

Table – Affordability intervention options

Option	Level of consumer protection it delivers	Effectiveness in reducing fuel poverty	Risk of creating market distortions	Cost to taxpayers / bill payers	Feasibility of being implemented
Social tariff Vulnerable consumers would be charged at a rate which is below cost. The discount would be paid for either via bills or the exchequer.	The level of consumer protection is set by the discount the social tariff offers. In water this can be 50% or more. All usage is charged at the lower rate providing a high level of protection. The more generous the support, the more expensive it becomes which may necessitate tighter eligibility to reduce number of recipients.	Subject to developing the right sources of data, this directly targets support to the most vulnerable ensuring relief for fuel poverty goes to those who need it the most.	A social tariff based on a discounted rate that applies to all consumption weakens price signals, reducing the incentive to use less as prices spike. The nature of a single social tariff means there is limited ability for suppliers to compete on service around the product.	Compared to the rising block tariff, the uncapped nature of a social tariff (i.e. all consumption charged at the same lower rate) potentially increases costs for other consumers as this would most likely be funded through bills.	Less complex to implement as the design is simpler and there is precedent in other utilities. A key issue is ensuring consumers in need get the support. Effective data analysis is required which combines income data with consumption and which ensures regular and dynamic eligibility assessments. This is currently not possible and may require legislation to overcome data protection rules.
Rising block tariff A rising block tariff charges consumers at a progressively higher unit rate for consumption in different blocks. It would incentivise lower energy consumption.	A rising block tariff could be used universally to provide all households with a lower tariff for “essential energy usage” incentivising everyone to only use what they need, but this creates a risk of providing support to those already able to pay. It could be targeted only at those in fuel poverty and so designed to limit support, but this may add additional complexity.	It may not be as comprehensive as a social tariff in tackling fuel poverty amongst most vulnerable as the cheaper rate would only apply to a certain volume of consumption. If not carefully designed, it would disadvantage consumers with unavoidably higher energy consumption due to medical needs or poorly insulated homes other needs. If widely applied, this also risks a deadweight cost of	Compared to a social tariff, a rising block tariff is less distortive as it maintains price signals. There is also scope for competition between suppliers on the subsequent “non-essential” tariff rates. Suppliers could also look to provide customers with new products aimed at helping consumers to stay within lower blocks.	Potentially lower cost as only essential energy is subsidised. Other energy could then be closer to the true cost, or even at a higher cost to make it cost neutral. For suppliers there would like be a higher administrative cost to implement due to added complexity.	More complex to implement than social tariff due to a lack of precedent and need for universal adoption of smart metering. Politically difficult to design in terms of setting different block levels, as it raises questions around what qualifies as essential and non-essential energy usage.

		subsidising those who don't need support (such as high-income, low-usage households).			
'Flexible' social tariff Similar structure to the core social tariff, but when prices rise above a set level, more consumers become eligible and receive a discount. This "broader group" is defined through criteria that is agreed in advance.	As with the social tariff, such a structure would be based on a unit rate discount applied to all consumption and offer similar support.	Provides a higher level of protection against fuel poverty as when prices spike, more at-risk customers would get protection, meaning it is potentially a measure that better responds to significant future price spikes.	Similar to a regular social tariff. Arguably slightly more distortive as more customers would be eligible at times of price spikes but competition tends to dampen during such times.	More expensive than a social tariff with fixed eligibility as more customers are eligible during price increases. This could lead to calls to implement a cost cap, or fund the intervention via the taxpayer.	More complex to implement versus a standard social tariff due to it being dynamic. There would need to be clear rules in place for when the broader group becomes eligible (i.e., the price level that triggers the expansion of support to more consumers) and who would receive this support.
Expanded Warm Home Discount The WHD is an obligation on suppliers, paid through customer bills which provides a lump sum £150 payment to those in receipt of benefits with high energy costs. This could be expanded. All suppliers both large and small could also be brought in scope for the scheme.	The nature of the WHD payment (a lump sum that is not applied at the unit rate level) means it is limited in the level of support it offers consumers unless set at a very high-level.	The eligibility of WHD is based on benefits. However over two-thirds of people in extreme fuel poverty do not receive means-tested benefits. It therefore has limited effectiveness in dealing with wider affordability issues.	The WHD does not materially distort the market or price signals. To make the £150 go as far as possible, consumers are still incentivised to respond to higher prices.	Increasing the annual budget (to enable expansion) would create additional costs for billpayers. However the budget can be controlled, whereas the nature of social tariff/rising block makes the costs less controllable.	Easier to implement given WHD is already operational, subject to similar challenges on data availability to define a wider eligibility.
Extended Energy Price Guarantee	Provides the highest level of protection to consumers across the market in instance of a sustained price spike.	The universal nature of the support may necessitate a lower level of support at the individual level versus the	Dampens competition due to reduced price signals, but the only impact is likely to be limited as the was low competition at high price	Depends on level of support provided, but universal measures are likely to be meaningfully more expensive and	Due to cost of the intervention, challenging to implement due to the current fiscal environment.

In the event of a price spike caused by a geopolitical event as we saw in 2022, universal support could once again be provided to consumers through an intervention such as the Energy Price Guarantee.



more targeted options above. It could also risk not providing the level of support needed on an ongoing basis at more normal price levels for low-income households.

levels under the previous Energy Price Guarantee.

unsustainable on a long-term basis.

