# Research Note:

## Distributional impact of differing proposals for the introduction of a Social Tariff for energy use at home

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## Introduction

Increases in energy prices since 2021 have highlighted how quickly an essential commodity such as energy can become unaffordable for lower income and vulnerable households, leading them to have to make difficult decisions as to whether to cut back spending on essentials such as food or to keep their home warm through colder periods.

In our recent report, *Keeping the lights on: The case for an energy social tariff*, we argued that an energy social tariff represents a crucial element for ensuring that lower income and vulnerable households can afford to heat and power their homes at all times of the year[1]. We made the case for such a discounted energy deal to be made available to households with at least one person in receipt of income related means-tested benefits, disability benefits or benefits for caring responsibilities; and households not in receipt of these benefits but still struggling financially.

In this note we revise and extend our previous analysis[2] to present information on:

- the number of households in the UK that would benefit from the introduction of an energy social tariff;
- the annual cost of an energy social tariff; and
- the annual increases in energy bills for households in the UK not eligible for an energy social tariff, were the annual costs of such a discount to be levied on their energy bills.

This note begins by explaining the methodology behind the analysis. Next it describes the number of households in the UK by income that would benefit from an energy social tariff. It concludes by presenting the annual cost of such a policy and increases in energy bills that non-eligible households would experience were the discount to be funded through their energy bills.

[1] Age UK. March 2023. *Keeping the lights on: The case for an energy social tariff. Discounted bills so older people can keep warm and well at home.* [online] Available at https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/safe-at-home/age-uk-energy-public-policy-report-march-2023.pdf

[2] Vinal K Karania. October 2002. *Research Note: Estimating the cost if a Social Tariff for energy use at home*. [online] Available at https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/safe-at-home/estimating-the-cost-of-a-social-tariff-for-energy-use-at-home-october-2022.pdf

## Methodology

To estimate the number of households in the UK that would benefit from an energy social tariff and the cost of such a policy we use the Living Cost & Food Survey (LCF). The LCF collects information on household expenditure and income of a representative sample of private households in the United Kingdom; and for the purposes of our analysis, we used the LCF 2019-20 because it is the last full year of available data not impacted by the consequences on welfare policy of the Covid-19 pandemic.

Using the LCF 2019-20 we:

- divide households into decile groups based on equivalised after-tax household income. Equivalisation is a process that takes into account the impact of the differences in household size and composition on spending; and the use of after-tax income reflects how much income households have available to spend.

- estimate the number of households in the UK that have at least one member who is in receipt of one of the following benefits: income related means-tested benefits (Income Support, Job Seekers Allowance, Employment and Support Allowance, Working Tax Credit, Child Tax Credit, Housing Benefit, Universal Credit, Pension Credit); Disability Benefits (Personal Independence Payment, Disability Living Allowance, Incapacity Benefit, Attendance Allowance); benefits for caring responsibilities (Carer's Allowance) → **Eligibility Criteria 1**

- estimate the number of households in the UK that have at least one member who is in receipt of one of the benefits listed above (Eligibility Criteria 1); and/or are living in poverty → **Eligibility Criteria 2**

- estimate the number of households in the UK that have at least one member who is in receipt of one of the benefits listed above (Eligibility Criteria 1); and/or are living in poverty or just above the poverty line → **Eligibility Criteria 3**

Households are defined as living in poverty if their equivalised after-tax household income is below 60% of median income; and to be living just above the poverty line if their equivalised after-tax household income is at or above 60% but below 70% of median income.

Surveys tend to underestimate the number of benefit recipients, with the scale differing depending on the benefit type. Part of this underreporting may be inconsequential because households in receipt of one benefit may be in receipt of or eligible for another benefit, and so if they are part of the underreporting group for one benefit type, they may be included by being part of the group claiming another benefit that has lower levels of underreporting. Furthermore, broadening the eligibility criteria to include those living in poverty is likely to capture households in receipt of benefits but not reporting them in responses to surveys.

Once we have estimates of the number of households eligible for the energy social tariff, by income decile and eligibility criteria, we then use a proportion of the energy price cap to calculate the annual cost of the tariff and how much on average other households will experience increases in their annual energy bills if the cost of the tariff were to be funded through consumer bills. We provide estimates for a scenario of discounts set at 50%, 30% and 10% of the typical energy bill which we assume to be the energy price cap of £2100 based on the latest Cornwall Insight projections for 2024 Q1 (Jan – March)[3].

In addition, we also estimate the annual cost to government of funding only the standing charge costs for households eligible for the energy social tariff. The standing charge is a fixed amount that a household pays on their energy bill every day, regardless of their usage. We assume the standing charge represents 14.4% of the energy price cap, based on information from the Office of Gas and Electricity Markets (ofgem)[4].

[3] Cornwall Insight. 24th May 2023. *Predictions and Insights into the Default Tariff Cap.* [Press Release]. [Accessed 5th June 2023]. Available from: https://www.cornwall-insight.com/predictions-and-insights-into-the-default-tariff-cap/

[4] ofgem. *Energy price cap explained.* [online] Accessed 8th June 2023. Available at https://www.ofgem.gov.uk/information-consumers/energy-advice-households/check-if-energy-price-cap-affects-you. The daily standing charge for electricity and gas will be £0.53 and £0.29 respectively from 1st July 2023, from which point the energy price cap will be £2,074, and so the changing charge represents 14.4% of the price cap [i.e. ((£0.53 + £0.29) X 365) / £2,074 = 14.4%]

## Estimated number of households benefitting from energy social tariff

Table 1 shows an estimate of the number of households in the UK that would be eligible for an energy social tariff. It shows between 5.4m to 7.6m households in the UK would be eligible for an energy social tariff were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities. This figure would rise to between 7.9m to 10.3m were the eligibility criteria to also include households living in poverty, and to be between 9.0m and 11.5m were it to also include households living just above the poverty line.

Table 1: number of households in the UK eligible for an energy social tariff (in millions)

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | 5.4 | 6.5 | 7.6 |
| Eligibility Criteria 2 | 7.9 | 9.1 | 10.3 |
| Eligibility Criteria 3 | 9.0 | 10.3 | 11.5 |

Note: lower and upper bound estimates reflect 95% confidence intervals

Table 2 shows the number of households in the UK not eligible for an energy social tariff in each equivalised after-tax household income decile. The figures are based on the mid-point estimates and show that by widening the eligibility criteria beyond recipients of qualifying benefits to households living in poverty, all households in the lowest income decile (an additional 1.3m) would benefit and only tens of thousands[5] in the second lower income decile would miss out (compared to 1.4m). Further widening the eligibility criteria to include households living just above the poverty line would mean all households in the two lowest income deciles will benefit from an energy social tariff with around an additional million households[6] in the third income decile also benefitting.

Table 2: number of households in the UK not eligible for an energy social tariff by equivalised after-tax household income (mid-point estimates, in millions)

| Equivalised after-tax household income decile | Eligibility Criteria 1 | Eligibility Criteria 2 | Eligibility Criteria 3 |
|---|---|---|---|
| 1 (lowest income) | 1.3 | 0 | 0 |
| 2 | 1.4 | 0.04 | 0 |
| 3 | 1.7 | 1.7 | 0.5 |
| 4 | 1.9 | 1.9 | 1.9 |
| 5 | 2.2 | 2.2 | 2.2 |
| 6 | 2.5 | 2.5 | 2.5 |
| 7 | 2.5 | 2.5 | 2.5 |
| 8 | 2.6 | 2.6 | 2.6 |
| 9 | 2.7 | 2.7 | 2.7 |
| 10 (highest income) | 2.7 | 2.7 | 2.7 |

[5] Mid-point estimate of 40,000, with 95% confidence interval of 10,000 to 70,000 (see table in Appendix A)
[6] Mid-point estimate of 1.1m with 95% confidence interval of 1.0m to 1.19m (see tables in Appendix A)

Table 3 shows the proportion of UK households in each equivalised after-tax household income decile not eligible for an energy social tariff. The figures are based on the mid-point estimates and show that if only those on qualifying benefits were eligible for the energy social tariff, almost half of households in the lowest income decile would miss out and so to would around half of those in the second lowest income decile. This dramatically falls (close) to zero for these two income groups when the eligibility criteria is widened to include those living in poverty but not in receipt of the qualifying benefits.

Table 3: proportion of households in the UK not eligible for an energy social tariff by equivalised after-tax household income

| .Equivalised after-tax household income decile | Eligibility Criteria 1 | Eligibility Criteria 2 | Eligibility Criteria 3 |
|---|---|---|---|
| 1 (lowest income) | 46% | 0% | 0% |
| 2 | 49% | 1% | 0% |
| 3 | 59% | 59% | 19% |
| 4 | 68% | 68% | 68% |
| 5 | 78% | 78% | 78% |
| 6 | 89% | 89% | 89% |
| 7 | 90% | 90% | 90% |
| 8 | 94% | 94% | 94% |
| 9 | 96% | 96% | 96% |
| 10 (highest income) | 96% | 96% | 96% |

## Estimated cost of energy social tariff set at 50% of the energy price cap[7]

Table 4 shows introducing an energy social tariff at half the cost of the energy price cap will cost between £5.6bn and £7.9bn per year were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities. This figure would rise to between £8.3bn and £10.8bn per year were the eligibility criteria to also include households living in poverty, and to be between £9.4bn and £12.1bn per year were it to also include households living just above the poverty line.

Table 4: Annual cost of energy social tariff (set at half of £2100 energy price cap), in billions

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £5.6 | £6.9 | £7.9 |
| Eligibility Criteria 2 | £8.3 | £9.6 | £10.8 |
| Eligibility Criteria 3 | £9.4 | £10.8 | £12.1 |

Note: lower and upper bound estimates reflect 95% confidence intervals

Table 5 shows the increase in the energy bills of households not eligible for the energy social tariff, were such a discount to be funded through consumer bills. It shows that were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities then households not eligible for this discount would see annual energy prices rise by between £290 and £340 on average. If the eligibility criteria also included households living in poverty the average annual energy bill would rise by between £490 and £530 for households not eligible for the discount, and by between £600 and £630 were the eligibility criteria widened to also include households living just above the poverty line.

Table 5: Increase in annual energy bills of households not eligible for energy social tariff (set at half of £2100 energy price cap)

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £290 | £320 | £340 |
| Eligibility Criteria 2 | £490 | £510 | £530 |
| Eligibility Criteria 3 | £600 | £620 | £630 |

Note: lower and upper bound estimates reflect 95% confidence intervals

[7] Energy price cap assumed to be set at £2100 – see methodology section, page 4.

## Estimated cost of energy social tariff set at 30% of the energy price cap[8]

Table 6 shows introducing an energy social tariff at thirty percent of the cost of the energy price cap will cost between £3.4bn and £4.8bn per year were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities. This figure would rise to between £5.0bn and £6.5bn per year were the eligibility criteria to also include households living in poverty, and to be between £5.6bn and £7.3bn per year were it to also include households living just above the poverty line.

Table 6: Annual cost of energy social tariff (set at 30% of £2100 energy price cap), in billions

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £3.4 | £4.1 | £4.8 |
| Eligibility Criteria 2 | £5.0 | £5.8 | £6.5 |
| Eligibility Criteria 3 | £5.6 | £6.5 | £7.3 |

Note: lower and upper bound estimates reflect 95% confidence intervals

Table 7 shows the increase in the energy bills of households not eligible for the energy social tariff, were such a discount to be funded through consumer bills. It shows that were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities then households not eligible for this discount would see annual energy prices rise by between £180 and £200 on average. If the eligibility criteria also included households living in poverty the average annual energy bill would rise by between £290 and £320 for households not eligible for the discount, and by between £360 and £380 were the eligibility criteria widened to also include households living just above the poverty line.

Table 7: Increase in annual energy bills of households not eligible for energy social tariff (set at 30% of £2100 energy price cap)

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £180 | £190 | £200 |
| Eligibility Criteria 2 | £290 | £310 | £320 |
| Eligibility Criteria 3 | £360 | £370 | £380 |

Note: lower and upper bound estimates reflect 95% confidence intervals

[8] Energy price cap assumed to be set at £2100 – see methodology section, page 4.

## Estimated cost of energy social tariff set at 10% of the energy price cap[9]

Table 8 shows introducing an energy social tariff at ten percent of the cost of the energy price cap will cost between £1.1bn and £1.6bn per year were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities. This figure would rise to between £1.7bn and £2.2bn per year were the eligibility criteria to also include households living in poverty, and to be between £1.9bn and £2.4bn per year were it to also include households living just above the poverty line.

Table 8: Annual cost of energy social tariff (set at 10% of £2100 energy price cap), in billions

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £1.1 | £1.4 | £1.6 |
| Eligibility Criteria 2 | £1.7 | £1.9 | £2.2 |
| Eligibility Criteria 3 | £1.9 | £2.2 | £2.4 |

Note: lower and upper bound estimates reflect 95% confidence intervals

Table 9 shows the increase in the energy bills of households not eligible for the energy social tariff, were such a discount to be funded through consumer bills. It shows that were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities then households not eligible for this discount would see annual energy prices rise by between £60 and £70 on average. If the eligibility criteria also included households living in poverty the average annual energy bill would rise by between £100 and £110 for households not eligible for the discount, and by between £120 and £130 were the eligibility criteria widened to also include households living just above the poverty line.

Table 9: Increase in annual energy bills of households not eligible for energy social tariff (set at 10% of £2100 energy price cap)

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £60 | £60 | £70 |
| Eligibility Criteria 2 | £100 | £100 | £110 |
| Eligibility Criteria 3 | £120 | £120 | £130 |

Note: lower and upper bound estimates reflect 95% confidence intervals

[9] Energy price cap assumed to be set at £2100 – see methodology section, page 4.

## Estimated cost to government of funding standing charge[10]

In our recent report, *Keeping the lights on: The case for an energy social tariff*, we also argued that households receiving social tariff support should be exempt from paying standing charge costs. Table 10 shows the annual cost to government of funding only the standing charge costs for households eligible for an energy social tariff.

Table 10: Annual cost to government of funding standing charge costs for households eligible for an energy social tariff, in billions

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £1.6 | £2.0 | £2.3 |
| Eligibility Criteria 2 | £2.4 | £2.8 | £3.1 |
| Eligibility Criteria 3 | £2.7 | £3.1 | £3.5 |

Note: lower and upper bound estimates reflect 95% confidence intervals

The cost to Government would be between £1.6bn and £2.3bn per year were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities. This figure would rise to between £2.4bn and £3.1bn per year were the eligibility criteria to also include households living in poverty, and to be between £2.7bn and £3.5bn per year were it to also include households living just above the poverty line.

[10] Standing charge is a fixed amount and estimated to be 14.4% of energy price cap – see methodology section, page 4.

## Appendix A – confidence intervals for number of eligible households

Table A1 shows the lower-bound number of households in the UK not eligible for an energy social tariff by equivalised after-tax household income decile. The lower-bound reflects the 95% lower-bound confidence interval.

Table A1: number of households in the UK not eligible for an energy social tariff by equivalised after-tax household income decile (lower-bound estimates, in millions)

| Equivalised after-tax household income decile | Eligibility Criteria 1 | Eligibility Criteria 2 | Eligibility Criteria 3 |
|---|---|---|---|
| 1 (lowest income) | 1.1 | 0.0 | 0.0 |
| 2 | 1.2 | 0.01 | 0.0 |
| 3 | 1.5 | 1.5 | 0.4 |
| 4 | 1.7 | 1.7 | 1.7 |
| 5 | 2.0 | 2.0 | 2.0 |
| 6 | 2.2 | 2.2 | 2.2 |
| 7 | 2.3 | 2.3 | 2.3 |
| 8 | 2.4 | 2.4 | 2.4 |
| 9 | 2.4 | 2.4 | 2.4 |
| 10 (highest income) | 2.5 | 2.5 | 2.5 |

Table A2 shows the upper-bound number of households in the UK not eligible for an energy social tariff by equivalised after-tax household income decile. The upper-bound reflects the 95% lower-bound confidence interval.

Table A2: number of households in the UK not eligible for an energy social tariff by equivalised after-tax household income decile (upper-bound estimates, in millions)

| Equivalised after-tax household income decile | Eligibility Criteria 1 | Eligibility Criteria 2 | Eligibility Criteria 3 |
|---|---|---|---|
| 1 (lowest income) | 1.5 | 0.0 | 0.0 |
| 2 | 1.5 | 0.07 | 0.0 |
| 3 | 1.8 | 1.8 | 0.6 |
| 4 | 2.1 | 2.1 | 2.1 |
| 5 | 2.4 | 2.4 | 2.4 |
| 6 | 2.7 | 2.7 | 2.7 |
| 7 | 2.7 | 2.7 | 2.7 |
| 8 | 2.9 | 2.9 | 2.9 |
| 9 | 2.9 | 2.9 | 2.9 |
| 10 (highest income) | 3.0 | 3.0 | 3.0 |

Table A3 shows the lower-bound proportion of households in the UK not eligible for an energy social tariff by equivalised after-tax household income decile. The lower-bound reflects the 95% lower-bound confidence interval.

Table A3: proportion of households in the UK not eligible for an energy social tariff by equivalised after-tax household income (lower-bound estimates).

| Equivalised after-tax household income decile | Eligibility Criteria 1 | Eligibility Criteria 2 | Eligibility Criteria 3 |
|---|---|---|---|
| 1 (lowest income) | 46% | 0% | 0% |
| 2 | 49% | 0% | 0% |
| 3 | 60% | 60% | 17% |
| 4 | 69% | 69% | 69% |
| 5 | 80% | 80% | 80% |
| 6 | 91% | 91% | 91% |
| 7 | 91% | 91% | 91% |
| 8 | 96% | 96% | 96% |
| 9 | 98% | 98% | 98% |
| 10 (highest income) | 99% | 99% | 99% |

Table A4 shows the upper-bound proportion of households in the UK not eligible for an energy social tariff by equivalised after-tax household income decile. The upper-bound reflects the 95% lower-bound confidence interval.

Table A4: proportion of households in the UK not eligible for an energy social tariff by equivalised after-tax household income (upper-bound estimates).

| Equivalised after-tax household income decile | Eligibility Criteria 1 | Eligibility Criteria 2 | Eligibility Criteria 3 |
|---|---|---|---|
| 1 (lowest income) | 46% | 0% | 0% |
| 2 | 49% | 2% | 0% |
| 3 | 59% | 59% | 21% |
| 4 | 66% | 66% | 66% |
| 5 | 77% | 77% | 77% |
| 6 | 87% | 87% | 87% |
| 7 | 88% | 88% | 88% |
| 8 | 93% | 93% | 93% |
| 9 | 95% | 95% | 95% |
| 10 (highest income) | 97% | 97% | 97% |

## Appendix B – cost of energy social tariff if energy price cap at £1100

The energy price cap is expected by the end of this year to be around just under twice the level it was before April 2022. Whilst it continues to be relatively high there are expectations for it to fall in future years and we therefore set out what the cost of an energy social tariff would be were the energy price cap at previous levels of around £1100.

### *1. Estimated cost of energy social tariff set at 50% of £1100 energy price cap*

Table B1 shows introducing an energy social tariff at half the cost of the energy price cap will cost between £3.0bn and £4.2bn per year were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities. This figure would rise to between £4.3bn and £5.7bn per year were the eligibility criteria to also include households living in poverty, and to be between £4.9bn and £6.3bn per year were it to also include households living just above the poverty line.

Table B1: Annual cost of energy social tariff (set at half of £1100 energy price cap), in billions

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £3.0 | £3.6 | £4.2 |
| Eligibility Criteria 2 | £4.3 | £5.0 | £5.7 |
| Eligibility Criteria 3 | £4.9 | £5.7 | £6.3 |

Note: lower and upper bound estimates reflect 95% confidence intervals

Table B2 shows the increase in the energy bills of households not eligible for the energy social tariff, were such a discount to be funded through consumer bills. It shows that were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities then households not eligible for this discount would see annual energy prices rise by between £150 and £180 on average. If the eligibility criteria also included households living in poverty the average annual energy bill would rise by between £260 and £280 for households not eligible for the discount, and by between £310 and £330 were the eligibility criteria widened to also include households living just above the poverty line.

Table B2: Increase in the annual energy bills of households not eligible for energy social tariff (set at half of £1100 energy price cap)

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £150 | £170 | £180 |
| Eligibility Criteria 2 | £260 | £270 | £280 |
| Eligibility Criteria 3 | £310 | £320 | £330 |

Note: lower and upper bound estimates reflect 95% confidence intervals

### *2. Estimated cost of energy social tariff set at 30% of £1100 energy price cap*

Table B3 shows introducing an energy social tariff at thirty percent of the cost of the energy price cap will cost between £1.8bn and £2.5bn per year were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities. This figure would rise to between £2.6bn and £3.4bn pear year were the eligibility criteria to also include households living in poverty, and to be between £3.0bn and £3.8bn per year were it to also include households living just above the poverty line.

Table B3: Annual cost of energy social tariff (set at 30% of £1100 energy price cap), in billions

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £1.8 | £2.2 | £2.5 |
| Eligibility Criteria 2 | £2.6 | £3.0 | £3.4 |
| Eligibility Criteria 3 | £3.0 | £3.4 | £3.8 |

Note: lower and upper bound estimates reflect 95% confidence intervals

Table B4 shows the increase in the energy bills of households not eligible for the energy social tariff, were such a discount to be funded through consumer bills. It shows that were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities then households not eligible for this discount would see annual energy prices rise by between £90 and £110 on average. If the eligibility criteria also included households living in poverty the average annual energy bill would rise by between £150 and £170 for households not eligible for the discount, and by between £190 and £200 were the eligibility criteria widened to also include households living just above the poverty line.

Table B4: Increase in the annual energy bills of households not eligible for energy social tariff (set at 30% of £1100 energy price cap)

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £90 | £100 | £110 |
| Eligibility Criteria 2 | £150 | £160 | £170 |
| Eligibility Criteria 3 | £190 | £190 | £200 |

Note: lower and upper bound estimates reflect 95% confidence intervals

### *3. Estimated cost of energy social tariff set at 10% of £1100 energy price cap*

Table B5 shows introducing an energy social tariff at ten percent of the cost of the energy price cap will cost between £600m and £800m per year were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities. This figure would rise to between £900m and £1.1bn per year were the eligibility criteria to also include households living in poverty, and to be between £1.0bn and £1.43bn per year were it to also include households living just above the poverty line.

Table B5: Annual cost of energy social tariff (set at 10% of the energy price cap), in billions

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £0.6 | £0.7 | £0.8 |
| Eligibility Criteria 2 | £0.9 | £1.0 | £1.1 |
| Eligibility Criteria 3 | £1.0 | £1.1 | £1.3 |

Note: lower and upper bound estimates reflect 95% confidence intervals

Table B6 shows the increase in the energy bills of households not eligible for the energy social tariff, were such a discount to be funded through consumer bills. It shows that were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities then households not eligible for this discount would see annual energy prices rise by between £30 and £40 on average. If the eligibility criteria also included households living in poverty the average annual energy bill would rise by around £50 for households not eligible for the discount, and by between £60 and £70 were the eligibility criteria widened to also include households living just above the poverty line.

Table B6: Increase in the annual energy bills of households not eligible for energy social tariff (set at 10% of the energy price cap)

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £30 | £30 | £40 |
| Eligibility Criteria 2 | £50 | £50 | £50 |
| Eligibility Criteria 3 | £60 | £60 | £70 |

Note: lower and upper bound estimates reflect 95% confidence intervals

## *4. Estimated cost to government of funding standing charge cost of households eligible for an energy social tariff*

Table B7 shows the cost to government of funding only the standing charge costs for households eligible for an energy social tariff. The cost to Government would be between £900m and £1.2bn per year were the eligibility criteria to be based on those households with at least one member in receipt of one or more of income related means-tested benefits, disability benefits and benefits for caring responsibilities. This figure would rise to between £1.3bn and £1.6bn per year were the eligibility criteria to also include households living in poverty, and to be between £1.4bn and £1.8bn per year were it to also include households living just above the poverty line.

Table B7: Annual cost to government of funding standing charge costs for households eligible for an energy social tariff, in billions

| | lower bound estimate | mid-point estimate | upper bound estimate |
|---|---|---|---|
| Eligibility Criteria 1 | £0.9 | £1.0 | £1.2 |
| Eligibility Criteria 2 | £1.3 | £1.5 | £1.6 |
| Eligibility Criteria 3 | £1.4 | £1.6 | £1.8 |

Note: lower and upper bound estimates reflect 95% confidence intervals

## Appendix C – visualisation of energy social tariff estimates

Figure C1: Number of households eligible for an energy social tariff by eligibility criteria (millions)

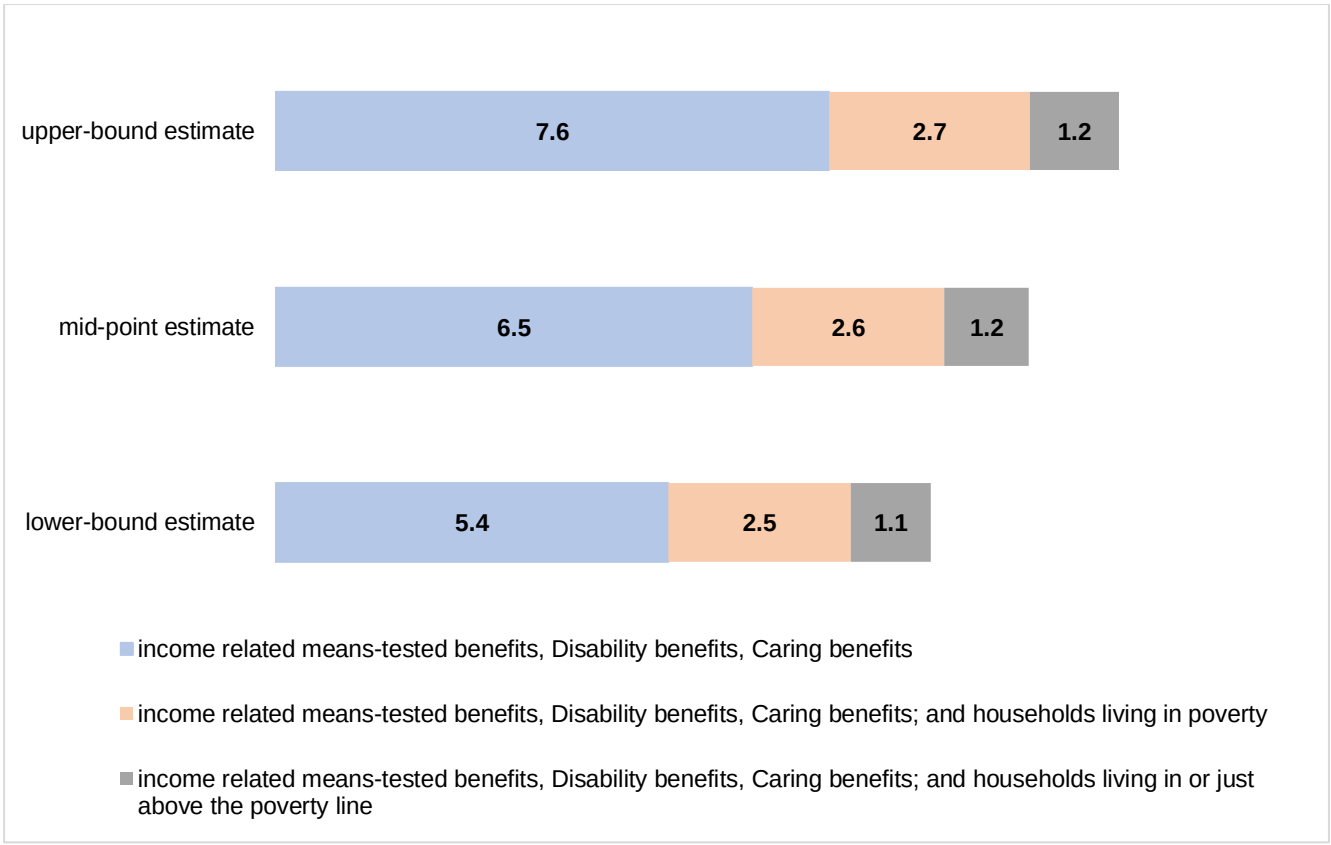


Figure C2: Number of households eligible for an energy social tariff by eligibility criteria by equivalised after-tax income decile (millions, mid-point estimate)

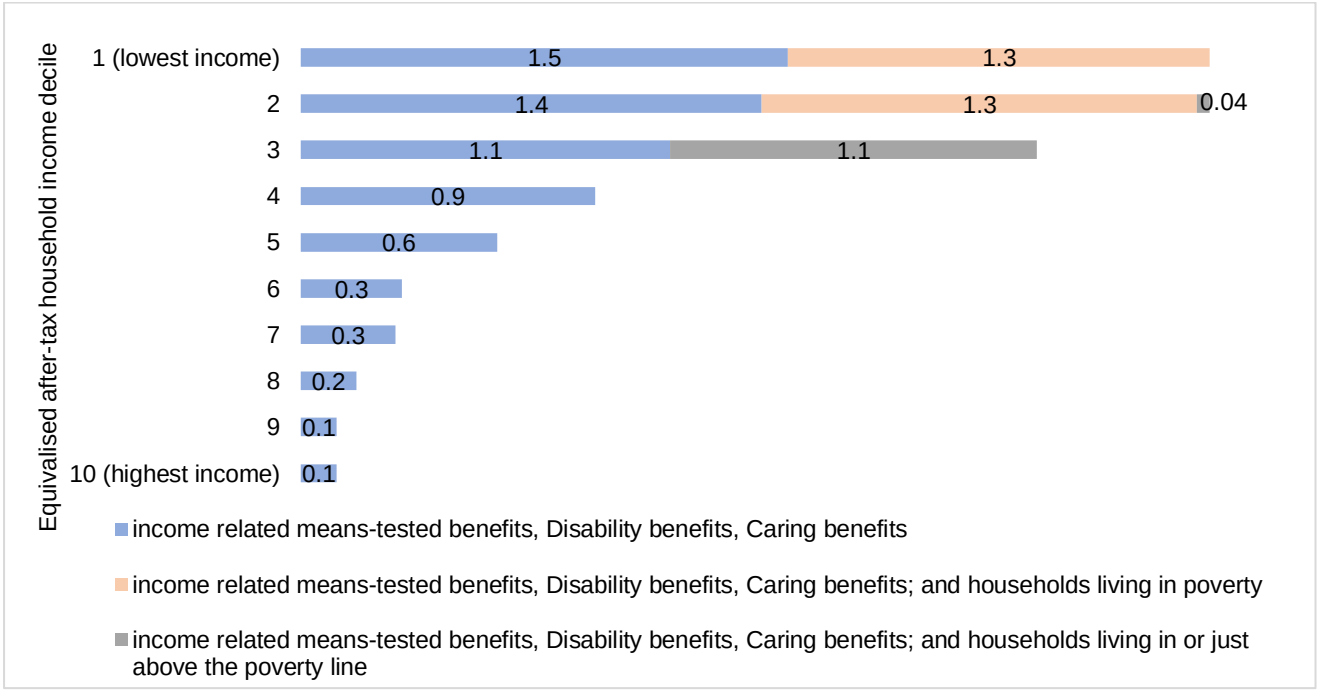

Figure C4: Proportion of households not eligible for an energy social tariff by eligibility criteria (mid-point estimates)

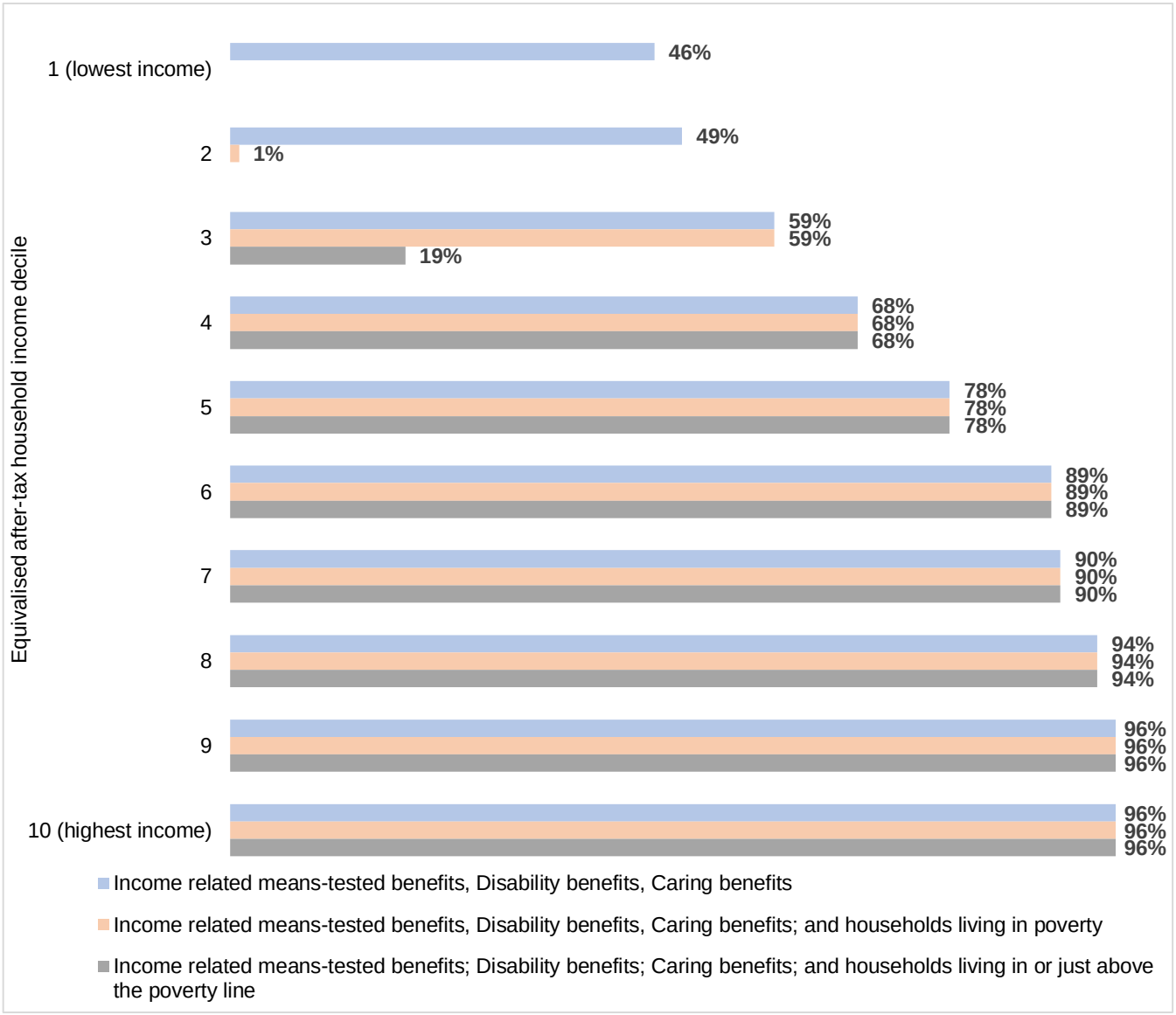

Figure C5: Cost of energy social tariff (in billions) as a discount on energy price cap of £2100 (mid-point estimates)

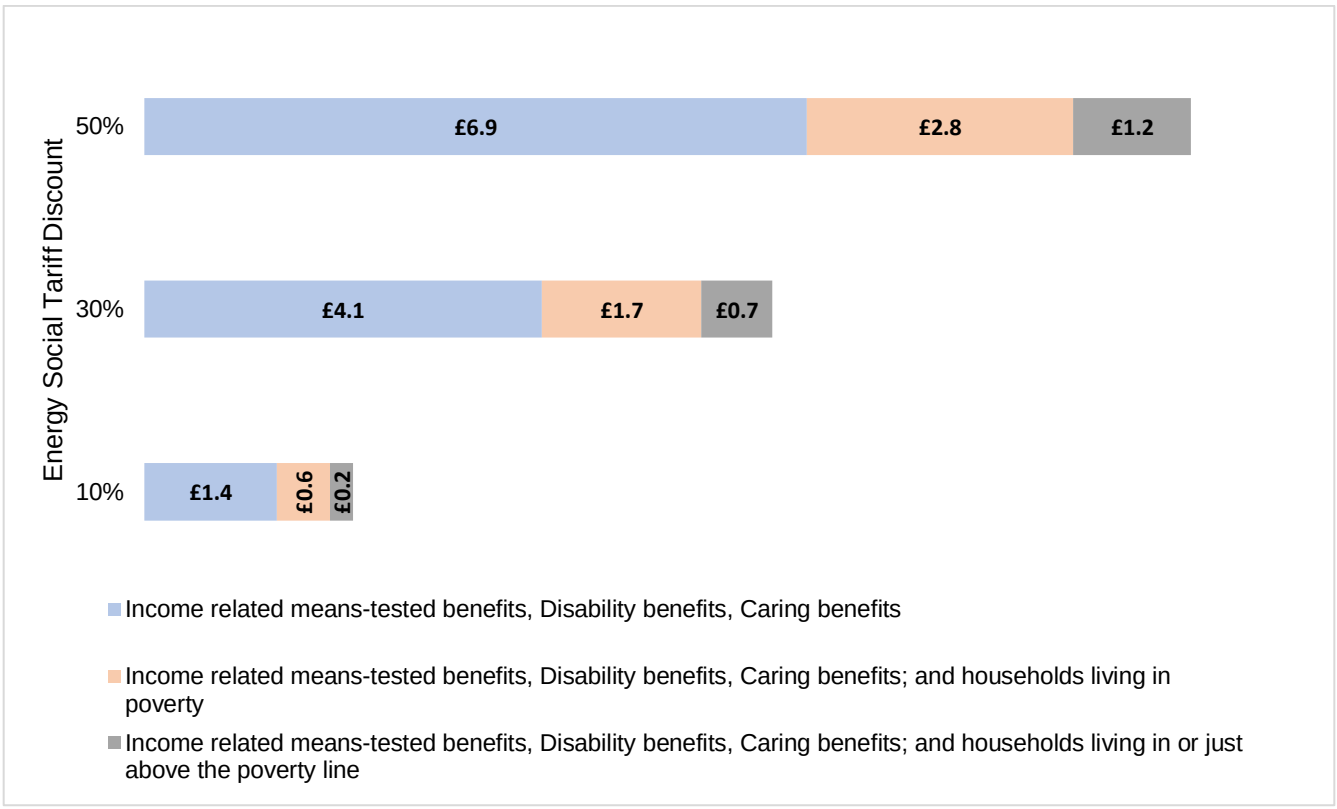


Figure C6: Cost of energy social tariff (in billions) as a discount on energy price cap of £1100 (mid-point estimates)

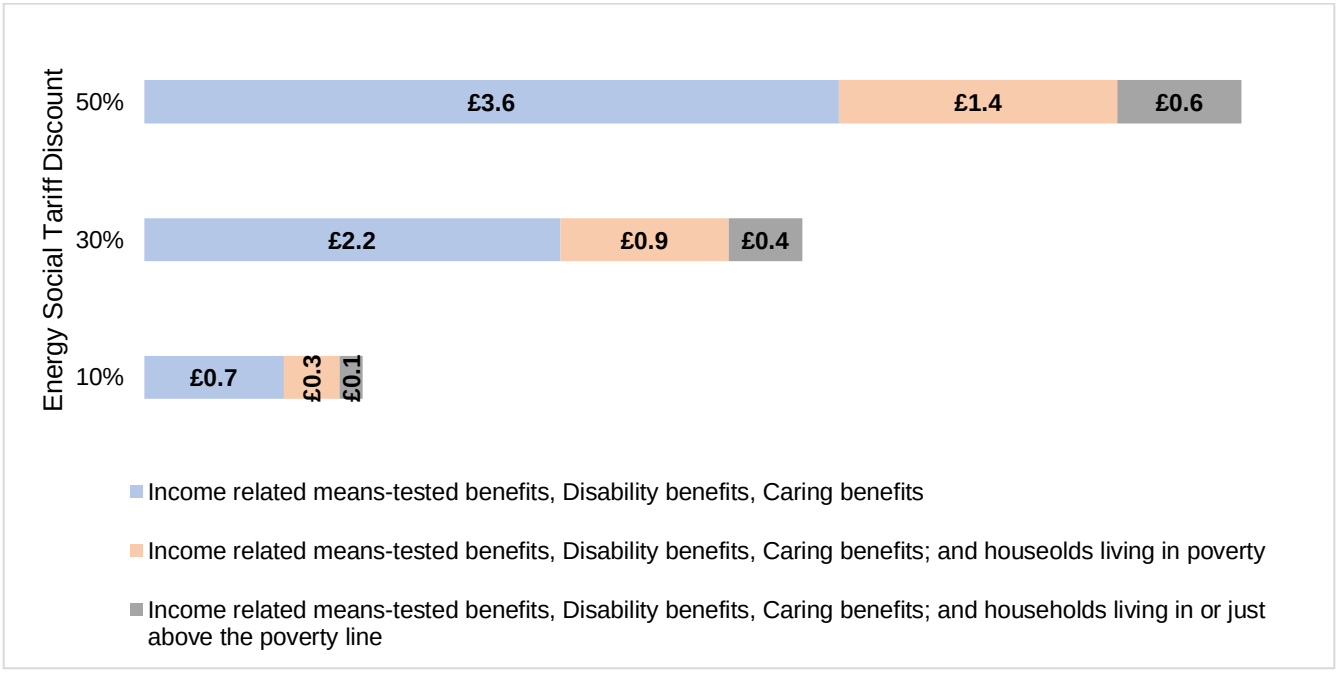

Figure C7: Cost to government of funding standing charge costs for households eligible for an energy social tariff (in billions, mid-point estimate)