

COUNTRYSIDE ALLIANCE BRIEFING NOTE: ENERGY SUPPORT FOR OFF-GRID HOMES

Westminster Hall, Fay Jones MP

Wednesday 19 October 2022

Background

- Against the backdrop of spiralling energy costs sparked by Russia's war against Ukraine, the Chancellor of the Exchequer's 'Plan for Growth' statement set out expanded measures to support households with the costs of fuel.
- Plans announced under the previous Government earlier in the year had been criticised for failing to take full account of homes not connected to the gas grid and therefore reliant on alternative fuel sources for heating, which are not covered by Ofgem price caps and are likely to be more expensive. Many such homes are in rural areas.
- According to the latest fuel poverty statistics (based on 2020 data), 52.6% of rural homes are off the gas grid, compared to just 9.8% of urban properties.
- The figures also indicated that while urban and rural areas both have a fuel poverty rate of 13.5 per cent, rural households in fuel poverty have a far higher fuel poverty gap (the reduction in fuel costs that would be necessary for the household no longer to be in fuel poverty) at £501, which is more than double that experienced by fuel-poor urban homes.¹
- The 'Plan for Growth' measures sought to address the situation of these households through targeted support and will be given legal effect in the Energy Prices Bill, scheduled for all stages in the House of Commons on 17 October (before this debate but after the publication of this briefing).

Dual-fuel (gas and electric) homes

- By way of comparison, homes that are connected to both the electric and gas grids will benefit from two schemes.
- First, the Energy Bills Support Scheme (EBSS) – the element that had been announced under the previous Government – will provide all households on the electric grid £400 of support to meet their energy costs over the winter.
- Second, as announced in the 'Plan for Growth', a new Energy Price Guarantee (EPG) will cap the unit price that consumers pay for electricity and gas. This will mean the average household will pay no more than £2,500 per year for a period of two years from October 2022, and is expected to save at least £1,000 a year, although savings for individual households will vary according to their energy use.

¹ BEIS, [Annual Fuel Poverty Statistics in England, 2022 \(2020 data\)](#), 24.02.22

- Together, the Government projects that the EPG and EBSS will save the typical household at least £1,400 for the next year compared to the previously-announced October 2022 Price Cap.
- A separate Energy Bill Relief Scheme (EBRS) was also announced as a temporary six-month scheme in Great Britain to protect businesses and other non-domestic energy users, including charities and public sector organisations, from rising energy bills this winter by providing a discount on wholesale gas and electricity prices.² This should be of benefit to rural pubs and other businesses.

Off-gas grid homes

- The Energy Price Guarantee cannot support those reliant on alternative fuels, such as oil tanks and LPGs, because they are not covered by the Ofgem price cap. This situation affects many of the homes that are not on the gas grid, excepting only those that heat using electric appliances.
- The Government therefore announced that it would provide an additional payment of £100, the Domestic Alternative Fuel Payment, to compensate for the rising costs of alternative heating fuels for UK households not able to receive support for heating costs through the Energy Price Guarantee, for example if they are living in an area of the UK that is not served by the gas grid.³
- Since the vast majority of homes that are not on the gas grid are on the electricity grid, the Government intends that these payments will mostly be provided *“via electricity bills... under a similar delivery model to the Energy Bills Support Scheme”*. There will, however, also be an ‘Alternative Funding’ scheme to administer EBSS and Domestic Alternative Fuel Payments for households that also lack a permanent electricity connection, such as travelling homes and boats. Further details remain to be announced.⁴
- What is less clear is whether households, rural or otherwise, that lack a gas grid connection (which will be covered by the Energy Price Guarantee) but rely on electricity for heating will be eligible for the £100 Domestic Alternative Fuel Payment. Government publications suggest not, such as stating that *“The AFP will be provided to all customers who use an alternative fuel to mains gas. This includes, for example, heating oil, LPG, coal, and biomass.”*⁵
- Electricity bills are subject to Ofgem price capping, so those reliant on electric heating appliances stand to benefit from the Energy Price Guarantee in respect of those costs. Assuming, however, that electric heating is nevertheless more expensive to those for whom it is the only available option than gas heating is to those who can access it, it is unclear that disqualifying such homes from receiving the Domestic Alternative Fuel Payment would effectively support its policy objective of reducing overall fuel costs for those who lack a connection to the gas grid.

² HMT, [The Growth Plan 2022](#), 09.22

³ HMT, [The Growth Plan 2022](#), 09.22

⁴ BEIS, [How households and businesses will be supported by the Energy Prices Bill](#), 12.10.22

⁵ BEIS, [Energy bills support factsheet](#), 12.10.22

- In addition, while it would presumably be viable for the Government to determine that a given household lacked a connection to the gas grid, it is less certain how it could ascertain whether it was using one of these alternative fuel sources for heating, using electricity or using a combination of the two.

Countryside Alliance position

- The Countryside Alliance responded to the announcement of the Domestic Alternative Fuel Payment saying, in relation to homes relying on oil tanks, *“£100 at current prices is a drop in the ocean. Most tanks are 1,000-plus litres. The minimum delivery is 500 litres and payments are made upfront – a 500-litre delivery is not far off £500 at the moment.”*⁶
- Spiralling energy costs are driving the cost-of-living crisis which is being felt nowhere more keenly than in rural communities. Countryside Alliance research found that 45% of survey respondents reported greater anxiety and sleeplessness, more than three quarters have seen their disposable income fall by at least 10% and those relying on heating oil have suffered a 50% increase in the cost to fill their tanks.⁷
- Most people, unless they have sufficient cash in the bank, put aside money either themselves or with a supplier to build up money for when oil is needed, in order to spread the cost over the year. However, the rapid rise in the oil price will have left many without sufficient funds to fill tanks and insufficient time to make up the shortfall. It will be particularly difficult for those on small and fixed incomes.
- Electricity can be paid monthly with any arrears paid off over time by increasing monthly payments, therefore while the £400 is helpful for those off gas network as far as electricity is concerned, it would be better to be able to put that 400 towards oil, which with the 100 would enable at least 1 delivery of 500 litres.
- The Government should consider working with the oil suppliers to allow households to pay monthly without large lumpsum payments.
- We are also calling for an urgent VAT cut on fuel, which would benefit households regardless of whether they have a connection to the gas grid or which type of fuel they rely on.

For more information please contact:

James Legge

Director of Public Affairs

James-Legge@countryside-alliance.org

David M Bean

Parliament & Government Relations Manager

David-Bean@countryside-alliance.org

⁶ The Telegraph, [Rural homeowners say support for heating oil bills is ‘drop in the ocean’](#), 22.09.22

⁷ Countryside Alliance, [Ranil Jayawardena appointed Defra Secretary](#), 07.09.22