# Hitting the rationing wall

## How household budgets absorb energy price rises

citizens advice

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# Executive summary

Ever since the Russian invasion of Ukraine in 2022, households across the UK have been adapting their budgets to cope with persistently high energy bills. Even though energy prices have steadied, they're still higher in real terms than before the energy crisis.[1] Now, with another energy shock due to the conflict in Iran, households will once again attempt to adapt their budgets to keep up with rising prices.

In economics, energy can be described as a "rigid necessity". This means that it is an essential good which doesn't have a like for like substitute. Many low-income households live near to a physical subsistence floor, whereby they are already consuming near the absolute minimum required for basic living. Any additional reduction could carry negative consequences.

When energy costs rise, low-income households can be caught in an **elasticity trap.** Unable to reduce their energy as they are already using the minimum, they are forced to absorb the shock by rationing non-energy essentials like food, rent, and healthcare, or falling deeper into a negative budget. The mental load of balancing budgets and the tough decisions households have to make can be forgotten in headline changes to inflation and price caps. This is especially true considering Ofgem's recent changes to the Typical Domestic Consumption Values (TDCVs), which reduces headline bill figures even though unit rates remain stubbornly high.

In this paper, Citizens Advice's latest research and analysis uses the idea of economic elasticity to show how other essential bills are affected when energy prices rise. With half of our debt clients now living in a negative budget (which means their income cannot cover their essential living costs)[2] they have no flexibility to absorb price rises and are therefore forced further into deficit. **Since 2022, Citizens Advice's average debt client's deficit has increased by 52%, from £156.42 to £238.22 today.** With a nearly £240 deficit each month, these households are forced to make impossible decisions between using essential energy or buying food or other essential items.

Our latest affordability survey, commissioned by BMG, found that **74% of households have taken at least one action in the past year to save energy or the cost of their energy bill**. The most common actions being using less heating and hot water (63%),

[1] Gov.uk, Domestic energy price indices, 30 July 2026.
[2] Citizens Advice uses the term negative budget for when a person's income does not cover their essential bills, even after meeting with an advisor.

reducing household energy use - for example kitchen appliances, washing machines or turning off the lights - (47%) and reducing the amount spent on food (33%).

If prices rise again in the next year, nearly a quarter (23%) of households said they would turn off the heating or hot water to manage the increase. Nearly a third (31%) said they would need to cut back on food spending, and one in five (20%) said they would need to run down savings to pay for essentials.[3]

While many households can safely reduce their energy costs, for others rising prices are causing their household budgets to break. **Our survey found that over a third (37%) of households are worried about affording their energy this winter.**

In order to better support households, Citizens Advice are calling on the Government to implement the following:

1. **Take further action to remove policy costs off electricity bills** by removing the remainder of the Renewable Obligations (RO) scheme and all of the Feed-in-Tariff (FIT);
2. **Implement a reformed, tiered Warm Home Discount (WHD)** that provides increased levels of support based on a household's energy needs;
3. **Urgently deliver the much delayed Debt Relief Scheme (DRS).**

The Government has a limited time period to get support to households ahead of this winter. If they take these actions now, they can lower the cost of electricity for everyone while also protecting households most at risk.

[3] Citizens Advice commissioned survey by BMG Research. The survey ran between 23rd-28th July 2026 and reached 4,556 respondents.

# Elasticity in energy

Energy has become considerably more expensive in recent years.[4] In the past year alone, the energy price cap has increased by around 10%, from £1,576.44 in October 2025 to £1,729.31 in October 2026 (if calculated using the new TDCVs). At the same time, ONS data of real time PAYE income suggest that incomes have only risen by 4%.[5] With households having to pay more for their energy, it is likely that those on low incomes will have had to make a difficult choice: either spend more on heating their homes or cut back on the amount of energy they use.

An increase in prices alone, alongside fixed budgets, could simply mean that people use less energy while their bills remain unchanged (or even increase). However, with both gas and electricity becoming ever more expensive,[6] there has likely been a behavioural response from households. Specifically, an increase in the price of energy may have reduced the total amount of gas and electricity that households are willing to pay for over the course of a year.

Consider the current capped price per KWh for electricity. If the price cap were to be removed and suppliers decided to charge 10 times the current capped price, consumers would likely be far less willing to continue using the same amount of energy. That said, a sharp fall in energy usage may not be possible for some households, and in response to increasing prices they may have reduced the amount they spend on other items to afford their higher energy bills.

The degree to which households adjust their energy usage, if at all, in response to a price increase is measured by their elasticity of demand. For energy, this will fall into at least one of the following two categories: first, households may revise down the amount of energy they are willing to consume during the year, while some may reduce their energy usage by installing energy efficiency measures (funded either by their own savings or through a support scheme). The calculation for this response uses the percentage change for both the adjustment in demand for energy and the change in the price of energy. Second, they may reduce the proportion of their income spent on other items to try and cover the higher cost of their energy bills, although the need to cut spending elsewhere may be reduced if households can switch supplier or tariff. This is calculated in a similar way to the first category, but measures the change in the quantity

[4] Gov.uk, Domestic energy price indices, 30 July 2026.
[5] ONS, Earnings and employment from Pay As You Earn Real Time Information, UK: August 2026, 18 August 2026.
[6] UK Government, Quarterly Energy Prices: UK January to March 2026 and financial year data for 2025/26, 30 June 2026.

demanded for another good, such as food, in response to an increase in the price of energy. This calculation is often referred to as a cross-price elasticity.[7]

Now let's consider a hypothetical example: suppose a toll bridge operated by the local council increases the price of a single crossing from £1.00 to £1.20, which is a 20% increase. For this example, assume the number of cars using the bridge depends solely on the price of each toll: a higher price will mean fewer drivers crossing the bridge. In this instance, the price elasticity of demand measures the decline in the number of cars crossing the bridge in response to the price increase. Now suppose the 20% price increase leads to a fall in the number of cars crossing the bridge each day from 1,000 to 800, which is a 20% reduction. The price elasticity of demand is therefore 20%/20% = -1.[8]

A recent study by the IFS found that the price elasticity of demand for energy was -0.33[9] - that is, energy demand falls at a rate of 3.3% in response to a 10% increase in price, which indicates that households make relatively small adjustments to their energy usage when the price of energy increases. This is perhaps understandable given the difficulties households may experience when rationing their energy. For example, a particularly cold spell during the winter months usually requires households to turn their heating on more often and for longer. Using less energy during these periods of cold weather could lead to considerable drops in indoor temperatures. Moreover, households often cannot access close substitutes for their energy supply in the same way they could for, say, breakfast cereals.

What's more, the elasticity of demand for energy mentioned above is an average figure - some households may not be able to adjust their energy consumption to the same degree as others. Additionally, a recent study, published in Energy Economics, found that low-income households show a more limited response to energy price increases, which means they are more exposed to sharp increases in prices.[10] As a result, low-income households are more likely to reduce their spending on other areas, such as food, transport, healthcare, and education. For example, the same study found that, after controlling for nominal income,[11] a 10% increase in energy prices is associated with around a 1.1% decrease in food expenditure.

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[7] Using percentages means that elasticities are unit-free calculations that capture demand responsiveness, which is not necessarily an issue here. Although it can easily become an issue when comparing, for instance, gallons with barrels of oil.
[8] Krugman, P and Wells, R. Microeconomics. Published 2005.
[9] IFS, The welfare effects of price shocks and household relief packages: evidence from an energy crisis, November 2025.
[10] Energy Economics, Energy price shocks in Europe and its impacts on vulnerable households: A demand system approach, August 2026.
[11] The reported elasticity is estimating a partial effect, and as such the estimated impact of other variables, such as nominal income, have been accounted for in the statistical analysis.

To estimate how consumers have reduced their spending on other essentials in response to the rising cost of energy, we have used several sources, including the elasticities from the same Energy Economics paper mentioned above[12], family spending data published by the ONS,[13] Citizens Advice debt client data, and the price cap unit rates[14] [15]..

By applying the cross-price elasticities to the ONS budget data for the average household this allows us to estimate how annual budgets change after each price cap adjustment. For the average Citizens Advice debt client, we have used a combination of our own data and the ONS average expenditure estimates. Actual adjustments will depend on individual circumstances, including income, personal characteristics, energy usage and other expenditure.[16]

[12] Please see table 2 in Energy Economics, Energy price shocks in Europe and its impacts on vulnerable households: A demand system approach, August 2026.
[13] ONS. Family Spending in the UK: April 2024 to March 2025. 11 June 2026.
[14] Ofgem. Energy price cap unit rates and standing charges. Accessed 3 August 2026.
[15] Cornwall Insight, Default Tariff Can (Price Cap) Predictions & Insights, 22 July 2026.
[16] Each variable listed here could have a partial impact on energy bills and budget adjustments. In this analysis, we are only using average expenditure and income data.

# Citizens Advice debt client data

At Citizens Advice, we use the term 'negative budget' to describe the situation when a person's income is lower than the cost of basic essentials - for example, rent, food, energy and council tax, even after debt advice and budget maximisation with one of our advisers.

**Half of the people we help with debt advice are in a negative budget - up from just over one-third in 2019.**[17] For those living in a negative budget, any increase in their energy bills, however moderate, will directly increase their deficit. Being forced further into debt could mean they have to rely on crisis support, such as food banks or emergency grants or credit.

Since 2019, we've not only seen more people falling into a negative budget, but we've seen them fall deeper as well. Between 2019-2022, our average debt client in a negative budget had a shortfall of £156.42. From 2022 to now, the shortfall has risen to £238.22 - this is **an increase of 52%.**[18]

The cost of energy plays a big role in this. Even though prices stabilised after the Russian invasion of Ukraine, they never returned to their pre-crisis levels. For our average debt client, this means their monthly spend on energy increased from £105.88 pre-2022 to £152.67 now. With an annual bill of £1,832, this is higher than bills for median usage for a household in GB. Our debt clients could have higher than average bills for a number of reasons, for example living in a poorly insulated home which requires more energy to keep warm, living with a disabled person who may need energy to stay healthy, and/or living with young children.

Additionally, our debt clients 'energy burden', which is the proportion of their monthly income that is spent on energy, has also increased, rising from 8.1% before 2022 to 9.6% after. One measure of fuel poverty is whether households pay more than 10% of their income after housing costs to heat their homes adequately.[19] While the income data from our debt clients is before housing costs, which the 10% metric uses, it does help to show the higher proportion of energy spend compared to net income since the last energy crisis. This highlights the increasing pressure budgets are coming under, in part due to the increasing cost of energy bills.

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[17] Citizens Advice, Negative Budget Data, January 2024.

[18] Citizens Advice's 'debt clients' include anyone who has had a budget plan made for them at their local Citizens Advice with a trained advisor. Those who seek debt advice from us are likely to be at the more extreme end of affordability challenges.

[19] National Energy Action, What is Fuel Poverty?

**Figure 1: How Citizens Advice's average debt client's data has changed from 2019 to now**

| Budget data from our average debt client | 2019-2022 | 2022-present | Percentage change |
|---|---|---|---|
| **Average monthly spend** | £105.88 | £152.67 | 44% |
| **Level of negative budget** | £156.42 | £238.22 | 52% |
| **Average energy burden** | 8.1% | 9.6% | 19% |

With another energy price shock increasingly likely due to the ongoing conflict in Iran, households could be forced to adjust their budgets once again, except this time they're in a much more precarious position. After four years of stubbornly high energy prices and stagnating income, household budgets have less resilience to face the oncoming storm.

Cornwall Insight's prediction of Ofgem's price cap for October, estimates that energy bills will change from £1,862[20] to £1,729.31. This includes the £50 reduction due to the temporary cut to VAT. It's important to note as well that this price cap is calculated based on updated Typical Domestic Consumption Value (TDCV) reflecting lower average energy usage in recent years.[21] If we use the old methodology, the price cap would rise from £1862 to £1,940.69.[22]

While all our clients and low-income households will struggle to absorb this price rise, the pressure will not be felt equally. Some people face unavoidably high energy costs and therefore cannot ration their energy, while others face structural disadvantages which mean they struggle to rebalance their budgets to adapt to price rises. We know this pressure is felt most acutely by: disabled people and those with long-term health conditions; families with dependent children; older people and low-income pensioners;

[20] Ofgem, Energy price cap unit rates and standing charges. Accessed 3 August 2026.
[21] Ofgem, Review of typical domestic consumption values: decision, 27 May 2026.
[22] Cornwall Insight, Default Tariff Can (Price Cap) Predictions & Insights, 19 August 2026.

renters, and single parents. Single people also are at a higher risk of living in a negative budget and having a high energy burden.

**Figure 2: Citizen Advice debt clients budget data before the energy crisis period (2022) and now**

| Demographic group | Time | Percentage in a negative budget | Level of negative budget | Average monthly energy spend | Average energy burden (%age of income)[23] |
|---|---|---|---|---|---|
| **Disabled people and those with long term health conditions** | 2019-22 | 40.3% | £150.05 | £103.55 | 8.4% |
| | **2022-present** | **49.4%** | **£230.34** | **£148.95** | **9.7%** |
| **Families with dependent children** | 2019-22 | 37.8% | £176.53 | £124.30 | 7.8% |
| | **2022-present** | **49%** | **£263.93** | **£180.54** | **9.4%** |
| **Older people and low income pensioners** | 2019-22 | 19.4% | £91.21 | £102.63 | 8.1% |
| | **2022-present** | **27.65%** | **£149.71** | **£145.12** | **9%** |
| **Renters** | 2019-22 | 39.8% | £149.62 | £106.16 | 8.1% |
| | **2022-present** | **49.8%** | **£229.85** | **£151.94** | **9.4%** |
| **Single parents** | 2019-22 | 38.7% | £161.06 | £120.96 | 8.2% |
| | **2022-present** | **50.4%** | **£245.27** | **£174.89** | **9.7%** |

[23] The average energy burden is the percentage of a household's net income (therefore not after housing costs) taken up by energy bills.

Budgets that are this stretched force people to make impossible choices. With debt already inevitable, people have to find new ways to manage when prices rise - sometimes this is through cutting back their spending on other essentials, and sometimes this is by reducing their use, for example going without dinner or not turning the heating on.

Citizens Advice data shows that single people, single parents and disabled people carry the highest energy burdens relative to income. Single-person households don't have a second income to help absorb some of the price shock, while disabled households incur unavoidable energy costs to provide essential heating or run essential medical equipment or assistive technology.

However for many of our clients, budget flexibility is limited. There is no healthy way for their budgets to absorb energy price shocks. Using the updated TDCVs, the price cap for October-December is expected to rise by £66.31, or £78.69 using the previous TDCVs.[24] Energy bills will therefore eat up even more of people's budgets. After already exhausting all their options for reducing their energy, many of these households will be forced to cut back on other essentials - such as food, clothes, rent - and fall even deeper into a negative budget.

The next chapter explores how rises in energy prices have impacted household budgets, and the measures people take to try and manage it.

[24] This calculation has been made using the previous Typical Domestic Consumption Values (TDCVs) (source: Ofgem, Review of typical domestic consumption values: decision, 27 May 2026.)

# Hitting the rationing wall

Energy is a 'rigid necessity' which means there is a limit to how much energy a household can cut. Often, when energy prices rise consumers will respond by reducing their usage to try and keep their bills at the same level. This is not possible, however, for many low-income households who are already living at the 'subsistence floor', or disabled households or families with dependent children where heating is often needed to keep the household safe and healthy. Once energy usage is reduced to the minimum possible, the cost of energy takes from other essentials. If this isn't possible, households are forced to undertake dangerous self-rationing or risk falling into debt.

In our latest energy affordability survey, commissioned by BMG Research,[25] we found that nearly three quarters (74%) of households are taking some measures to reduce costs. Many of these will be safe measures like reducing boiler flow temperature or turning down their thermostat (while maintaining a safe level of heating. However, some are taking more drastic steps, such as:

- **Over a third (36%) have turned the heating off**
- **A third (33%) have spent less on food**
- **Nearly 1 in 10 (9%) have skipped meals**

To gain a better understanding of how household budgets are responding to energy price rises, Citizens Advice have conducted analysis using a combination of: ONS and Citizens Advice data; unit rates and standing charges from the two most recent price cap announcements; Cornwall Insight's prediction for the next price cap; and price elasticities that estimate how consumers respond.

If we look at the July price cap (1 July-30 September) electricity unit rates rose by around 6% and gas unit rates increased by around 28% compared to the period before (1 April-30 June)[26]. Our analysis estimates that the average household, calculated using ONS budget data, would adjust their budgets by spending around £163 less a year, or £13.60 a month, on other things.[27]

If we now look at the average budget for our debt clients, there is less room to cut. We saw in the previous chapter how stretched our debt client's budgets are and how deep

[25] Citizens Advice commissioned survey by BMG Research.
[26] Ofgem, Energy price cap unit rates and standing charges, Accessed 3 August 2026.
[27] The average household budget was adjusted for inflation (source: ONS, Consumer Prices Index including owner occupiers' housing costs (CPIH), 18 February 2026).

they are into negative budgets. We also know that the proportion of income spent on energy by an average CA debt client is around double that of the average consumer.[28]

Our analysis estimates that the average CA debt client will reduce their spending by £114 over the year, or £9.50 per month. The reason that the monthly reduction is lower than the reduction for the average consumer is because the average Citizens Advice debt client has an expenditure budget that is almost half that of the average consumer, however the elasticities are the same. As we mentioned above, our average debt client has an energy burden of 9.7%, meaning their energy bills nearly take 10% of their income. In comparison, ONS data tells us the average energy burden for households in the UK is around 5%[29]. This means for our clients, there is less money in their budget outside of energy bills which they can adjust to accommodate for a price increase.

Additionally, with the average level of negative budget already for our debt clients at -£238.22, further cuts to budgets are simply not possible. Our affordability survey helps to show this, with **16% of all respondents falling behind on other bills[30] in order to specifically save money to pay for their energy bills.**

Looking ahead to the colder months, Cornwall Insight is predicting that the price cap will increase for 1 October-31 December from £1,862 to £1940.69 under the previous TDCVs, or from £1,663 to £1,729.31 under the new TDCVs.[31] For our analysis, we have used Cornwall Insight's unit rates to calculate the percentage increase in gas and electricity prices in the upcoming price cap.

In order to manage their budgets with the rise in the new price cap, we estimate that the average household will reduce their monthly spend on non-energy essentials[32] by £3.60 a month, which equates to £43.20 a year. **This is on top of the £13.60 monthly reduction from the previous price cap.** Taken together, we can estimate that the average GB household will reduce their spending by £17.20 each month since the energy shock due to the conflict in the Middle East. **This is over £205 across the year (£206.40).**

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[28] ONS data tells us that the average spending on gas and electricity is around 5% of average weekly earnings for the typical household. Citizens Advice's data shows that the average debt client spends 9.6% of their income on energy.

[29] (4.7%) This is energy expenditure expressed as a share of total weekly income (source: ONS, Average weekly earnings in Great Britain: August 2026, 18 August 2026).

[30] Citizens Advice survey, commissioned by BMG Research, asked respondents "what other measures have you taken during the last year in order to specifically save energy or money to pay for your energy bill?" 16% responded to falling behind on their rent / mortgage, council tax, water, TV license, internet / broadband, credit cards and or/ other bills.

[31] Cornwall Insight, Default Tariff Can (Price Cap) Predictions & Insights, 19 August 2026.

[32] For this modelling, non-energy essentials include food and non-alcoholic drinks, housing, rent and water, health and education, and transport.

Using the new TDCVs, the increase in the average annual energy bill between April and July was just under £187, while, using Cornwall Insight's predictions, the difference between July and October's price cap will be around £66. Our analysis shows that, in response to October's predicted price increase, households will reduce their spending by a smaller proportion of the energy bill increase compared to July. This can be attributed to the lower predicted increase in the price of energy between July and October, and as such changes in expenditure are smaller. Our analysis indicates that, as the size of the change in energy prices increases, the cut back in other expenditures by the average household may increase as a share of the change in their energy bills, at least up to a point.

For our average debt client, we estimate they will reduce their budget by £2.50 per month to manage the October price cap increase, which is £30 a year. Again, this monthly increase is on top of the £9.50 from the previous price cap. **That means the households we help who are already in a deficit are having to cut their limited non-energy spending by £12 a month - that is £144 across a year.**

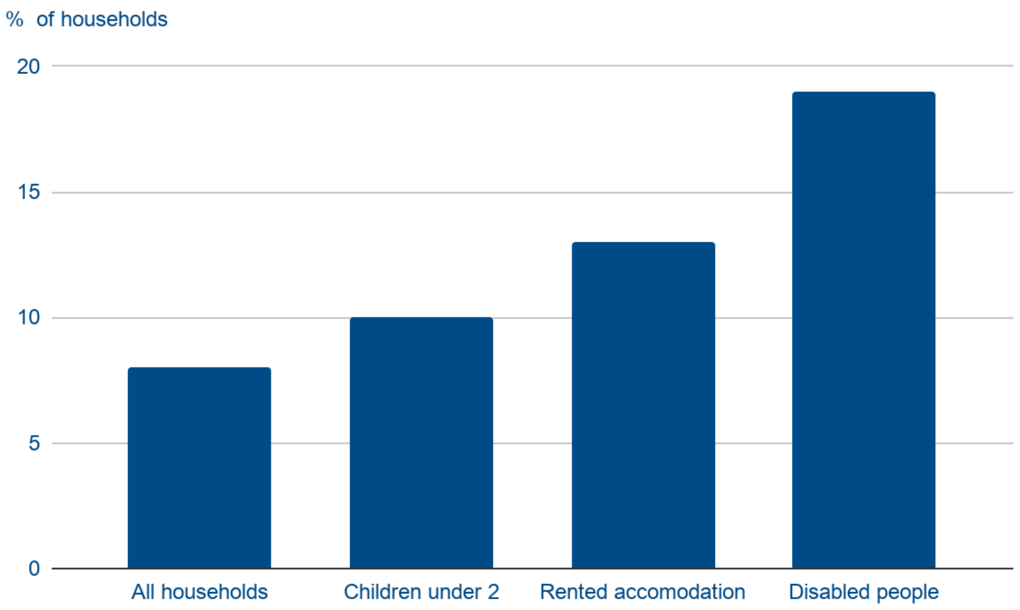
**Figure 3: monthly estimated savings needed to adjust budgets to energy prices**

| | **Average UK Household (ONS Data)** | **Average Citizen Advice debt Client** |
|---|---|---|
| **July-October price cap** | £13.60 | £9.50 |
| **October- December price cap** | £3.60 | £2.50 |
| **Total monthly non-energy cutback** | **£17.20** | **£12.00** |
| **Total annualised non-energy cutbacks** | **£206.40** | **£144.00** |

There are real life implications for people and their budgets when energy prices rise. In our survey, 70% of people said they thought they would need to take some form of action to manage their energy bills if prices increased again. While some of these actions could involve safe ways to reduce energy consumption, it's worrying that 23% said they would need to switch off their heating or hot water, 31% said they'd need to cut back on food spending, and 18% said they'd need to cut back on everyday essentials, such as toiletries, cleaning products or prescriptions.

Even more worryingly, **8% of households said they thought they'd have to go without food.** This increased to 10% for households with children under 2, 13% of people living in rented accommodation and 19% (nearly one in five) of disabled people.

### Figure 4: Households who would go without food if energy prices rise




**Janet's story**[33]

Janet is on a low income and is on a standard variable tariff, which means she submits monthly meter readings to her supplier. Recently, she has been feeling the rising cost of energy acutely and has found it difficult to make ends meet.

Janet doesn't have any additional benefit entitlements available to her and also has limited opportunities to increase her income. When she came to Citizens Advice, she was concerned about managing her energy bills alongside her other expenses and was worried about the winter months coming as she didn't feel able to keep her home warm and comfortable.

After receiving support from Citizens Advice, Janet moved onto a fixed tariff which brought down her annual cost. This should help her ahead of winter, however she is still concerned about the colder months.

[33] Case study from a real Citizens Advice case. Names have been changed to protect anonymity.

Our findings show that many low-income households have hit a physical ‘rationing wall’. Because energy is inflexible, or a ‘rigid necessity’, households who have already cut their heating to dangerous minimums have no choice but to ration food, miss rent payment or go without essentials. Normalising these forced cutbacks, or assuming households can continuously adjust to elevated rates, is not sustainable. Without action from the government, households will be forced deeper into negative budgeting or limiting other essential items to manage their energy bills.

# How to provide support to households for this winter

It's clear households throughout the country are struggling to keep up with their energy bills.

If the new Government is serious about getting support to households in time for this winter, we recommend that they implement 3 key policies:

1. Take further action to remove policy costs off of electricity bills
2. Reform the Warm Home Discount so that it provides increased, tiered levels of support based on a household's energy need.
3. Urgently deliver the much delayed Debt Relief Scheme

These policies, enacted alongside a fully funded Warm Homes Plan to upgrade homes, will ensure those most at risk of fuel poverty and in the least efficient homes receive adequate support. They will also help to make electricity cheaper, and enable the Government to build a fairer, more sustainable energy system.

Government action up until now, including the most recent decision to temporarily remove VAT from bills, is welcome. But it has not gone far enough to address the scale of the affordability crisis.

**Affordability Package**

1. **Take further action to remove policy costs off of electricity bills**

Policy costs, often referred to as 'levies', are added onto electricity bills to fund government led environmental and social programmes, such as the Warm Home Discount or the Green Gas Levy.

Citizens Advice supports energy levy reform as a way to reduce energy bills for everyone by moving the cost off of electricity bills and into general taxation which is a more progressive way to recover these costs. We therefore welcomed the Government's changes in November 2025 to remove 75% of the Renewable Obligation Fund (RO). Along with ending the ECO scheme, this saved the average household £150 off of their energy bill a year.[34] We also supported the recent announcement to temporarily remove VAT from energy bills.

To further support all households with their energy bills, we recommend removing the cost of the remainder of the Renewable Obligation (RO) and all of Feed-in-Tariff (FIT) from energy bills and into general taxation. These changes should be made permanent, and continue beyond 2029.

We expect the total cost of these changes to HMT Treasury to be ~£1.3 billion per annum.

### 2. Reforming the Warm Home Discount

The Warm Home Discount (WHD) is a rebate of £150 that is paid directly to eligible households' energy bills. While the government has expanded the payment to all households on means-tested benefits who are data matched, the amount has not kept up with rising bills and does not provide adequate support to households who are struggling with their energy bills. Changes to the way the scheme is paid for also mean that those on low incomes who use the most energy pay most towards it, significantly reducing the benefit they get from the scheme.[35]

As we have laid out in our previous reports Frozen in Place,[36] Essential Bills Made Affordable[37] and Getting Warmer?[38] the simplest way to deliver support to households is by reforming the WHD.

Our recommended model would keep eligibility to all households on means tested benefits but tailor support based on a household's energy needs, as assessed by their characteristic of their property from the Valuation Office Agency (VOA).[39] Households that are estimated to have a higher heating needs would receive more support. As this is how the previous WHD operated prior to the winter of 2025, it should be possible for the Government to implement these changes for winter.

In our report, Energy Bills Made Affordable, we modelled our additional payments for households with the highest energy needs, the medium energy needs and the lowest energy needs, alongside the £150 payment through the existing WHD.

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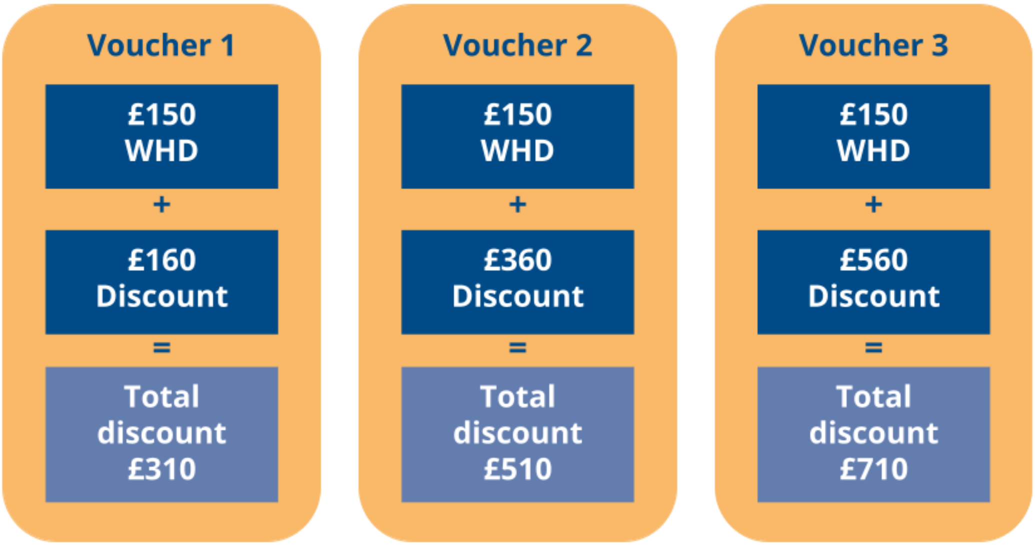
[34] Department for Energy and Net Zero, What does the Autumn Budget mean for your energy bills? 27 November 2025.
[35] Linkedin article, Warped Home Discount? 16 February 2026.
[36] Citizens Advice, Frozen in Place, Feb 2025.
[37] Citizens Advice, Essential Bills Made Affordable, December 2025.
[38] Citizens Advice, Getting Warmer?, February 2026.
[39] VOA data is only available in England and Wales. We therefore recommend in Scotland a similar scheme is developed using the equivalent funding.

**Figure 5: proposed payment amount alongside the existing WHD.**




Our modelling, which was done in partnership with IPPR  and Policy in Practice, assumed that 5.6 million households on means tested benefits (MTB) would receive the support. On average, these households would receive £360 towards their energy bills. **This would see 600,000 households no longer spending over 10% of their income on energy which would have a significant impact on those who are struggling.**

Implementing this model would cost an additional £2bn, on top of the funding already in the system. To prevent further increases in bills for everyone else, this requires full Treasury funding. With many households already struggling to pay their energy bills, it is not appropriate to increase them anymore with extra policy costs. To do so would work against the steps the Government has taken to reduce energy bills.

### What this means for people's energy bills

If we take both our recommendation for a reformed WHD and the removal of FIT and the remainder of RO, the average energy user who receives means tested benefits will see their bill reduced by around £400, or 21%. For those who don't receive the WHD, their bills would reduce by an average of £43.

**Figure 6: How our policy recommendations impact bills**

| Household | Total estimated annual energy bill (£) | Tailored bill support (£) | Removal of the rest of RO | Removal of FIT | New Estimated Annual Energy Bill (£) for those on MTB | % Decrease in energy bills | New estimate bill (£) for those not on MTB |
|---|---|---|---|---|---|---|---|
| Low usage household | 1213 | 160 | 13 | 12 | 1028 | -15.3% | 1188 |
| Typical dual fuel household | 1729 | 360 | 20 | 19 | 1329 | -23.1% | 1690 |
| High use household | 2430 | 560 | 31 | 30 | 1809 | -25.5% | 2369 |

Taken together, our recommendations will ensure that households who are most at risk of fuel poverty, low-income households on means tested benefits with high use, receive the highest level support.

### 3. Deliver the debt relief scheme (DRS)

The long awaited DRS has the potential to free households from the unmanageable burden of debt by wiping off their eligible debt which was built up in the energy crisis period. This will bring benefits to consumers, as well as to suppliers by reducing the overall debt in the energy market and the costs this adds to bills. **The latest delays, however, are keeping households stuck in a vicious cycle of debt.**

Ofgem and the Department for Energy Security and Net Zero (DESNZ) have already designed a scheme to target those with energy debt, which we have contributed to as part of their consultation process. The scheme offers a meaningful opportunity to support people with energy debt to engage with debt advice and re-engage with their supplier.

Through this engagement, people would be able to access support to find sustainable ways to repay their debt and potentially any affordability issues they are experiencing. This will not only help to bring down debt levels in the system due to debt write off, but it should also help to keep debt levels from rising again by improving consumer engagement.

As we have stated in our previous report[40] and our response to the statutory consultation on the DRS,[41] we believe this scheme could be funded from the windfall profits made by energy networks, which they gained from high inflation during the cost of living crisis, due to a mismatch between debt allowances and debt costs in the price control. There are options for utilising these profits to ensure this doesn't add anything extra onto bills.

**We continue to urge DESNZ, Ofgem and HMT Treasury to work together to deliver the DRS at pace to better support households in debt.**

[40] Citizens Advice, Getting Warmer? February 2026.
[41] Citizens Advice, Response to Ofgem's Statutory Consultation on the Debt Relief Scheme (DRS), 19 December 2025.

# Conclusion

Across the UK, millions of households are still struggling with their energy bills. As we've discussed in this paper, **people are simply running out of ways to adapt and change their budgets to try and manage this growing crisis**.

Retail domestic gas prices remain more than 40% higher in real terms than in 2021, and four years of consistently high prices has eroded household resilience. Many households have undertaken positive behaviour changes which have helped to reduce their energy bills, for example using more energy efficient appliances or insulating their homes.

For some low-income households as well as our debt clients, however there are no more options available to them to reduce their energy usage. Low-income families, disabled households, those in rented accommodation and households with young children already use near to the minimum level of safe energy. Because of this, they have fewer options to reduce their energy use in a safe way. Instead they are forced to absorb the price increase by sacrificing other essential living costs.

The evidence from Citizens Advice debt client data and national survey demonstrates the impossible trade-offs households are making. Half of our debt clients are now trapped in a negative budget, facing an average monthly deficit of £388.92. When energy prices rise, households who can't reduce their energy usage skip meals, fall into rent and council tax arrears, and go without necessary prescriptions. Our survey reveals that **nearly one in five disabled people and 13% of renters fear that future price hikes will leave them unable to afford food.** This is the human reality of hitting the rationing wall.

While Government action to remove some policy costs and VAT off of electricity bills, as well as to increase eligibility of the Warm Home Discount to all households on means tested benefits has helped households to some extent with their energy bills, it doesn't go far enough. The Government has a limited time period to get support to households ahead of winter. They must:

1. **Take further action to remove policy costs off of electricity bills** by removing the remainder of the Renewable Obligations (RO) scheme and all of Feed-in-Tariff (FIT)
2. **Reform the Warm Home Discount so that it is tiered** and provides increased levels of support based on a household's energy needs
3. **Deliver the much delayed Debt Relief Scheme (DRS)** to support households in debt from the last energy crisis to get on top of their energy bills and re-engage with the energy market.

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