

Executive Summary

The Social Tariff Working Group recommends that a social tariff should be:

- 1) applied automatically as a unit rate discount or formula/matrix based real-time rebate;**
- 2) calculated based on a sophisticated set of metrics which could include:**
 - a. household income;**
 - b. number of people in household; and**
 - c. unavoidable energy consumption (e.g. due to medical need or rural challenges)**
- 3) funded through general taxation; and**
- 4) applied to all fuel types.**

Context and Policy Background

In the early 2000s, energy suppliers offered social tariffs which were generally priced to match the cheapest available energy tariffs and usually included support services from suppliers to help consumers lower bills further. Customers who qualified included those aged over 60, people on means-tested benefits, and those living in fuel poverty or on a low income.

The regulatory and economic landscape has changed since then. In 2011, social tariffs were replaced by the Warm Home Discount (WHD) scheme; this targets support at low income households, providing a rebate of £150 every year, and is in statute until 2026. The energy price cap on domestic bills is also now in place and calculated quarterly by Ofgem.

However, the support currently in place is not fit for purpose, and nor can the human impact of high and unaffordable energy prices be ignored. [Citizens Advice Scotland](#) (CAS) reports that it is providing energy advice to almost 20% of those using its services and that average energy debt is up 8% year on year to around £2500. This figure is even higher for people living in rural areas.

Paying for essentials like energy becomes all-consuming for many, particularly disabled people, with [SCOPE](#) reporting cases where people have to “sacrifice almost everything. [Last winter], I didn't go anywhere. I didn't eat as much. I just turned off all the lights. I didn't have a choice. [It felt] horrible.”

With energy bills remaining significantly high, reform that protects vulnerable consumers from price shocks, affordability challenges and ever increasing energy debt is needed urgently. The Scottish Government believes that a social tariff mechanism – or, more accurately, targeted bill support in the form of a discount or rebate – is the best way to ensure that energy consumers are protected against high costs and can afford all of their energy needs.

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Social Tariff Working Group

Following a ministerial roundtable on energy consumer issues in September 2024, the Scottish Government convened a Social Tariff Working Group. This relied on the generous participation of stakeholders from across the energy and consumer sectors.

The purpose of this group is to support and inform the potential introduction of a targeted bill support at GB level. This can be best achieved through the co-design of a deliverable mechanism that enjoys cross-sector support and demonstrates the viability and positive outcomes of the policy. Recognising the reserved nature of energy policy, the group has intentionally developed recommendations that it believes are relevant to Scotland, England, and Wales.

Four meetings took place between November 2024 and February 2025, focusing on the following key elements of a social tariff mechanism – fuel eligibility, consumer eligibility and data, tariff/discount level, and funding.

Purpose

The group's discussions and report have drawn on work already carried out by the [Social Market Foundation](#) (SMF) and [Resolution Foundation](#) (RF).

Recommendations have also been made by bodies such as the [Scottish Fuel Poverty Advisory Panel](#) (SFPAP) and [Consumer Scotland](#).

The proposal in this report summarises the discussions and recommendations agreed by the working group. It will be shared with the Department for Energy Security and Net Zero with a view to supporting progress on the introduction of such a mechanism as soon as practicably possible.

Energy policy relating to price setting and regulation is reserved to the UK Parliament. The group's establishment, and its recommendations, fully acknowledge that any decision to mandate and enable a social tariff rests with the UK Government. The group is also clear that targeted bill discounts and/or rebates can only represent one part of a coherent strategy for tackling the causes of fuel poverty.

Key Findings

This section considers the issues raised thematically as reflected in the group's meetings. The findings reflect the discussions held at each meeting, with supporting papers prepared and circulated by Scottish Government in advance.

The minutes of each meeting can be found [here](#).

1) Fuel Eligibility

Scotland's 2022 Census found that around three quarters of households used mains gas as their only central heating. This was followed by 9.0% using electric, around 6% using two or more types of central heating, and 5% using oil only.

The [Scottish House Condition Survey: 2023](#) provides a helpful breakdown of the level of fuel poverty by household based on their primary heating method:

- 52% of households using electricity
- 32% of households using gas
- 26% of households using oil
- 49% using other fuel types

While these figures represent circumstances in Scotland, fuel poverty remains a significant issue across the rest of Great Britain. The implementation of a targeted bill discount or rebate mechanism and any wider reform needs to happen in a way that alleviates fuel poverty and the cost of living crisis while supporting the transition to net zero.

A scheme for electricity only could support decarbonisation by encouraging consumers to transition to clean heating. We also know that nearly every household uses electricity, meaning this is the most feasible way of reaching all households. However, to realise the benefits for high energy users of electricity, the Scottish Government is clear that further market reform is required urgently, notably the decoupling of the cost of gas from the cost of electricity. This would support long-term energy affordability and protect consumers from volatile global fossil fuel prices.

There is a risk that, if the number of consumers on the gas network significantly declines, further equity issues could be created, notably for those who cannot afford to switch to clean heat. There are still a number of households, particularly in rural and island settings, that use alternative fuels such as heating oil, LPG, biomass and coal, and are facing increased prices with limited protections.

The membership noted that previous support schemes, such as the Fuel Insecurity Fund in Scotland, covered all fuel types, and this should be used as best practice, however recognised the practical challenges of doing so. For example, the Alternative Fuel Payment, offered during the energy crisis, had to be delivered as a separate scheme.

On balance, the group agreed that in any case a targeted bill discount or rebate should be available to all fuel users, offering transitional protection to ensure that consumers can afford their current heating and energy needs while supporting them to transition to clean heating.

2) Consumer Eligibility and Data

On the issue of consumer eligibility, the working group aimed to identify a solution that is practical and which captures as many of the right people as possible using reliable, consistent and accessible data.

The membership considered initially whether applying a discount or rebate automatically to those in receipt of means-tested benefits and disability payments was an appropriate way to reach those most in need of support. However, the group ultimately concluded that better and more sophisticated metrics should be developed, and support applied automatically to eligible households.

Some members of the group felt strongly that an option to apply should also be available for those who are not automatically eligible, while others cautioned against creating an overly bureaucratic scheme.

It was important to the group to ensure that the proportion of those who may receive support where the need is arguable compared to those who are eligible and for whom help is essential is as low as possible. Given the present fiscal challenges, this also seemed the most financially appropriate option to take.

The group therefore favours moving beyond an imperfect and potentially incomplete mechanism which relies on being in receipt of benefits. Potential metrics were considered, alongside the data available to assess each metric.

Household Income

Household income is consistently cited as the most critical metric. Scottish Government analysts are modelling the potential costs and fuel poverty implications of different courses of action, based on different income thresholds. This will be shared with the UK Government once ready.

To future-proof the scheme, the Minimum Income Guarantee (MIG) or Minimum Income Standard (MIS) may offer an independent, evidence based calculation to inform decision making. It is intended to provide everyone in Scotland with a minimum acceptable standard of living, ensuring people have enough money for housing, food and essentials to allow them to live a decent, dignified healthy and financially secure life. Separately, the Scottish FPAP has suggested that Ofgem might have a role in making recommendations on the threshold.

Both the SMF and RF argued that household income data, held by HM Revenue and Customs, as part of its Real Time Information (RTI) scheme, can be shared with outside organisations for public interest purposes, in line with the Digital Economy Act 2017. This power has already been used and could therefore serve as the basis for quickly implementing a scheme.

However, the membership recognised that the challenge of accessing 'clean' household data in a complex and disjointed system means that HMRC data will require some work before being fit for purpose. In the interim, it may be possible to use Department of Work and Pensions (DWP) data to target based on the social

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security system and ensure that the scheme can be enacted quickly. Work to improve HMRC data sharing must progress in parallel and the final destination articulated to consumers.

The group also considered whether there was a place for open banking to support data matching. This is already in place with some water companies in England through Equifax, and Experian also operate a similar model. Households with online banking can make an application online, with their income proven and declared through open banking, without the need to provide supporting paperwork. This can be done at speed and at scale, with a level of automated decision-making reducing wait times.

Energy Consumption

Unavoidable energy consumption was viewed as being one important component of a sophisticated set of metrics – albeit one that must be considered as part of a range of metrics to avoid providing support to customers with significant financial assets.

Disability payments alone were not generally viewed as a sufficient indicator of higher energy need due to the complex needs and circumstances faced by disabled people. However, following in-person testimony from Carolynne Hunter on [her experience of extraordinarily high energy bills](#), the group agreed that any scheme must recognise the particular circumstances faced by those with disabilities and extremely high and unavoidable energy use. Acknowledging the imperfect nature of targeting based on disability payments in general, NHS or Social Security Scotland (Benefits Assessment under Special Rules in Scotland (BASRiS) data for patients with a terminal illness) may be more appropriate to identify the right consumers.

Rurality is also a key consideration, particularly for households in the north of Scotland where temperatures are considerably lower and energy requirements consequently higher. Many of these consumers remain off the gas grid and face unregulated energy bills, often at considerable expense, once per year. The future design of the scheme should recognise the specific needs of rural and island households who often have unavoidably higher energy needs.

Some suppliers have argued that a unit rate discount would ensure that support is provided to households who, as a consequence of their circumstances, need to use more energy. It remains important to strike the right balance between supporting households with their bills and incentivising consumers to ‘go green’ or use less energy where they can. These can be competing aims, and it is important that energy efficiency improvements remain a high priority, as they will provide better outcomes for households in the longer term.

3) Level of Support

Reference to a social tariff does not, in practice, mean moving customers on to a different tariff (as was the case pre-2011) and instead means a discount or rebate (whether flat or staggered) applied to bills. In that respect, the Warm Home Discount (WHD) is a form of social tariff.

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It is true that a different tariff would reduce costs year-round rather than simply preventing price shocks over winter driven by consumption. However, offering a different tariff was believed to risk removing too many consumers from the competitive market, thus reducing other ways to save money through accessing the widest possible range of tariffs and products on the market. A bill rebate or automatic discount would allow every consumer to continue to benefit from choice. Real-time rebates (i.e. applied to each bill) are more effective than rebates paid in arrears.

The group is therefore generally in favour of a formula or matrix based system where the payment or discount is applied automatically to eligible households, based on a sophisticated set of metrics. A hybrid scheme, where a rebate of the standing charge is provided, in addition to a unit rate discount, is also an option.

While the WHD has its challenges, feedback from the group suggests that it could – since it is already operational albeit in different formats across Great Britain – and subject to extended eligibility criteria and increased rebate, present an acceptable interim measure for 25-26.

The SMF also favoured using the existing WHD infrastructure to implement an improved scheme quickly as it already makes use of HMRC data when considering eligibility based on tax credit receipts in England and Wales. Further, using RTI data helps to address the issue of avoiding providing payments to those who do not need it. This is critical given the fiscal position facing the UK government.

The Ontario Government in Canada applies a matrix based rebate to electricity accounts ([Entegrus, 2024](#)) using household income and composition to determine level of need. There are several other example schemes, including in France, the Netherlands, and Belgium.

The group generally preferred a unit rate discount, although other approaches, such as a tiered rebate, also found support among some members. Fundamentally, the level of discount or support should be proportionate to need, and this could be delivered through a unit rate discount or a rebate based on a matrix or formula.

It is clear that the group does not view the Warm Home Discount as an acceptable long term solution. A separate and enduring new scheme must be delivered. However, the WHD could be improved for winter 25-26 and, in the long term, its infrastructure used to deliver a new discount or rebate payment to households.

4) Funding options

The group recognised that the Chancellor is faced with an extremely challenged fiscal environment and a commitment not to raise taxes further. The recommendations made are therefore intended to be credible, effective and genuinely deliverable.

In 2023, the Scottish Government argued that a social tariff should be funded primarily through the Energy Profits Levy (or a similar mechanism) when energy prices were unprecedentedly high, with recourse to general taxation as prices fall.

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It is true that a scheme at the scale required to make a significant impact is likely to cost several billion pounds. The SMF estimated costs of £5.6-5.9 billion based on a £2,500 average energy bill. However, average bills have since fallen (between 1 January to 31 March 2025 the energy price cap is set at £1,738 per year for a typical household).

The scheme could be funded via general taxation (which would be the most progressive option), a levy on energy bills, or via industry (i.e. networks and energy generators). A hybrid combination of these could be explored. However, the group agreed that a specific levy on energy bills would place undue hardship on priority consumers and disincentivise energy savings in the same way that high standing charges do, and therefore the group was largely against this.

In summary, while the group agreed that general taxation would be the most progressive funding solution, it is for the UK Government to take decisions on how best to fund energy affordability.

Recommendations

Based on engagement which began in summer 2024 and has culminated in this group and report, the membership believes that a social tariff must not mean moving customers on to a different tariff, but should be:

1) applied automatically as a unit rate discount or formular/matrix based real-time rebate

Rather than a specific tariff, which could detrimentally affect vulnerable consumers from accessing other support available on the market, the group agreed that an automatically applied social discount or rebate is preferred. The level of discount or rebate should be proportionate to need.

2) calculated based on a sophisticated set of metrics such as:

- a. household income;**
- b. number of people in household; and**
- c. unavoidable energy consumption (e.g. due to medical need or rural challenges)**

A more targeted approach would ensure the right people receive the right level of support. Household income should act as the key determining factor, with additional metrics used to recognise the individual circumstances of different households.

3) funded through general taxation

The group recommends that a social tariff mechanism should be funded through general taxation. We recognise the current fiscal position, however funding the scheme through a levy on bills would have fuel poverty implications.

A hybrid funding arrangement may ensure the viability and long term sustainability of the scheme, allowing more or less funding to come from different sources dependent on the state of the public finances and wider cost of living pressures.

4) Be applied to all fuel types

The group recommends that all fuel types should be covered by a social tariff mechanism. This should include support for those using alternative fuels with off-grid consumers treated equitably to those on-grid. This support may be more appropriately delivered via a separate scheme.

Next Steps / Conclusion

The Scottish Government is grateful for the input and guidance from organisations across the energy industry and consumer and fuel poverty landscape. Due to power reservations, our role has been to convene and facilitate a positive and constructive policy co-design process, and to make credible recommendations as a result.

It is beyond doubt that there is immediate need for reform to support energy consumers – with pricing still remaining high, fuel poverty remains considerably higher than pre-Covid levels and the fundamental levers to deliver progress are with the UK Government.

With the agreement of the membership, the Group calls on the UK Government to consider the above recommendations, and commit to the design and implementation of a scheme soon as possible. The group recognises that this is likely to require extensive work and therefore would find expanding the existing WHD infrastructure for this winter (25/26) as an acceptable interim. The group notes the consultation to expand the WHD scheme for winter 25-26 however is clear that the proposed changes are insufficient, with shallow support being offered more widely, and with an impact on the levy paid by billpayers.

The Scottish Government remains committed to working with the UK Government, regulator Ofgem, suppliers and consumer organisations to support the delivery of a social tariff (otherwise known as a targeted bill discount or rebate) across Great Britain, and offers support in taking this forward.

Social Tariff Working Group February 2025

EON Next
Scottish Power
Scottish Gas
EDF
Octopus

OVO
Consumer Scotland
Advice Direct Scotland (ADS)
Citizens Advice Scotland (CAS)
Inclusion Scotland

Scottish Fuel Advisory Panel
British Gas Energy Trust
The Wise Group
Energy Action Scotland