789775/Comparison_of_theoretical_energy_consumption_with_actual_usage.pdf

22. Existing, targeted support schemes will still be available for domestic consumers, such as the Warm Home Discount. There may also be initiatives set up by industry or advocacy bodies (for example, several energy suppliers have increased their hardship funds and other energy saving initiatives). While this support is welcome and will partially reduce the impacts for a relatively small proportion of households, this is expected to be an insufficient response to the unprecedented levels of energy prices and reduced purchasing power households will be experiencing. As such, many households are anticipated to struggle to maintain energy consumption.

Option 1: £400 Energy grant (Preferred option)

23. As announced in May 2022²¹, this option aims to reduce domestic energy costs across winter 2022/23. Under this option all households with a domestic electricity meter point in the United Kingdom with a direct relationship with an electricity supplier would receive a total grant of £400 over six instalments of £66/67 starting from October 2022 until March 2023. The funds would be provided by government to energy suppliers monthly, who would be responsible for delivering the grant to the domestic electricity consumers they serve.

24. How this would appear to consumers would vary by payment types. Customers who pay by Direct Debit would either see a reduction to their monthly Direct Debit amount collected or as a refund to their bank account each month after the Direct Debit payment has been collected. Standard credit customers will see £66/67 of credit applied to their accounts in the first week of each month. Customers with smart prepayment meters would receive a monthly credit remotely applied to their account balance (where possible) and traditional prepayment meters would receive six monthly vouchers or SAMs to the value of £66/67 from the first week of each month redeemable by consumers at top-up locations.

25. The grant would be funded by government and there would be no future requirement placed on energy consumers to repay this grant.

Summary of the implementation plan

26. To fund the EBSS, the government is using the Supply and Appropriation (Main Estimates) Act 2022. This Act allows HM Treasury to issue funds out of the Consolidated Fund and allocate them to individual government departments and Crown bodies.

27. The £400 payment will be delivered by domestic electricity suppliers, so the means by which suppliers will be required to deliver the EBSS to their customers must be in place. The Secretary of State will issue a Direction under section 7(3) of the Electricity Act 1989 which requires licensees to “comply with any direction given by the Gas and Electricity Markets Authority or the Secretary of State as to such matters as are specified in the licence or are of a description so specified”. A licence condition will be introduced into suppliers Standard Licence Conditions that will require suppliers to deliver the EBSS in accordance with the terms set out in the Direction. Ofgem published a statutory consultation earlier in the year on the modification of relevant domestic electricity supply licence conditions to help facilitate delivery of the EBSS.²²

28. The Direction will require electricity supply licence holders to provide payments to their eligible domestic electricity customers on a monthly basis, between October 2022 and March 2023. The

²¹ <https://www.gov.uk/government/news/energy-bills-support-scheme-explainer>

²² <https://www.ofgem.gov.uk/publications/ebss-energy-bill-support-scheme-statutory-consultation-suppliers>

specific policy design and implementation plan is set out, in detail, in the government's response to the public consultation²³.

Northern Ireland Energy Bills Support Scheme delivery

29. Due to the different regulatory framework and structure of the Northern Ireland energy market compared to Great Britain, there will be a different legislative basis and some differences in delivery in the way NI EBSS will be implemented in Northern Ireland.
30. In conjunction with the new spending powers sought from the Energy Prices Bill, powers which enable HMG to require energy suppliers in Northern Ireland to deliver the £400 NI EBSS grant are sought to allow the implementation described above to be adopted in Northern Ireland.
31. These powers will allow the scheme to be placed on a secure statutory footing and strengthen scheme delivery confidence and compliance by utilising the existing regulatory framework. Further, this strengthens HMG's ability in managing public money risks. In absence of legislation, HMG would otherwise rely only the civil courts to address supplier non-compliance to deliver funding to NI households.
32. The primary powers would not automatically result in additional costs to business or regulated parties. However, in using these powers for the implementation of the scheme we expect there to be additional costs for affected parties, such as NI electricity suppliers who will deliver NI EBSS. An indication of the scale of these potential costs is provided in the direct costs to business calculations section. The business costs set out in this IA apply to the UK as a whole, only a small proportion of these costs will fall to NI suppliers. Based on the share of UK consumers in NI the direct business cost to suppliers in NI may be around £1.8m or 3% of the UK supplier costs. This cost estimate is predicated on a GB EBSS delivery model, however, some of the factors which drive this estimate may not be the same and will be contingent on the final NI EBSS delivery model. Further, some NI electricity suppliers may have existing experience of administering and delivering similar support which was made available in the Republic of Ireland. The per supplier costs estimated in Annex A are also likely to be an over-estimate for NI suppliers who, for instance, will probably not have to process as many individual payments due to a smaller customer base and will not need to issue vouchers for pre-payment meters as NI pre-payment meters can be topped-up remotely. Supplier costs are also assumed to be passed onto customers.
33. Payments to electricity customers in Northern Ireland have not begun from the 1st of October as in Great Britain but will be made as soon as feasible this winter. This is due to the time necessary to establish the appropriate regulatory framework and for suppliers in Northern Ireland to develop the capacity to deliver NI EBSS payments.

EBSS Alternative fund

34. Certain groups would not benefit from the EBSS because they do not have a domestic meter point and a direct relationship with an electricity supplier. The government previously announced that further funding would be available through winter 2022/23 to help those not be reached by the EBSS. The EBSS Alternative Fund (AF) will be funding that will provide a £400 energy bill grant to households that meet the following criteria:

²³ <https://www.gov.uk/government/consultations/technical-proposals-for-the-energy-bills-support-scheme>

- The dwelling for which support is being claimed is the main or sole residential address of the applicant making the claim;
 - The resident or applicant (if someone else manages the application on their behalf) is responsible for paying for energy used in the dwelling as part of a service charge, rent or other arrangement;
 - The household is not already benefitting from EBSS payments, either through the main EBSS scheme or the EBSS Alternative Fund;
 - The applicant is not a business with a commercial supply arrangement or within business premises, with the exception of businesses whose main business activity is to provide long term residential accommodation (landlords, etc.) applying on behalf of their residents.
35. Based on these criteria we estimate that between 740,000 and 886,000 households would be eligible for support from the EBSS AF. More detail on this estimate can be found in Annex A²⁴.
36. Eligible customers will need to apply for a grant payment. The full range of eligible households and the details of the application process have not yet been finalised; however, the Energy Prices Bill provides the power to enable the delivery of the EBSS AF through a designated delivery body.

Pass-through of EBSS grants from Landlords to tenants

37. In some instances, a customer, for example, a landlord or other intermediary, will receive the benefit of a Support Scheme (EBSS, EPG or EBR) but the allocation of that benefit to other end users for whom that intermediary is responsible has not been addressed in the relevant Support Scheme. In the example of heat networks, the intermediary (operator of the heat network or landlord) may receive a benefit under a Support Scheme but is then unrestricted in how it applies that benefit in its charges for heat and/or power. While many intermediaries will choose to pass on all or a proportion of Support Scheme payments to their end users, Government is concerned that this will not always be the case. In particular, as end users who are charged by such intermediaries do not always have an alternative supplier, they may not be able to negotiate pass through of Support Scheme payments where the relevant intermediary is not prepared to do so.
38. Government intends to take a power to direct intermediaries who have an appropriate relationship with intended end users and who are responsible for charging those end users for energy, whether individually or as part of a bundle of services, (**Responsible Intermediaries**) to pass the benefits of Support Schemes (or an appropriate proportion thereof) to their end users (**Target End Users**) in accordance with the terms of the direction.”

²⁴ Estimated from a range of sources please see Annex A

Summary of business costs from policy implementation

Policy measure	Legal power used or created	Estimated direct costs to business
EBSS GB	Existing powers to require that energy suppliers deliver the £400 EBSS grant to their customers.	£44m (for UK). Described in direct costs to business section and more detail in annex A
EBSS NI	New Powers through the Energy Prices Bill to enable the Secretary of State to require NI energy suppliers deliver the £400 EBSS grants in the same way as GB	£1.8m - Roughly 3% of the UK direct costs to business as costs scale in proportion with the number of customers.
EBSS AF	New powers to enable delivery of the £400 EBSS grant through a designated body to eligible households that are not able to receive the grant via electricity billing.	N/A – delivered to households via a designated body.
Landlord pass-through	New powers through the Energy prices Bill to require that landlords that receive the £400 EBSS grant pass the grant onto tenants.	For EBSS - Expected to be small as relatively few landlords offer “all-inclusive” rent via a domestic energy contract. See section on small and micro business impacts.

Approach to analysis

39. We have undertaken a Cost Benefit Analysis of delivering the EBSS in the UK. As far as possible the costs and benefits of each option have been monetised in real 2022 prices and compared to the counterfactual (‘Do nothing’) to estimate the additionality. This includes the estimated administrative cost for government and industry, the impact on household energy consumption, comfort taking and associated resource and social costs.
40. Administrative costs have been estimated using a Standard Cost Model and the social costs and benefits using the approach set out in the Green Book. This has been used to calculate the estimated social net present value.
41. Where it has not been possible or appropriate to monetise specific costs and benefits due to methodological difficulties or lack of evidence, we have provided an alternative quantitative sense of the impact. This includes an assessment of the impact on fuel poverty and distributional analysis. We have also drawn on available external evidence to provide a sense of scale of the impacts where appropriate.
42. The assessment of the impact of the EBSS AF support for those households without a direct relationship with an electricity supplier has not been incorporated into the main EBSS UK analysis as it has a different delivery mechanism and would not result in higher costs for energy suppliers. However, we expect the impacts of the £400 grant to be very similar at the household level. Costings for the EBSS AF have been set out in annex A.
43. The main body of this impact assessment provides an overview of the analysis and discusses the key results and preferred way forward. Please see Annex A for full detail on the assumptions

and methodology used. The analysis presented in this IA has been quality assured in line with the guidance set out in HMG’s Aqua book.²⁵

Key assumptions and evidence sources

44. Table 1 sets out key assumptions used in the quantified analysis. This also includes a RAG (Red, Amber, Green) rating of the quality and impact: the quality rating reflects the robustness of the evidence/data used; the impact rating reflects the scale of impact the assumption has on the outputs.
45. The response to the technical consultation and extensive stakeholder engagement has been a key input to the development of both the policy design and supporting analysis throughout the design process. In particular, the responses to the consultation have helped inform the administrative cost estimates, the risks and issues with the policy design and many of the public sector equalities duty (PSED) impacts.

Table 1 – Key assumption Quality and Impact

Funding and General Assumptions	Quality Rating	Impact Rating
The number of domestic electricity meters informs the number of recipients of the EBSS; BEIS’s most recent published statistics have been used for Great Britain ²⁶ the number of meter point in Northern Ireland has been taken from UREGNI’s annual report ²⁷		
Growth rate in meter points is derived from the average growth observed over the last 5 years, with a central value of 0.75% annual growth. ²⁸		
The proportion of the grant spent on energy is based on evidence from the delivery/evaluation/monitoring of Winter Fuel Payments, and assumed to be between 15 and 66% ²⁹		
The fuel mix of the reduced energy consumption is informed by national consumption statistics ³⁰		
Government administration costs for funding the EBSS have been estimated by BEIS Finance based on evidence collected through an internal budgeting exercise.		
Industry admin costs are based on a combination of the evidence we received from our public consultation ³¹ of the EBSS and comparison with elements of similar schemes; the Warm Home Discount, Government Electricity Rebate 2014. ³²		

²⁵ <https://www.gov.uk/government/publications/the-aqua-book-guidance-on-producing-quality-analysis-for-government>

²⁶ <https://www.gov.uk/government/statistical-data-sets/quarterly-domestic-energy-switching-statistics>, Actual data from Energy supplier will be used for the scheme delivery

²⁷ [UREGNI Annual Retail Energy Market Monitoring report 2021](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/1065787/Warm_Home_Discount_reform_final_stage_Impact_Assessment.pdf)

²⁸ <https://www.gov.uk/government/statistical-data-sets/quarterly-domestic-energy-switching-statistics>, Actual data from Energy supplier will be used for the scheme delivery

²⁹ Evidence on Labelling from the UK Winter Fuel Payment, IFS Working Paper 11/10, available at: <http://www.ifs.org.uk/wps/wp1110.pdf>

³⁰ <https://www.gov.uk/government/statistics/energy-consumption-in-the-uk-2021>

³¹ <https://www.gov.uk/government/consultations/technical-proposals-for-the-energy-bills-support-scheme>

³² [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1065787/Warm Home Discount reform final stage Impact Assessment.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1065787/Warm_Home_Discount_reform_final_stage_Impact_Assessment.pdf), https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/360461/ger_ia.pdf and https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1018133/green-gas-impact-assessment.pdf

Fuel prices, carbon prices, and air quality pollutant values are from Green Book supplementary guidance for valuing energy use and greenhouse gas emissions with adjustments made to appropriately reflect recent energy price increases ³³ .		
HMT's Green Book Discount Rate – a Social Discount Rate of 3.5% has been applied.		
The appraisal period is set as one year		

Costs and benefits

Table 2 sets out a summary of the high-level costs and benefits.

Table 2 – Summary of costs and benefits

Costs	Benefits
Exchequer (HMG) funding: £12bn will be required to fund the initial grant to domestic electricity customers over winter 2022/23.	Increased consumer budget: The grant will provide the equivalent reduction in energy costs to consumers over winter 2022/23. This can be used to increase consumption of energy or to free up income to spend on other goods/services
EBSS development and delivery: There will be costs to design and deliver the EBSS for government and Ofgem.	Avoided disbenefit (opportunity cost): associated with underheating, increased borrowing or underconsumption of other goods and services. There are also expected to be equity benefits associated with supporting low-income households.
EBSS cost to industry: Costs for energy suppliers to deliver the grant to customers.	Potentially reduced level of fuel poverty (and poverty more broadly): relative to the counterfactual. Knock-on productivity and health benefits for wider society. ⁹
Negative externalities: The grant is expected to lead to a net increase in energy consumption relative to the counterfactual (where energy consumption is assumed to be constrained). This energy consumption has an associated greenhouse gas emissions and air quality impact.	Debt reduction: The grant could reduce the accumulation of debt. This in turn will reduce the cost of borrowing by the energy suppliers to service those debts, reducing their cashflow problems and risk of insolvency at a time when energy suppliers are financially challenged.

Unquantified/un-monetised benefits

46. There are several impacts which we have been unable to include in the quantified analysis. These are set out in table 3. The evidence available suggests that some or a combination of these benefits would likely be sufficient to change the sign of the quantified SNPV. To indicate the possible scale, where data has allowed, we have included indicative figures.

Table 3 – Summary of unquantified/unmonetised impacts

Impact relative to the counterfactual:
Reduced Underheating and avoided negative health impacts.
Underconsumption of heating can lead to, or exacerbate, health issues (and their associated knock-on adverse effects on the wider economy). A survey from the ONS suggested 40% of households were struggling to pay their energy bill and 51% were cutting back in response. In addition, evidence

³³ For gas and electricity prices we have made adjustments to appropriately reflect recent energy price increases. All other assumption are from the published guidance <https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal>

suggested that energy underconsumption would be greatest amongst lower-income households³⁴. The EBSS helps mitigate against this by enabling more energy consumption/higher temperatures in homes, specifically over the winter period. This is supported by findings from a previous Warm Home Discount evaluation³⁵, which found a small increase in the temperatures of properties in receipt of the grant. A Building Research Establishment (BRE) report³⁶ estimated that excess cold in ~800,000 homes led to health costs of ~£6 billion annually, and £15 billion in total wider society costs³⁷.

Stimulates consumption of other goods/services, to the benefit of consumers with possible wider societal impacts.

Though there might be a wider impact to society because of consumption decisions, this could be positive or negative. We do not know what consumers will consume, although in the wider cost of living context many households may consume other essential goods and services such as shelter, food, or clothing. For example, an ONS survey found that 31% of households were cutting back on essentials. Increased consumption in these areas where there would otherwise be underconsumption is expected to benefit society positively, for example, through improved health and lower health service costs, improved productivity, and wider economic activity.

Helps reduce household borrowing and thus avoid costly interest payments.

In the absence of the EBSS, households may increase their borrowing to pay for their energy bills. The ONS reported that, for June 2022, 20% of adults surveyed said that they had increased borrowing or were using credit from the previous year.³⁸ The cost of borrowing will vary depending on the type of finance and individual circumstances, but average figures reported by the Bank of England³⁹ suggest interest payments could be between 4% and 34% across overdrafts, credit cards and personal loans. If, in the absence of the EBSS, consumers raised the equivalent funds by borrowing, this would represent a disbenefit in the form of interest payments for the borrower. The range of total savings is estimated between £49-£136 per household⁴⁰ for a grant of £400.

Reduces the risk of debt accumulation, Fuel Poverty, and marginally reduces risk of supplier insolvency.

There are reported to be around three million domestic gas and electricity accounts which are either in debt or arrears⁴¹. This is expected to increase with recent (and future) energy price increases. The EBSS is anticipated to improve the ability of consumers to manage their energy bills over the 2022/23 winter period of high energy prices, and so reduce the risk of non-payment.

Analysis has also been carried out to look at the impact of the EBSS on Fuel Poverty^{42 43}. Results suggest the £400 reduction could reduce the level of Fuel Poverty in England in 2022 by around 4.2% compared to a “do nothing” scenario.

³⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/789775/Comparison_of_theoretical_energy_consumption_with_actual_usage.pdf

³⁵ <https://www.gov.uk/government/publications/warm-home-discount-evaluation-2010-to-2015>

³⁶ <https://www.bregroup.com/press-releases/bre-report-finds-poor-housing-is-costing-nhs-1-4bn-a-year/>

³⁷ Valued in line with the Transport Research Laboratory (TRL) costs of both fatal and non-fatal injuries. These costs include human impacts (pain, grief, and suffering), indirect economic impacts, as well as direct medical costs. <https://www.rospa.com/rospaweb/docs/advice-services/home-safety/re-valuation-of-home-accidents.pdf>

³⁸ <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/datasets/publicopinionsandsocialtrends-great-britain-household-finances>

³⁹ <https://www.bankofengland.co.uk/statistics>

⁴⁰ We assume the term of the borrowing for credit card and overdrafts is 1 year, for personal loans we assume a 5-year term in line with the scheme design.

⁴¹ <https://www.ofgem.gov.uk/energy-data-and-research/data-portal/all-available-charts?keyword=debt&sort=relevance> Accessed: 03/08/22

⁴² Fuel poverty defined using Low Income Low Energy Efficiency (LILEE), finds a household to be fuel poor if it has a residual income below the poverty line (after accounting for required energy costs) and lives in a home that has an energy efficiency rating below Band C.

<https://www.gov.uk/government/publications/sustainable-warmth-protecting-vulnerable-households-in-england>

⁴³ Full details on BEIS approach to modelling fuel poverty impact can be found here: <https://www.gov.uk/government/publications/fuel-poverty-statistics-methodology-handbook>

Finally, this policy will reduce energy suppliers' cost of borrowing to service those debts, so reducing their cashflow problems and risk of insolvency at a time when supply businesses are financially constrained. This has the knock-on benefit of reducing expected future costs of insolvencies that would be mutualised across the market. The future costs placed on consumers due to market exit last year are around £100 per household.

Quantified and monetised impact

47. The following section sets out the impacts which it has been possible to quantify and monetise to inform the SNPV. However, given the non-monetised impacts above, this is only a partial assessment. Table 4 provides an overview of the key inputs parameters and outputs across the options and is followed by discussion of the results. Please see Annex A for more details.

Table 4 – Inputs and outputs summary

\$400	
Inputs	
Value of the Grant (£)	400
Number of instalments	6 @ £66/67
Outputs	
Meter points supported (Million)	30.2
Total Rebate (£bn)	12.1
Total Recovered from household energy bills (£bn)	n/a
SNPV (£bn)	-6.3
Additional benefit required to break-even (SNPV) (£/Household)	207.7

48. To estimate the scope of the policy we have used the most up-to-date statistics on electricity meter points⁴⁴, which report that there were around 30 million domestic electricity meter points in the United Kingdom as of March 2022. To account for the anticipated growth in meter points by October 2022 (scheme launch) we have used an annual growth rate of 0.75% derived from historic meter point growth over the last 5 years. As EBSS will be paid out in monthly instalments, these meters points would only receive part of the total £400 grant over the sixth months of the scheme this will impact an estimated 90,000 meters which come online between October and March.
49. The quantified SNPV includes administrative costs for government and the negative externalities associated with higher energy consumption (specifically greenhouse gas emissions and air quality). The quantified SNPV for the policy is negative, however there are benefits we have not been able to quantify in the SNPV, discussed above.
50. The grant is expected to increase energy consumption, consistent with the policy intent (the analysis assumes the lowest income deciles spend 66% of the grant on energy consumption, and the highest spend 15%, averaging out at around 40% across all income deciles).
51. The assessment of energy consumption impact is against a “do nothing” counterfactual where energy consumption would be suppressed by high prices. However, it is important to note that the primary objective of the intervention is to increase energy consumption to safer levels, and that, even with the intervention, the resulting energy consumption is not expected to place us

⁴⁴ <https://www.gov.uk/government/statistical-data-sets/quarterly-domestic-energy-switching-statistics> And [UREGNI Annual Retail Energy Market Monitoring report 2021](#)

off track for meeting our carbon budgets given the scale of price increases expected. Further detail is provided in the Sustainability Impacts section of this IA.

52. Table 5 provides a breakdown of the specific components of the SNPV. The quantified analysis provides useful insights into the impacts of the policy, but the full range of costs and benefits cannot be captured through this type of analysis alone.

Table 5 – Break down of SNPV

Social NPV for (£m, discounted)		SNPV
		Option 1
Costs (Discounted)	Grant (Gov)	£12,051
	Gov Admin	£9
	Industry Admin	£44
	Increased energy supply	£3,539
	Increased emissions	£2,392
	Air Quality damage	£283
	Grant (Non-energy spend and savings⁴⁵)	£7,171
Benefits (Discounted)	Grant (Energy spend - Comfort taking)	£4,881
	Reduced energy supply	£0
	Reduced emissions	£0
	Improved Air Quality	£0
SNPV		-£6,267

Key modelling assumptions and uncertainty

53. There are several additional uncertainties, risks, and issues that affect the quantified analysis:

- The scale of consumption impacts:** The assumptions made in this impact assessment are based on the best available evidence and are consistent with similar schemes such as the Warm Home Discount and the Winter Fuel Payment. However, it is possible that consumers may not respond to the grant as we have assumed – this could be influenced by the broader context of the cost-of-living situation. If consumers decided to allocate a larger proportion of the grant to energy, then this would increase comfort taking from higher energy consumption and unquantified health and productivity benefits, but this would also see a proportional increase in the negative externalities i.e., carbon emissions associated with energy usage, which would decrease the quantified SNPV. However, if consumers use less of the grant on energy, this will increase their consumption of other goods/services or savings from which they would gain utility. Given this would reduce the additional energy consumption the cost of externalities would also decrease. However, this is a function of not being able to fully quantify the impact of additional spending/saving on society rather than a better policy outcome.
- The number of meter points:** There is uncertainty over the future number of domestic electricity meter points in the United Kingdom. For this analysis, we have used the reported number of meter points from the most recent publication and analysed historic annual growth trends to inform assumptions on the future profile. The impact will mean an increase *or* decrease in the number of eligible meter points in October 2022, across the

⁴⁵ See Annex A

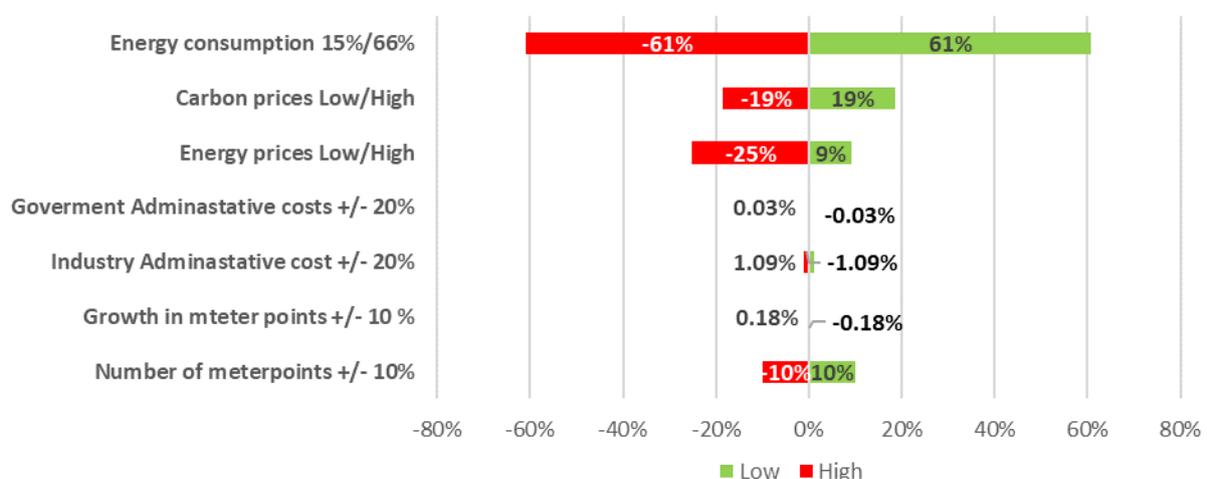
grant delivery period. Again, this impact is tested in the sensitivity analysis and is only expected to have a small impact. In practice, the exact number of meter points registered with all suppliers will be used to calculate the required funding, which will remove this uncertainty.

- **The scale of administrative costs:** There is some uncertainty over both government and industry administrative costs to deliver the EBSS. As discussed, the costs around developing and administering the EBSS for government have been developed by BEIS and, for industry, have been informed by industry consultation responses and the reported costs to industry of delivering similar schemes, such as the Warm Home Discount and the 2014 Government Electricity Rebate. Energy suppliers should be incentivised to keep these costs to a minimum to remain competitive, although some uncertainty remains as the approach taken to administering the EBSS may vary across energy suppliers.
- **The extent of industry admin cost pass through:** Energy suppliers will bear costs associated with delivering the EBSS. In the central case, this is estimated as £44m across the lifetime of the EBSS. This would translate to less than £1.5 per households if recovered evenly over all domestic electricity customers. These additional costs could be included in future price caps, which would enable energy suppliers to recover the majority these from consumers on default tariffs. However, decisions on updating the price cap will be up to the energy regulator Ofgem, who are expected to require sufficient evidence from suppliers to inform this decision. Ofgem may consider including costs if they are found to be demonstrably systematic and material. To inform this they would need to understand actual operating cost increases and any saving due to the scheme, which will only be available once the scheme has gone live.

Sensitivity analysis

54. Sensitivity analysis has been carried out on key parameters of the quantitative analysis. Figure 2 provides an overview of the sensitivities assessed and their impact on the SNPV as a percentage change. Given the SNPV is negative, a positive percentage change means the SNPV improves, whereas a negative change means the SNPV worsens.

Figure 2 – Model sensitivity analysis on the SNPV



- **Energy consumption:** This varies the average proportion of the grant which is spent on energy by households. The assumptions range from 15%, for all households in the low scenario and 66% for all households in the high based on evidence from an evaluation of the Winter Fuel Payment. The SNPV is highly sensitive to this as it has a direct impact on

the amount of energy consumption and associated social costs. However, this does not account for unquantified benefits from increased consumption of energy and other goods and services. It is expected households will generally act to maximise their utility when making consumption decisions.

- **Carbon prices:** The full range of carbon values reported in the HM Treasury Green Book have been assessed. The SNPV is moderately sensitive to this as it makes up a large proportion of the social cost of energy consumption – higher carbon values imply a higher social cost of emissions.
- **Energy costs:** Similarly, a low and high range, for both retail energy prices and long-run variable costs (LRVC), have been assessed. This impacts the analysis in two ways: retail prices impact how much energy a consumer can buy with the allocated grant funds and the LRVC is used to calculate the resource costs to society of supplying that energy. Higher energy prices reduce the increase in energy consumption but increase the resource cost of that energy. Overall, in the high energy price scenario, the increased resource costs are the larger of these two impacts.
- **Administrative costs:** An indicative +/- 20% range forms the basis for both government and industry ranges tested. These have a minimal impact on the SNPV, owing to their small contribution.
- **Meter point numbers:** Sensitivities on both the initial number of meter points and annual growth rates are tested. The initial number of meter points is varied by +/- 10% and the growth rate range are informed by the minimum and maximum rates observed over the last 5 years of 0.49% and 1.01%, respectively. In the former, there is a very small impact on the SNPV as the growth mainly impacts how many meter points are eligible for the grant. A change in the amount of initial meter points has an almost directly proportional impact on the SNPV of the EBSS, as this is the key assumption which dictates the size of the EBSS and its impact on aggregate energy consumption.

Policy consideration: Uncertainties, issues, and unintended consequences

55. There are a number of implications of the policy design which will need to be considered and managed across the delivery of EBSS. These are summarised below:

- **The scheme is insufficient:** The Cost-of-Living package announced in May 2022 includes additional one-off support which, combined with EPG, means the most vulnerable households should see minimal increases in their energy costs between last winter and the coming winter. The government continues to monitor the cost-of-living situation and does not rule out the need for further targeted support in future years.
- **Domestic Energy price guarantee (EPG):** The EPG and EBSS measures both act to support all households in the UK with the increased cost of energy in different ways: The EBSS provides a direct lump sum discount on a household's energy bill to the total value of £400 from October 2022 to March 2023, acting to increase household budgets. The EPG will act to reduce the unit cost of gas and electricity, which will mean households' budgets and the support from EBSS can go further. The EPG was designed with the support from EBSS in mind and added a future element of support which scale with consumption.
- **Risk of gaming/fraud:** As with any large government spend, there is a risk of fraud or gaming. Any gaming/fraud by energy suppliers or consumers could impact on the funds delivered by the EBSS and could mean the funds would not be used for the policy intent. This would reduce the effectiveness of the EBSS and could mean consumers do not benefit. We are

working closely with BEIS's Counter Fraud team and the Cabinet Office to mitigate against this.

- **Bad debt:** As in similar markets, some consumer debt is typically left unrecovered by energy suppliers – either because consumers are persistently unable to pay or cannot be cost effectively reached to take payment. This adds to supplier operating costs. There is concern that the scale of this may grow as a result of rises in energy costs and the wider cost of living. The EBSS is designed to help consumers better manage the expected peak in energy prices, reducing the number of consumers falling behind on their bills by shifting costs to when prices are lower, and consumers have had more time to prepare. As a result, we do not expect the EBSS to increase the costs to suppliers of bad debt. There may be some beneficial impact, all else equal, but this is challenging to assess.
- **Different payment types:** The response to the consultation and stakeholder engagement has raised awareness to a risk where consumers that pay by Direct Debit may not see any reduction in the price paid for energy due to wider increases in prices, and that some energy suppliers may not re-calculate direct debits until later in the year. This is not in line with the policy intent to ensure consumers feel the benefit across the winter 2022/23 period and, as a result, an option to deliver the support over six months from October 2022 to March 2023, in the form of a monthly discount of around £66 or £67, would be applied. Alongside this, other payment methods, such as credit and prepayment meters, would also receive the support by similar amounts and on similar timescales to ensure there isn't an incentive to switch payment methods. While this would better align with the policy intent there are expected to be greater industry administrative costs associated with delivering 6 payments instead of one.
- **Managing public money:** Given the size and scale of the EBSS, there is a possibility that providing energy suppliers with the funding through one payment of £400 to be applied to customer account balances could impact on energy supplier cash flows. There is a possibility that if funds were delivered in this way it may mean energy supplier(s) could benefit from holding these funds i.e., improved cash flow or interest on the funds, which is not the policy intent. As a result, an advantage of the six-monthly payment option would be to reduce this risk by staggering when the funds are delivered to energy suppliers across the six months.
- **Multiple grants provided to individuals paying multiple bills:** The intention of the EBSS scheme is to provide the grant to all households with a domestic electricity bill. Given the link to domestic electricity meters, those who pay multiple domestic electricity bills will receive corresponding multiple grants. There are a varied reasons for why someone could be paying multiple electricity bills, for example supporting a vulnerable relative or friend. The exact number of people who pay multiple electricity bills is unknown, however, it is expected to include an estimated 0.5 million individuals paying a second electricity bill at their second homes in Great Britain.⁴⁶ Attempting to exclude multiple bill payers, including those with a second home or empty homes, has been considered and assessed to be both highly complex and running the risk of delaying delivery, and excluding individuals who may need the grant the most.
- **Deadweight:** There are likely to be issues of deadweight given this is a universal measure, reflecting on the challenges of developing a more targeted scheme in time for delivery ahead of this winter. Despite the significant increases in energy costs, there are likely to be households for which energy prices under “do nothing” would still be manageable and not

⁴⁶https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/898190/2020_EHS_second_homes_factsheet.pdf

lead to issues of underconsumption, mostly likely those with higher incomes. The share of the spend on the scheme that is deadweight reduces the higher energy prices are under “do nothing”. The grants would be delivered through a reduction in energy bills. As such, a recipient could not automatically re-direct this support. However, if, for example, they wish to make an equivalent donation to a charity of their choosing, they could do so.

- **Interaction with inflation:** The ONS has classified EBSS as a current transfer paid by central government to the household sector. As such, it will not directly affect the official measures of inflation (CPI, CPIH, or RPI).⁴⁷ Insofar as EBSS has an impact on consumption, this could lead to second order indirect effects on inflation in the future if stimulating demand pushes up prices. However, this impact is uncertain and would be challenging to attribute directly to EBSS, and it needs to be considered alongside the fact that the policy intention is to maintain demand at an acceptable and safe level compared to a counterfactual of critical underconsumption.

Wider impacts

Direct costs and benefits to business calculations

56. This IA has considered the costs and benefits arising to business to deliver the EBSS. An impact is considered ‘direct’ if it arises directly from the implementation of the measure. BEIS assesses these direct impacts using the standard methodology to calculate the annual net direct costs for business (Equivalent Annual Net Direct Costs to Business, or EANDCB).
57. A summary of the costs expected to be borne by suppliers under the preferred option can be found below. Please see Annex A for full details of costs.
 - **Familiarisation and dissemination:** Reading and understanding new regulatory requirements and guidance is assumed to happen at an energy supplier level. This includes the time associated with creating guidance, planning implementation and dissemination to wider teams through training.
 - **Reporting:** Energy suppliers will be required to report before, during and after the EBSS. Prior to the EBSS start, this will mainly consist of reporting the required funding. This will be for both scheme reporting and to adhere to the updated supplier licensing conditions. Across the lifetime of the EBSS, energy suppliers will be required to report monthly delivery, and after the scheme report and return any undelivered funds. This is assumed to be carried out by a mixture of internal financial and business analysts, with approval provided by senior officials.
 - **Delivering the grant:** All suppliers are also expected to bear costs associated with communicating to customers to inform them of the grant. This could be delivered via e-mail or post. Energy suppliers are also expected to incur costs from delivering the grant to customers. For larger suppliers, this is expected to be a desk-based automated process which could require some updates to IT and billing systems for most customers. Suppliers are expected to face additional costs in delivering the grant to traditional pre-payment customers (around 7% of all meter points), as these accounts cannot be credited remotely, and would require vouchers or special action messages (SAM). Some consumers may require manual processing due to issues with automation or characteristics of consumer accounts.

⁴⁷ <https://www.ons.gov.uk/news/statementsandletters/energybillssupportschemeclassification>

- **Additional administrative costs:** There could also be some additional administrative requirements related to dealing with calls from customers and preparing the required documentation for audits.

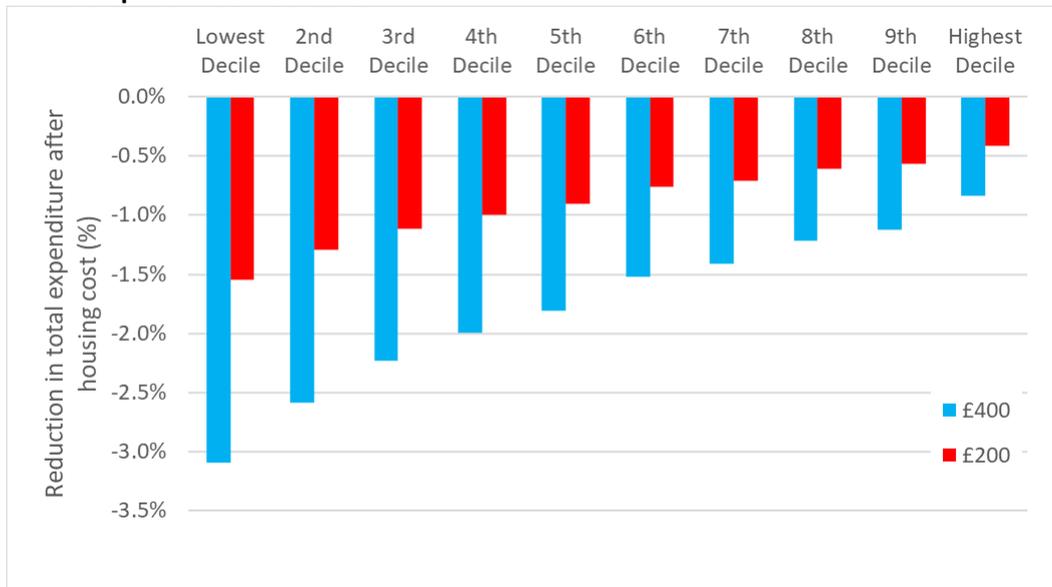
58. All costs presented above are considered to be direct. The EANDCB is estimated at £44m for the 1-year when the EBSS is delivered. Around three percent of these costs are attributable to business in Northern Ireland based on their share of the consumer base, as described above the actual share of NI costs is dependent on the final delivery model.

Local impacts appraisal

59. The EBSS covers all domestic electricity meter points with a direct relationship with the energy supplier in the United Kingdom. As such the distribution of the support will follow the distribution of meter points in the United Kingdom. The policy aims to provide support to all of these consumers to the value of £400.

60. However, the benefit of the initial grant will be felt differently depending on household incomes/budgets. Low-income households are expected to gain a greater benefit as a share of their total expenditure relative to those with higher incomes. To illustrate this, we have undertaken analysis on the impact of the reduction to annual energy bills as a proportion of household expenditure across disposable income deciles.⁴⁸ The results, in figure 3, indicate that a £400 payment would reduce total household expenditure (after household costs) by around 3.1% for the lowest decile, compared to around 0.8% for the highest decile.

Figure 3 – Impact of EBSS £400 payment as a share of total after housing cost expenditure by equivalised disposal income deciles⁴⁹



Sustainability impacts including Net Zero

61. Given the recent increase in energy and fuel prices, it is expected that consumption of energy and fuel, and therefore emissions, more broadly will decrease in response. This would leave short-term emissions lower than expected in the Government’s November 2021 Net Zero Strategy that was based on lower energy price assumptions. For example, the default tariff

⁴⁸ <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/familypendingworkbook1detailedexpenditureandtrends>

⁴⁹ For simplicity energy bills are based on 2022 April – September price cap levels, represented as a proportion of after housing cost expenditure across equivalised disposable income deciles

(price) cap is currently £693 or 54% higher annually for an average household than the price cap level effective at the time of the Net Zero Strategy, and it will increase further in the October price cap period.

62. Therefore, from this perspective, energy demand and emissions may still be lower than in a scenario where high prices had not been experienced – even when accounting for the impact that the EBSS has on increasing energy consumption. However, for the purposes of this impact assessment, and aligned with Green Book appraisal methods, the assessment is made relative to a counterfactual that already includes the impact of the rise in prices.
63. The EBSS is designed to avoid underconsumption of energy and other goods and services across the period of high prices. As a result, the EBSS is expected to increase overall energy consumption relative to the counterfactual. This will lead to an increase in the environmental costs associated with energy use i.e., carbon emissions and air quality impacts. The policy is estimated to lead to a net increase of emissions by around 9 MtCO₂e. Table 6 provides an overview of the total emissions, their value, and the value associated with air quality damage.

Table 6 – Summary of energy impact and social costs

Net change in other energy consumption (TWh)	48
Increase in carbon emissions (Mt CO₂e)	9
Resource costs of energy (£m)	3441
Social cost of carbon (£m)	2325
Social cost of air quality impact (£m)	275

Impact on small and micro businesses

64. The EBSS will be delivered by all domestic electricity suppliers to all domestic electricity customers with a direct relationship with their supplier in the United Kingdom. According to the latest Ofgem data, there are 26 energy suppliers in the domestic retail energy market, with around 11 suppliers classified as either a small business or microbusiness as of 13th May 2022⁵⁰. In total these suppliers currently serve fewer than 150,000 consumers. Most, if not all, electricity suppliers in Northern Ireland who will help deliver NI EBSS are unlikely to be classified as small or micro businesses, although we currently lack robust data on this.
65. The EBSS aims to support as many domestic electricity customers as possible with a direct relationship with an energy supplier in the United Kingdom. As such, any exemption for suppliers would not be in line with the policy intent and to the detriment of customers and their suppliers. There will be no additional or different requirements placed on small or micro businesses. However, we recognise the impact of delivering the EBSS may be felt differently across energy suppliers.
66. Responses to the consultation and engagement with suppliers suggest smaller suppliers could face an increased administrative burden in delivering the EBSS, owing to their inability to change ways of working or the makeup of their customer base. Conversely, we have also heard from some suppliers that these smaller entities may be able to respond to the delivery requirement of the EBSS in a more agile way due to having smaller customer bases and less cumbersome and legacy ways of working. The reporting requirements of the EBSS are expected to be similar to the existing reporting all suppliers submit to Ofgem, which is expected to reduce

⁵⁰ Based on BEIS analysis of Companies House data <https://www.gov.uk/guidance/companies-house-data-products>

additional complexity. Ultimately, the experience is expected to vary across suppliers, dependant on their business model.

67. To ensure equal treatment of all customers and energy suppliers, the Government's approach to delivering the EBSS has been designed to bring as much alignment between different payment types as possible. However, we recognise that exact alignment is not possible due to the characteristics of different payment types i.e., traditional pre-payment meters are unable to be credited remotely. In addition, we also recognise the different ways of working and business models of energy suppliers across the market. As such we have opted for a policy design which provides suppliers with flexibility over how they ensure the grant is received by consumers. For example, suppliers will be able to apply the grant as either a credit, a discount, or a refund to their customers.
68. As discussed in the direct cost to business section, we have estimated the total administrative costs of delivering to be between £30m and £57m with a central value of £44m. Analysis of the customer base of those suppliers classified as small or micro businesses suggests that they account for less than 1% of the total eligible customer base and, as such, those suppliers would be responsible for delivering less than £6m of the total value of the grant. Like all energy suppliers, the cost of administering the EBSS is generally expected to be passed on to their customers, but this will be at the discretion of the supplier.
69. Where customers are on fixed tariffs, passing on costs may not be possible. While small suppliers have historically had a greater proportion of their customer bases on fixed acquisition tariffs, during the current market environment most customers previously on fixed tariffs have since moved onto default tariffs. For non-fixed tariffs, such as standard variable tariffs, suppliers generally can change tariff pricing in response to underlying cost changes, subject to the default tariff cap, set by the regulator, Ofgem. Ofgem has a duty to set the default tariff cap such that it allows efficient suppliers to finance their activities and will need to consider any cost impact of the EBSS when determining future cap levels.
70. Overall, while suppliers are expected to take different approaches in delivering the EBSS, and there could be a greater impact placed on small or micro businesses, the potential for this is assessed to be outweighed by the importance of ensuring as many customers as possible receive the EBSS payment and that competition is not distorted by excluding some customers and suppliers from this scheme. Moreover, the response to the consultation suggested that all suppliers would be incentivised to deliver the EBSS as cost effectively as possible to maximise their competitiveness and deliver the greatest benefit to their customers.
71. Furthermore, the legislation is to be introduced which will require landlords who offer all-inclusive rents to pass on the full benefits of the EBSS to tenants if they receive it. This is expected to have an impact on some landlord and letting agencies, some of which are likely to be small or micro business. Evidence on the prevalence of all-inclusive rents is limited, according to a Citizens Advice around 13% of tenants⁵¹ have their energy managed by their landlord but only a subset of these will be on an all-inclusive basis. These landlords or agents may face additional administrative burden in familiarising themselves with the requirement and passing these costs through to tenants, however this would only be additional if in the absence of the legislation they would not have passed on the support. The government has previously made it clear that it would expect landlords to pass on EBSS payments to their tenants; the legislation formalises that. Compliance is expected to be a quick desk-based exercise for

⁵¹ <https://www.citizensadvice.org.uk/about-us/our-work/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/room-for-reform-embedding-fair-outcomes-for-tenants-in-tomorrows-retail-energy-market/>

landlord or letting agents and come with minimal additional costs. Ultimately, the legislation will help to ensure the support offered by EBSS reaches those it was intended for.

Public Sector Equality Duty (PSED)

72. We have been considering the equality implications of the preferred option. This included a Public Sector Equality Duty (PSED) assessment which has been completed for the preferred option. A summary of the key considerations is set out below.
73. Overall, we believe that the EBSS will have a positive impact for all recipients, including those that share the protected characteristics assessed under the PSED requirements. This is due to automatically providing a £400 grant to over 29 million domestic electricity customers, without an application process. As already discussed in this impact assessment, this aims to help households manage the unprecedented rise in energy prices and help avoid dangerous levels of underconsumption of energy or other goods/services. However, we recognise that there are several impacts of the EBSS design which could disadvantage certain groups. These are summarised below:
- **Changes in household occupancy:** Where the living circumstances of individuals change, they may only receive part of the grant. For example, young people leaving home for the first time shortly after the start of the grant process or changes to relationships that may result in new households forming⁵². To ensure that as many households as possible benefit from a proportionate amount of the grant over the winter, the £400 will be given out in instalments over 6 months, starting in October 2022, meaning newly formed households will receive a proportionate amount of the £400 up to the last payment in March 2023.
 - **All-inclusive rent:** In some rental accommodation, energy bills are included in the rent, which risks the property owner not passing on the benefit of the £400 grant to the residents. While evidence from the English Housing Survey suggests that less than 1% of households pay their energy bills in this way⁵³, they may be more likely to share protected characteristics such as age and ethnicity. To ensure that the benefit of the grant is passed on, we will communicate that property owners should pass on the grant in line with the arrangements in their respective contracts or tenancy and how tenants should expect to benefit from the grant, as well as how to challenge where necessary.
 - **Pre-payment meters (PPM):** Around 14% of all energy consumers have a pre-payment meter for their electricity in Great Britain. Around half of these are estimated to be smart pre-payment meters⁵⁴. Evidence suggests that some protected characteristics such as age and marital status are overrepresented in this group⁵⁵. Traditional PPM customers will receive the grant as vouchers, SAMs or a cheque that can be charged to the meters. Receiving the grant is not automatic in these instances, as the customer will need to redeem the voucher, so this introduces risks of the grant not being applied to these customers if action is not taken or the vouchers, SAMs or cheque do not reach them. We will require that suppliers take all reasonable steps to provide the monthly EBSS grant payment to each eligible customer as soon as possible after the qualifying date. We will be undertaking a rigorous communications campaign with targeted communications and messaging for prepayment meter customers. This will utilise a range of media, existing

⁵² <https://www.gov.uk/government/statistical-data-sets/new-households-and-recent-movers>

⁵³ BEIS analysis of English housing survey results: <https://www.gov.uk/government/collections/english-housing-survey>

⁵⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1086573/table_242.xlsx and BEIS analysis of smart meter data.

⁵⁵ [Demographics of PPM](#)

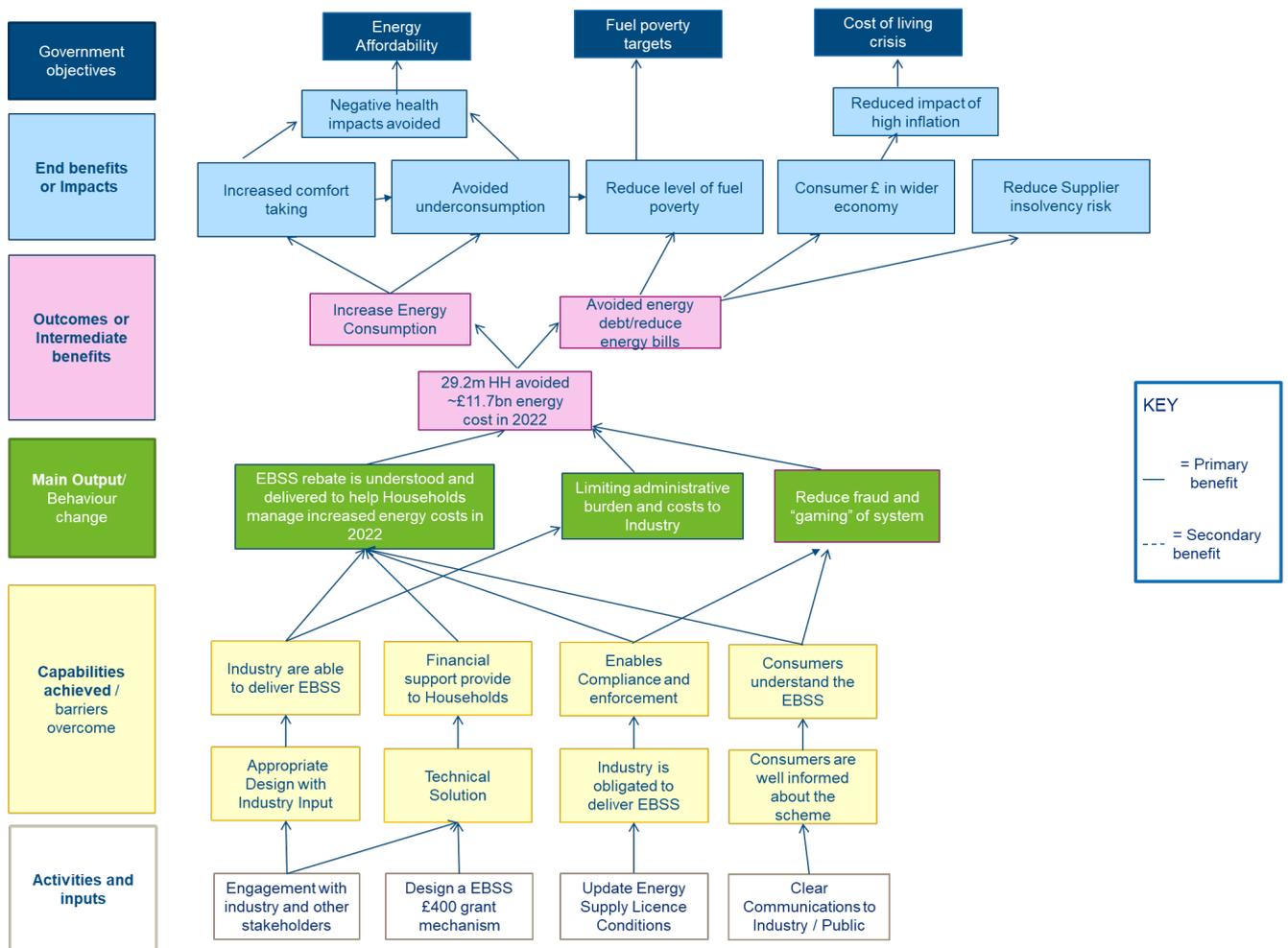
networks and systems to alert customers to the vouchers they will receive and how to use them.

74. While some PSED concerns and challenges do exist in the delivery of the EBSS, there are mitigations in place to limit their impact. This will act to ensure as many households as possible can benefit from the EBSS. We will continue to monitor the delivery of the EBSS and assess any additional PSED issues which may arise.

Monitoring and Evaluation

75. A high-level Theory of Change (Figure 4) has been developed to demonstrate the causal pathway from inputs, through to outcomes and impacts of the EBSS. This will serve as the framework for the evaluation approach, including the outcomes and impacts that will be validated/tested through the M&E process.

Figure 4 – EBSS Theory of change



76. The monitoring and evaluation plan aims to assess how effective the EBSS has been at achieving the objectives and specific benefits set out above. A number of key benefits will be monitored and measured over the lifetime of the EBSS, such as:

- 30 million meter-points avoid £12.1bn energy costs in the United Kingdom over Winter 2022/23

- Avoided negative impacts to energy consumers' health because of energy underconsumption over Winter 2022/23
 - Reduced fuel poverty relative to the counterfactual
 - Reduced impact of cost-of-living crisis relative to the counterfactual
77. The EBSS monitoring data will serve several purposes, including delivery, enforcement and compliance, and anti-fraud checks. The primary avenue for collecting monitoring data is through suppliers. BEIS and Ofgem are working together to align reporting requirements to help reduce the burden placed on industry.
78. The evaluation of the EBSS will comprise of the following elements:
- **Process evaluation:** will focus on understanding how the grant was distributed from government to energy supplier and then on to meter points (consumers). It will also cover aspects such as the administrative burden on suppliers and Ofgem to deliver the EBSS; exploration of grants/vouchers not delivered/redeemed and why; and the overall scheme delivery and lessons learned. This strand will also cover consumer awareness and perceptions of EBSS, and the ability of different consumer groups to access and benefit from the grant.
 - **Impact evaluation:** will cover what difference the scheme has made, including the additionality from EBSS. The methodology will consider the impact of the EBSS as far as possible, recognising the limitations in disentangling the impact of EBSS in comparison to wider cost-of-living support this Winter
 - In particular, the impact evaluation will test the anticipated impacts of the scheme including reduced underheating; reduced shock of increased energy prices through the increase in the energy price cap; fuel poverty impacts and levels of indebtedness.
 - A suitable evaluation methodology will need to be determined to be able to attribute impacts to EBSS. Quasi-experimental methods are being reviewed to assess feasibility and ensure the evidence can support a higher classification in the Maryland scale. In the absence of this, we will use theory-based methods such as contribution analysis, process tracing and realist approaches to assess the impacts of the scheme.
 - **Value for money assessment:** the monitoring and evaluation will also seek to conduct a post scheme value for money assessment to compare the outcomes of the EBSS with the expected impacts appraised in this impact assessment.
79. Monitoring and evaluation are expected to be carried out by a combination of internal delivery monitoring collected by the payment body and an external organisation to conduct the evaluation of the EBSS to ensure independence. The evaluation will be commissioned in September 2022, and we expect early findings to be available prior to Winter 2023.

Annex A – Quantified analysis Assumptions and Methodology

This Annex sets out the methodology and key assumptions which have fed into the quantified cost benefit analysis. This includes estimating the number of eligible meter points, administrative costs to government and industry, and the assumptions made on the impact on consumption.

Total Transfer value

The estimate of the total number of recipients has been informed by the number of domestic electricity meter points in the United Kingdom. The steps to estimate this are set out below and the results for the central case are shown in table 8.

(1) *Estimated meter points in Year_i = Initial meter point total * Annual growth rate*

(2) *Transfer value = No. domestic electricity meter points * (£200/£400)*

Government Administrative costs

The costs to government have been estimated by BEIS for the operational purposes of setting up the teams in BEIS and Ofgem. The total cost in 2022/23 are assumed to be £10m and £3m in 2023/24.

Industry Administrative costs

Estimating the costs associated with delivering the EBSS is challenging due to the diversity of approaches and business models in the domestic electricity supplier market. To inform these cost estimates we requested evidence from suppliers through the public consultation on this scheme⁵⁶, however, only a small number of suppliers responded with sufficient information on costs. As a result, for the purpose of this impact assessment, we have compared the evidence we received from industry with the reported industry costs from elements of other policies such as the Warm Home Discount⁵⁷, the Government Electricity Rebate⁵⁸/

There still remains some uncertainty in these estimates due to the different approaches suppliers may take. As such, for the purpose of this impact assessment, we have applied a +/- 30% uncertainty range to these total costs, which was tested in the sensitivity analysis and does not have a large impact on the overall value for money of the EBSS. However, we recognise there is scope for these costs to vary as suppliers deliver EBSS.

In addition, the estimates below focus solely on the costs of delivering the EBSS. As discussed throughout this IA, there could be some areas where energy suppliers benefit from the EBSS. This could be due to reduced customer arrears and debt as a result of receiving the grant, or reduced customer calls as customers are more able to manage their energy bills. These benefits are challenging to monetise and are only expected to be small, if any. As such, the EBSS would still be expected to lead to a net cost to business.

A standard cost model has been used to estimate the cost to industry of undertaking different activities. The cost of different job roles has been informed by the 2021 ASHE publication from the ONS and we have used the mean cost per hour for the job across Great Britain⁵⁹. We have also

⁵⁶ <https://www.gov.uk/government/consultations/technical-proposals-for-the-energy-bills-support-scheme>

⁵⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1065787/Warm_Home_Discount_reform_final_stage_Impact_Assessment.pdf

⁵⁸ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/360461/ger_ia.pdf

⁵⁹ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/allemployeesashetable1>

increased the per hour costs by 22% to account for non-wage costs as per guidance from the Regulatory Policy Committee.⁶⁰

The assumptions used to inform the costs to industry of delivering EBSS are summarised in table 9 and 10. This is split into administrative activities and the costs of delivering the grant. The key areas of difference are summarised below.

- **Reporting:** More reporting will be required as suppliers will need to submit meter point numbers every month and make the required funding request. In addition, the delivery reporting is assumed to carry on for 3 months to capture the delivery and redemption of vouchers by traditional pre-payment consumers.
- **Delivery of the grant:** The grant will be delivered over 6 instalments. We have used a combination of costs provided by suppliers and the cost of delivering the Government Electricity Rebate to inform these. Energy suppliers are expected to bear the variable costs of this six times. In practise, this could be an overestimate as it does not account for any cost saving from carrying out the same process multiple times.

⁶⁰https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/827926/RPC_short_guidance_note_-_Implementation_costs_August_2019.pdf

Table 9 – Administrative elements of industry cost

What	Who	Wage/cost (£ or £/hour)	time taken (Hours)	Frequency/ staff	Firms
Familiarisation: Reading and understanding the requirements, briefing senior officials, creating, and disseminating guidance. The equivalent of 4.5 months to complete.	Management consultants and business analysts	29	780	1	32
Training: Project groups attending training events prior to scheme launch. Training ran by internal staff for 30 internal employees.	Management consultants and business analysts	29	4	1	32
	Call and contact centre occupations	13	4	20	32
	Business, research, and administrative professionals	31	4	10	32
IT updates: Project team to manage and deliver any required updates to a supplier IT system to deliver the grant automatically. Assumed to take the project team 2 week to deliver.	Managers, directors, and senior officials	32	8	1	32
	IT specialist managers	33	80	1	32
	IT project and programme managers	37	80	1	32
	IT business analysts, architects, and systems designers	32	80	2	32
Reporting: Collecting and collating an energy supplier’s customer numbers into the reporting template is expected to be an automated desk-based activity, assume to take 1 day to complete, oversight from managers, sign off from senior officials and uploading report template	Chief executives and senior officials	65	2	9	32
	Management consultants and business analysts	29	8	9	32
	Managers, directors, and senior officials	32	4	9	32
Funding request/reconciliation: Finance team to prepare and approach request for funding from the customer numbers prepared. Assumes to take half a day to complete, and addition sign off.	Chief executives and senior officials	65	2	9	32
	Financial managers and directors	37	2	9	32
	Administrative occupations: Finance	17	4	9	32
Delivery Reporting: Collecting and collating the delivery reporting of the grant to customers monthly across the deliver lifetime of the EBSS.	Chief executives and senior officials	65	2	9	32
	Management consultants and business analysts	29	8	9	32

	Managers, directors, and senior officials	32	4	9	32
Communications: Preparing email and mail communication about the EBSS and delivery for customers. It is assumed employees are aware of the EBSS following familiarisation and training. We assume all customers receive e-mails and 50% also receive a letter.	Chief executives and senior officials	65	1	1	32
	Managers, directors, and senior officials	32	2	1	32
	Administrative occupations	17	1	1	32
	Print	0.15	N/A	14.5 m	n/a
	Postage	0.85	N/A	14.5 m	n/a
Customer contacts: Assumed that all suppliers employ 5 additional call centre staff over the delivery period and additional management.	Managers, directors, and senior officials	32	5	24	32
	Call and contact centre occupations	13	900	5	32
Final Return funds: Finance team prepare the funds which need to be returned to the payment body, is approved by manager and senior official.	Chief executives and senior officials	65	2	1	32
	Financial managers and directors	37	4	1	32
	Administrative occupations: Finance	17	8	1	32
Audit/verification: Assumes all suppliers are subject to audit and verification activities over the delivery period. This requires finance and senior officials' time. Assume a senior board of 6 approve the audit preparation.	Financial managers and directors	37	8	1	32
	Administrative occupations: Finance	17	8	1	32
	Managers, directors, and senior officials	32	12	1	32
	Chief executives and senior officials	65	3	6	23

Table 10 – Industry cost estimates delivering the grant

Grant delivery: Assumes the majority of payments are made automatically following updates to the IT system if required. Assumes 50% of traditional PPM customers receive grant via voucher and 50% by SAMs. Additional costs account for any issues with automatic payments (5%) which are 5 times as costly to do manually. Additional costs accounted for to update the bills for Direct Debit and credit customers.	What	Approach	No. customers	Cost (£/customer)	Frequency
	Direct debt	Automatic	21	0.04	6
	Credit	Automatic	5	0.04	6
	Smart PPM	Automatic	2	0.04	6
	Traditional PPM	voucher	1	£1.36	12
	Traditional PPM	SAMs	1	£0.02	6
	Expectations (5%)	Manual processing	5	0.18	6
	Billing updates	Credit & DD only	26	£0.55	6

Impact of the grant on energy consumption

EBSS grants will be delivered through reductions in electricity bills. This is effectively an increase in household disposable income for grant recipients. We would expect households to respond through observable changes in the amount of energy and other goods and services they consume.

We expect grant recipients' energy demand to increase greater than proportionally to the increase in their incomes. We assume that 15- 66% of the grant will be spent on additional fuel consumption. We scaled the proportion spent on energy by income, as such, those in the highest income decile spend 15% of the grant on energy, whereas those in the lowest decile spend 66%. This is known as the labelling effect, which was identified by the evaluation of a similar policy, the Winter Fuel Payment⁶¹. Where the grant is not used for additional energy consumption, we have assumed it is used to consume other goods and services or is saved. As a simplifying assumption, we treat this remaining portion of the grant as additional income.

It is assumed the increase in energy consumption will be spread across all household energy consumption i.e., across all fuels a household uses for heating or electricity. Evidence from ECUK⁶² has been used to inform this split. To capture the social value of comfort taking, we derive the retail value of the change in energy consumption, as this represents consumers' willingness to pay for the change in comfort. This is derived as set out in the Green Book:

$$\text{Social Value} = \Delta \text{change in fuel consumption} \times \text{retail price} \times f$$

Where f = fuel type (gas, oil, coal, electricity)

The resource cost of meeting increased demand for a fuel is calculated based on the long run variable cost of that fuel in 2022. For the purposes of this analysis, we have adapted prices in the green book to reflect recent movements in energy prices.

$$\text{Resource Cost} = \Delta \text{change in fuel consumption} \times \text{Long Run Variable Cost} \times f$$

Where f = fuel type (gas, oil, coal, electricity)

⁶¹ Beatty, T., Blow, L., Crossley, T. & O'Dea, C. (2011). Cash by any other name? Evidence on labelling from the UK Winter Fuel Payment. Available at: <http://www.ifs.org.uk/publications/5603>

⁶² <https://www.gov.uk/government/statistics/energy-consumption-in-the-uk-2021>

To estimate the air quality and greenhouse gas emission impacts, we have used the conversion factors and values as set out in the green book.⁶³

EBSS AF

Eligibility Criteria:

Certain groups would not benefit from the EBSS because they do not have a domestic meter point and a direct relationship with an electricity supplier. The government previously announced that further funding would be available through winter 2022/23 to help those not be reached by the EBSS. The EBSS Alternative Fund (AF) will be funding that will provide a £400 energy bill grant to households that meet the following criteria:

- The dwelling for which support is being claimed is the main or sole residential address of the applicant making the claim;
- The resident or applicant (if someone else manages the application on their behalf) is responsible for paying for energy used in the dwelling as part of a service charge, rent or other arrangement;
- The household is not already benefitting from EBSS payments, either through the main EBSS scheme or the EBSS Alternative Fund;
- The applicant is not a business with a commercial supply arrangement or within business premises, with the exception of businesses whose main business activity is to provide long term residential accommodation (landlords, etc.) applying on behalf of their residents.

Size of population in scope:

We have estimated that the number of customers who meet the eligibility criteria above is 740,000 – 886,000. A large portion of this group are care home residents which make up around half the potential recipients of grants via the EBSS AF.

Table 12 below sets out the detail of how this estimate was derived as it has drawn on various reports and data sources. This represents our current estimate of the potential number of households who would be in scope of the EBSS AF, however significant uncertainty remains.

⁶³ <https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal>

Table 12 – Available evidence on the number of homes outside of scope of EBSS

Group	Number (est.)	Source
Residents of care homes	418,000	ONS, UK Care Home review (Scotland & Wales) 2021 ⁶⁴
Housing association and private tenants supplied via a landlord with a commercial meter	175,000 – 280,000	Estimate received from consultation process ⁶⁵
Park Homes supplied as above	85,000 – 125,000	DHLUC ⁶⁶ , Wales.gov ⁶⁷ , gov.scot ⁶⁸
House boats at residential moorings ⁶⁹	3,000	VOA ⁷⁰
Heat network consumers who only receive electricity via a private wire from a CHP plant	Up to 32,000	BEIS analysis of Heat Network statistics ⁷¹
Travellers on authorised fixed sites	26,000	MHCLG ⁷² , scot.gov ⁷³ , gov.wales ⁷⁴
Energy consumers who live off the grid	500 – 2,000	Indicative estimate based on evidence from a Ofgem call for evidence.
Total	740,000 – 886,000	

Costs and Delivery of EBSS AF

Given the uncertainty around the size of the eligible population total costs of the EBSS AF are also uncertain. The value of the grants paid would be between £296m and £354m and allowing for 5% in admin costs the range increases to £311m - £372m.

The EBSS AF will require recipients to submit an application to a designated body in order to receive their grant this means households needing to use the EBSS AF will incur slightly higher hassle costs than those whose grants are paid automatically. Costs to businesses are assumed to zero as delivery is through a designated body with no new regulation or requirements for business.

⁶⁴<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/socialcare/articles/carehomesandestimatingtheselffundingpopulationengland/2021to2022#self-funding-population-of-care-home-residents>

⁶⁵ <https://www.gov.uk/government/consultations/technical-proposals-for-the-energy-bills-support-scheme>

⁶⁶ <https://www.gov.uk/government/collections/park-homes>

⁶⁷ [Wales.gov](#)

⁶⁸ <https://www.gov.scot/publications/residential-mobile-homes-scotland/pages/5/>

⁶⁹ Some houseboats with residential moorings are eligible to pay council tax and this is the group we include. Those not on residential moorings are generally not the main home of a household.

⁷⁰ <https://www.data.gov.uk/dataset/0cd0d5c0-f170-4899-ba45-e7d227bbd0e4/houseboats>

⁷¹ <https://www.gov.uk/government/publications/energy-trends-march-2018-special-feature-article-experimental-statistics-on-heat-networks>

⁷²

⁷³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/891229/Traveller_caravan_count_20_20_stats_release.pdf

⁷⁴ <https://www.gov.scot/policies/gypsy-travellers/>

⁷⁴ <https://gov.wales/park-mobile-homes>