

Government response to the Consultation on the Warm Home Discount

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Executive Summary

Background

Primary Powers

1. The Energy Act 2010 provides a framework to mandate energy companies to provide support to the fuel poor, including powers to give greater guidance and direction on the types of households eligible for future support and the type of support they should be given.

Consultation Proposals

2. The Warm Home Discount Consultation was published on 2 December 2010 and ran for 6 weeks to 14 January 2011. The consultation set out the Government proposals for the Warm Home Discount scheme which are summarised below.
3. The proposals placed the Core Group at the heart of the scheme, and, of the four components, we proposed that it should account for the most significant level of total spending over the course of the scheme.
4. We proposed that suppliers should have some flexibility in how they choose to structure their contributions across the other components of the scheme: the Broader Group, Legacy Spending and Industry Initiatives. We also proposed maximum caps for spending each year on the Legacy Spending and Industry Initiative elements of the scheme.
5. We proposed setting clear eligibility criteria to ensure the Core Group includes those households who have a high propensity to fuel poverty and are at risk of detriment if they live in cold housing. Our proposal was that this group should be found using a subset of the means-tested benefit, Pension Credit, as a proxy.
6. We recognised that in addition to those who will be assisted through the Core Group, other groups are also at higher risk of fuel poverty than the population average, with greater vulnerability to detriment if they live in cold housing. We therefore proposed allowing rebates to be offered to a Broader Group of vulnerable households at risk of fuel poverty, through the second component of the scheme. This structure will ensure that a portion of spending by energy suppliers within the scheme is dedicated to households, beyond those eligible for the Core Group, who are vulnerable and have a propensity to be fuel poor.
7. We proposed that energy suppliers should be required to provide the Core and Broader Group benefits as lump sum discounts on customers' electricity bills, rather than any other energy bill. A key reason for this is to ensure that the vast majority of consumers have access to the scheme, if they meet the eligibility criteria. In particular, this ensures that those living off the gas grid, including those in rural areas, could receive the same help with their fuel costs as households on the gas grid.
8. The Legacy Spending portion of the scheme is intended to provide a smooth transition from the Voluntary Agreement. Energy suppliers have provided social and discounted tariffs to vulnerable customers and low income customers under the agreement since 2008. The Legacy Spending portion of the scheme would encompass this type of expenditure.

9. The proposals also allowed energy suppliers to spend a limited portion of their contribution to the scheme on other forms of support which would also benefit fuel poor and vulnerable consumers. Examples of the types of activity that would count are:
- working in partnerships to support referrals from 3rd parties which identify those eligible for assistance;
 - funding benefit entitlement checks for consumers – which could result in increased household income and access to other forms of support;
 - funding services which deliver energy advice for consumers (for example the Home Heat Helpline¹); training advisory staff, community and health workers on energy matters.

Responses to the consultation

10. During the consultation period, DECC actively engaged with interested parties, holding meetings and workshops with energy suppliers and representatives of charities and consumer groups. We have also had a significant response from key stakeholder groups and members of the public. A total of 1847 responses were received to the consultation, details of the types of organisations who responded, together with the number of respondents to each question are set out at Annex 1 and Annex 2.

Summary of Responses

11. The chapters that follow contain more detail on the responses to the consultation. Some of the key comments made are set out below.
12. A majority of respondents were broadly in agreement with the Government's proposals for the scheme, citing, amongst other factors, that the scheme provides a clear and direct support for the most vulnerable consumers with their energy costs, will offer good value for money and will minimise interference in competitive markets. There was also general support for the following proposals in the consultation:
- Using data matching as a tool for finding those who might be eligible for a rebate under the Core Group;
 - The subset of Pension Credit recipients to be targeted in the Core Group;
 - That energy suppliers should be able to offer, strictly controlled, additional assistance to customers who have received a benefit through the Core Group;
 - Having consistent and uncomplicated language to describe rebates provided in the Core and Broader Groups;
 - Having support available for groups other than older poorer pensioners through the Broader Group;
 - Creating a smooth transition from the Voluntary Agreement through Legacy Spending;

¹ This service is funded by the six largest energy suppliers and run on their behalf by the Energy Retail Association, further information on the Home Heat Helpline can be found via: <http://www.homeheathelpline.org.uk/>

- Giving suppliers discretion over the size and type of benefit in the Legacy Spending section of the scheme and managing down the support over the first three years of the scheme;
 - That small suppliers should be able to participate on a voluntary basis;
13. Concerns were raised about a number of areas and a number of amendments to the policy were suggested. These included;
- That the Government should increase the size of the Core Group to include a range of other groups, including lower income families with children and people with a serious or long term illnesses. This would require additional funding or providing fewer or a lower benefit to the proposed Core group, along with new primary data sharing powers;
 - That the Government should provide greater guidance on Broader Group eligibility;
 - There should be greater flexibility between the Industry Initiatives and the Legacy Spending;
 - That the benefit should be delivered, at least in part, through energy efficiency measures;
 - That the level of benefit was insufficient to raise recipients out of fuel poverty and should be increased.
 - That there should be a process in place to ensure that any under-spend on the Core Group could be used to provide support to vulnerable households.

Summary of the Government Response

14. The chapters that follow contain the detailed Government response to the consultation. The key changes to the scheme, taking account of consultation responses and other evidence, are as follows:
- New forecasts from DWP suggest there will be a larger number of people (about 200,000) eligible for Pension Credit Guarantee Credit in the first year of the scheme, compared with previous forecasts. Government has taken a decision not to reduce the numbers in this well targeted group to take account of that, but instead to reduce the value of the benefit in year 1 to £120 and reduce the minimum number of households to be helped in the Broader Group for year 1 to 25,000. These additional funds will be spend on this larger Core Group.
 - The Secretary of State has defined a fuel poverty risk group as a group that is both vulnerable and low income.
 - The Government has set out in the Regulations a list of groups that participating suppliers can choose to target subsets of for the Broader Group. Suppliers are under no obligation to use these lists, but if they do Ofgem must approve the proposals. Belonging to a group listed in the Regulations does not entitle a household to receipt of a benefit under this scheme, even if the supplier chooses to use that criteria.
 - The Government has set out in the Regulations a methodology for verification that participating suppliers can choose to use. Suppliers are under no obligation to use this method, but if they do Ofgem must approve it.

- Suppliers will be required to inform Ofgem how they intend to let eligible consumers know that support received is the Warm Home Discount.
- Suppliers may offer discounted tariffs and rebates through their Legacy Spending.
- The Government will set a maximum cap for Suppliers spending on Industry Initiatives and Legacy Spend, and an overall cap on the combined total. Suppliers will have some flexibility around the amounts that they spend on each within this maximum cap.
- Government will be able to determine the amount of spending for each year on the Core Group based on Core Group spending in the previous year. There will also be limited flexibility for suppliers to carry over into the next scheme year a maximum of 1% over- or under-spend of their spending obligations on the Broader, Legacy and Industry Initiative sections of the scheme.

Next Steps

15. Government will lay draft Regulations to enable the scheme in both Houses of Parliament. Subject to the passage of the Regulations through Parliament, the scheme will come into force on the day after which the Regulations are made. Affirmative Regulations under Section 142 of the Pensions Act 2008 which will allow for data sharing between the energy suppliers and Government to target members of the Core Group will be laid before both Houses of Parliament later this year, as will regulations to facilitate the reconciliation process.

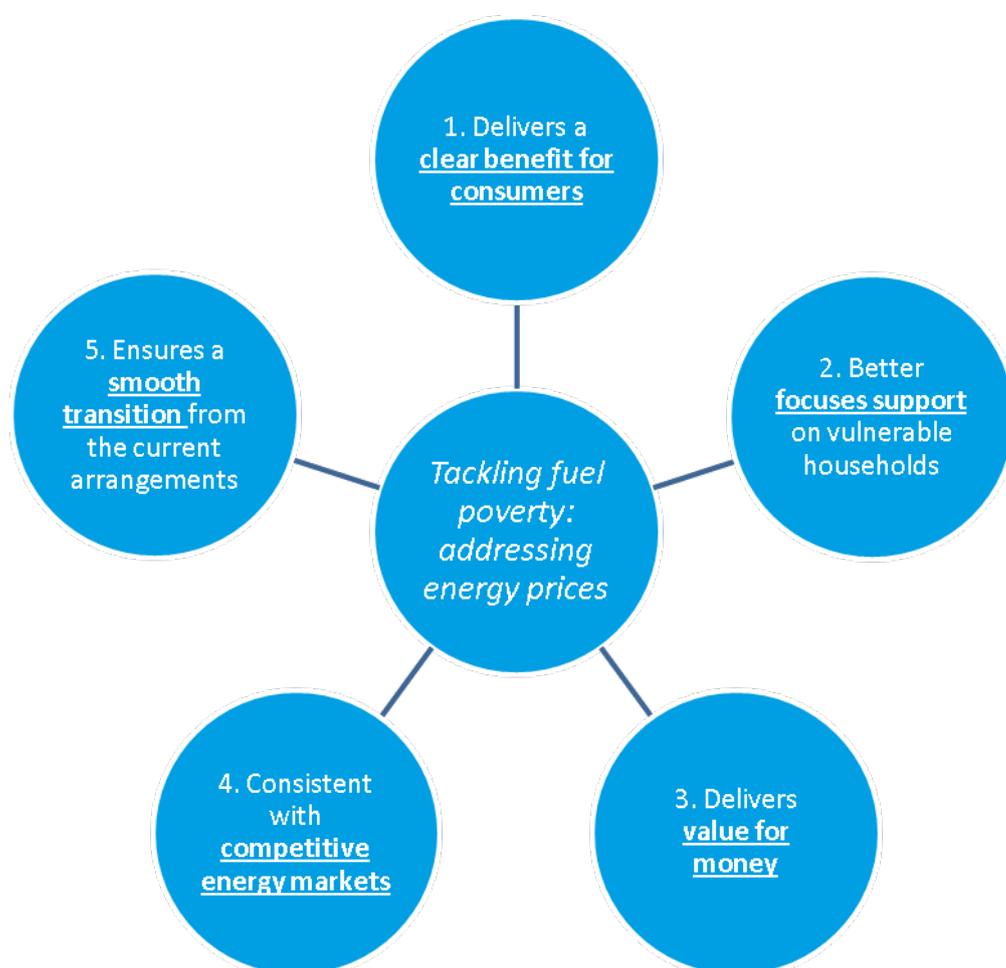
Responses to specific consultation questions on the Warm Home Discount scheme

Scheme Principles

Consultation Question: Principles of the Warm Home Discount Policy

Q1 Do you agree that Warm Home Discount policy should be implemented in line with the principles outlined in this chapter? Please explain your answer.

16. Almost all respondents to the consultation were in broad agreement with the principles, outlined below, which Government had suggested should be used to guide and implement the Warm Home Discount scheme.



17. Many respondents shared the view that Government should also focus its efforts to tackle fuel poverty through providing improvements to household energy and thermal efficiency with insulation and heating measures. In particular a number of respondents commented that Government's Green Deal should ensure that appropriate offers were made to vulnerable and low income households to help them reduce their energy needs and thereby their energy costs – providing a long term solution to fuel poverty.
18. Suggestions were made by a number of respondents that funding allocated to the Warm Home Discount for the provision of financial assistance to consumers should instead be used to provide measures to vulnerable households through the Government's existing Warm Front scheme or through directions to energy suppliers that the money should be spent in this way.
19. Some respondents also expressed views that, while they agreed with the broad principles of the Warm Home Discount scheme, they did not consider energy suppliers best placed to deliver this form of support to fuel poor households. These respondents argued that support should be provided through the state benefits system instead.
20. The ability of all sections of the scheme to meet the aim of principle 2 – to better focus support on vulnerable households, was questioned by other respondents. They suggested that the Core Group should be expanded and the Government should provide further guidance to suppliers on who to target in the Broader Group. Respondents also highlighted that fuel poverty was one of a number of challenges faced by low income households in conjunction with rising commodity prices and suggested routes to tackling fuel poverty should be considered within the wider context of tackling poverty across the board.
21. The main concern of the respondents who disagreed with the principles set out in the consultation document was that the scheme would not take account of the differences in heating need of different households. They focused on regional climatic variations which meant that in some areas, including Scotland, household energy bills were higher and suggested that the level of rebate provided should take this into account.
22. A small number of respondents also recommended that Government should include a wider range of energy suppliers within the scope of the scheme, including those who provided heating fuels to consumers who do not have access to the mains gas network.

Government Response to Question 1

The Coalition Government welcomes the level of support expressed for these guiding principles and will seek to implement the Warm Home Discount scheme in line with them.

The Government is committed to tackling fuel poverty and supporting vulnerable consumers to heat their homes at an affordable cost. The Green Deal is a radical new commercial offer that has the potential to improve the energy efficiency of the country's homes, promoting significant investment in the household sector alone. It will provide households and businesses with energy efficiency improvements, with bill-payers repaying through the savings they make on their energy bills. Additional support will be available for those who need it, including low income vulnerable households and those in 'hard to treat' homes, through a new Energy Company Obligation. Government is working with stakeholders and interested parties to ensure that they will be able to benefit through offers appropriate to their needs and income levels. Prior to the introduction of the Energy Company Obligation, assistance is available through Warm Front to

help eligible households in England improve the thermal and energy efficiency of their homes².

Respondents' concerns on the targeting of support have been addressed in detail in the Government's response to Questions 3-6 on the Core and Broader Groups.

Government recognises the concerns of those who suggested that the funding available for this scheme should be used to provide energy efficiency measures rather than financial support. Government believes that this policy has an important role to play in supporting those vulnerable consumers who are struggling with their energy costs. The Warm Home Discount will help to tackle fuel poverty through distribution of tangible and direct sources of support to some of the most vulnerable households in paying their energy bills.

In addition, Government believes that energy suppliers do have a role to play in protecting the most vulnerable households at risk of fuel poverty. Their recognition of this important role was demonstrated in their Voluntary Agreement between 2008 and 2011 to spend a combined sum of £375 million in providing assistance to vulnerable consumers.

Government considered the arguments in favour of rebates linked to consumption and discounted tariffs in the Warm Home Discount consultation document. Government believes that rebates at a set level offer benefits both to consumers and the energy suppliers who participate in the scheme. Consumers will be afforded greater certainty and transparency over the value of the benefit they will receive. Energy suppliers will also be able to calculate with certainty whether they have met their non-core spending obligations under the scheme and how many customers they can assist over the course of each scheme year. The Warm Home Discount scheme will require all participating suppliers to pay the same value of benefit to members of the Core Group. A set level of rebate is important to allow a reconciliation mechanism to be operated among energy suppliers to ensure the costs of providing Core Group Rebates are fairly shared among suppliers according to their share of the domestic energy market.

On balance Government believes a set rebate level is still the best way for support to be distributed through the Warm Home Discount scheme. This is reflected in the shift of distribution of spending across the scheme from legacy spending to the Core and Broader Group, laid out in detail in the next section.

The Energy Act 2010 provides for participation in the Warm Home Discount scheme to be enforced as a relevant requirement of gas and electricity suppliers' licence conditions. Suppliers of heating oil (and other heating fuels used by those without access to the gas grid) are not regulated in the same manner as those of gas and electricity and they are therefore not required to participate in the scheme.

² Similar services to Warm Front are provided in Scotland through the Energy Assistance Package and in Wales through the Home Energy Efficiency Scheme.

Warm Home Discount Scheme Overview

Consultation Question: Warm Home Discount Scheme Structure

Q2 Do you agree with the structure of the proposed Warm Home Discount scheme, including the target groups, type of benefit and distribution of funding between the four sections of the scheme? Please explain your answer.

23. The majority of respondents were in broad agreement with some or all of the proposed structure for the Warm Home Discount scheme (see Executive Summary for the proposals) and agreed that the move to a mandated scheme from the current voluntary arrangements would provide greater certainty and accountability over the distribution of support. The Core Group was highlighted as a particular improvement, because of the uniformity and certainty on benefit levels and eligibility criteria across all participating suppliers.
24. The importance of ensuring the Warm Home Discount scheme was compatible with the Green Deal finance was also mentioned, with one respondent suggesting that the discounts available through the scheme could be used to make repayments for the installation of energy efficiency measures.
25. A small number of respondents disagreed with the proposed structure and principles of the Warm Home Discount scheme, arguing that funding set aside for legacy arrangements from the Voluntary Agreement should instead be used to provide long term improvements to housing, for example through insulation and that rebates, if provided should be set at levels based on consumption.
26. Many respondents to this question felt that the size of the Core Group should be increased to allow other groups, for example low-income families, to be eligible for the automatic benefit, whilst still welcoming that the poorest pensioners should be eligible. They felt that this could be funded through a reduction in the scale of Legacy and Broader Group spending. Respondents also suggested that the Core Group eligibility for pensioners proposed for year 4 of the scheme (when the group is at its largest) should be used for the duration of the scheme, rather than gradually increasing.
27. Some respondents also expressed concerns over the degree of discretion that suppliers would have within the proposed scheme in determining who was eligible for support through the Broader Group and the variation in support for different groups that this could lead to among different suppliers. Respondents were concerned that groups they felt had not benefited under the Voluntary Agreement, including low income families, would also not benefit under the Broader Group unless further direction was given by Government on who should be eligible for support.
28. The cost and administration burden which could be placed on suppliers in determining a consumer's eligibility was also cited by respondents as a concern and a rationale for the further expansion of data matching. Alternative solutions proposed by respondents were to have a mandated Core Group, but to continue providing support similar to the Broader Group, Legacy Spending and Industry Initiatives under a Voluntary Agreement with the opportunity to mandate these arrangements from Year 3 onwards once suitable monitoring arrangements were in place and fully costed.

29. The rate at which Legacy Spending would be managed down and the transition from spending on tariffs to rebates was also discussed by a number of respondents. Some agreed that rebates did provide greater certainty to consumers over the level of support they would receive, while others disagreed that a flat rate rebate was an appropriate way to provide support with energy costs. Some respondents suggested that Legacy Spending should not be reduced to zero in the fourth year of the scheme and that some support should continue to be provided through tariffs for the duration of the scheme.
30. Other respondents signalled their support for the Industry Initiatives section of the scheme, agreeing that it was important for some support other than direct support on energy bills to be available – particularly for existing initiatives such as the Home Heat Helpline or the provision of benefit entitlement checks as under the Voluntary Agreement. In order to provide a smooth transition from their commitments under the Voluntary Agreement, some respondents requested additional flexibility to manage their spending between the Legacy Spending and Industry Initiatives.

Government Response to Question 2

The Coalition Government welcomes the level of support expressed by respondents for the Warm Home Discount scheme structure. Many of the respondents commented in detail on particular sections of the scheme and these comments have been taken account of in the Government's detailed responses to Questions 3-27 .

There were two key areas raised in this section which are not covered elsewhere, these are:

- **Energy efficiency**

There were several comments, as outlined above, about how the Warm Home Discount Scheme should do more on energy efficiency. For example through using money under Legacy Spending to provide measures, or linking up payments to Green Deal finance arrangements.

The Government recognises that in the long term measures to improve home energy efficiency and heating systems will make a more sustained difference to a household's ability to heat their home affordably. There are a number of policies in place with the aim of delivering such measures to vulnerable households. These include Warm Front and the Carbon Emissions Reduction Target priority and super priority groups.

Going forward, the Green Deal is the Government's radical new commercial offer that will provide households and businesses with energy efficiency improvements, with bill-payers repaying through the savings they make on their energy bills. Additional support will be available for those who need it, including low income vulnerable households and those in 'hard to treat' homes, through a new Energy Company Obligation.

The Government recognises that while these mechanisms are being put in place, there are vulnerable households who will continue to face problems paying for their energy needs. It is therefore a key aim of the scheme to use the Warm Home Discount to provide immediate support with energy bills for low income and vulnerable households while these policies are being taken forward. The Government has allowed for suppliers to use a limited pot of funding (the Industry Initiatives) to provide support in ways other than direct financial

benefits, and this could include energy efficiency measures (as long as they are additional to suppliers' other obligations). However, we believe that the majority of the funding available through the Warm Home Discount scheme should be spent on discounts on energy bills.

- **Type of support**

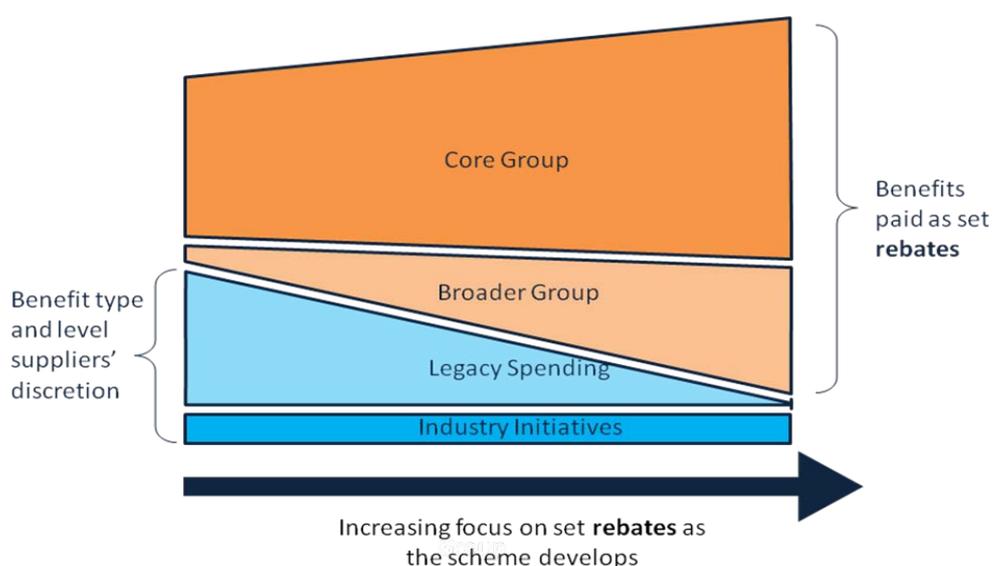
Some respondents to the consultation argued that high energy users would lose out under our proposal to move to rebates rather than discounted tariffs. Others argued that discounted tariffs offer greater reductions in household energy bills than a rebate would.

While Government recognises that some households have saved a significant sum of money through certain discounted tariffs, the evidence shows that others have saved significantly smaller amounts. In the second year of the Voluntary Agreement, discounted tariffs varied from £48 to £409. The average value was £112, which is less than the proposed amount of our rebate. We also believe on balance that a rebate on energy bills provides greater clarity and consistency for consumers.

Furthermore, while the Government recognises that households with high energy use could potentially benefit more from a unit reduction in price, we still believe on balance that a rebate on energy bills is the most appropriate benefit. Further detail on this is set out in the response to Question 1.

Detailed explanation of the scheme structure.

31. This section provides a brief summary of the expenditure by suppliers over the four years of the scheme. The schematic diagram below highlights what the four sections of the scheme will look like over the four years of the scheme, and the sections underneath give greater detail about who will be eligible in different sections and what benefits will be provided. Further information on why any changes to the scheme have been adopted and responses to specific issues raised in the consultation are covered in the later chapters.



32. There will be a Core Group focused on older pensioner households on low-incomes. The eligibility for this group will be that the electricity bill payer or their partner is in receipt of a

subset of Pension Credit, with some exclusions, for example where a recipient is in a care home. The group eligible will expand across the four years of the scheme, providing support to the poorest pensioners first, then the oldest. Participating energy supply companies will be required to provide a rebate (£120 in Year 1, £130 in Year 2, £135 in Year 3 and £140 in Year 4) on the electricity bill of their customers found in this group.

33. Government recently consulted on the thresholds at which energy suppliers should be obligated to deliver certain programmes, including the Warm Home Discount. In the light of that consultation we have decided that energy companies which serve more than a total of 250,000 domestic customer accounts will be required to take part in the Warm Home Discount scheme, those below this threshold will be able to voluntarily participate in the Core Group section of the scheme. Those likely to be eligible will be found through comparing energy companies' customer databases and DWP's data on Pension Credit recipients via a secure data-match and sweep-up process.
34. In the Warm Home Discount consultation, Government proposed that in year one of the Scheme, eligible households in the Core Group and those assisted in through the Broader Group would receive a rebate of £130 on their electricity bill. The minimum spend on the Broader Group in year one was proposed to be £9m. As a result of changes in the Government's forecast of the number of people eligible for Pension Credit Guarantee Credit, the estimated size of the spend on the Core Group in year one increased from £91 million to £97 million (details of this can be found in the Impact Assessment). Government has taken the decision, as this groups is well targeted, to incorporate this increase within the Scheme. To accommodate this, Government will reduce the level of the rebate available, from £130 to £120 and reduce the minimum level of spend on the Broader Group to £3 million.
35. The table below outlines the eligibility criteria for each year of the scheme - this is structured to provide support to the poorest first and then the oldest pensioners. Most of the fuel poor are in the bottom two income deciles and the elderly are particularly vulnerable to the effects of living in a cold home, for example a higher incidence of Excess Winter Deaths increases with age. Using the benefit proxy of a subset of Pension Credit as set out above provides a cost effective way of targeting groups who have a high propensity to be vulnerable to fuel poverty.

Year	Eligibility
2011/12	In receipt of Pension Credit Guarantee Credit only (i.e. no Savings Credit).
2012/13	In receipt of Pension Credit Guarantee Credit only (i.e. no Savings Credit). 80 and over* and in receipt of Pension Credit Guarantee Credit and Savings Credit.
2013/14	In receipt of Pension Credit Guarantee Credit only (i.e. no Savings Credit). 75 and over* and in receipt of Pension Credit Guarantee Credit and Savings Credit.

2014/15	<p>In receipt of Pension Credit Guarantee Credit only (i.e. no Savings Credit).</p> <p>All in receipt of Pension Credit Guarantee Credit and Savings Credit.</p>
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* Age thresholds apply to either or both the Pension Credit claimant or their partner.

36. Across the four years of the scheme, we expect that spending on the Core Group will increase, as the total amount to be spent by suppliers increases and as the amount of legacy spending is reduced.

Broader Group:

37. Suppliers will also be required to spend a certain minimum amount of money on providing electricity bill discounts to a Broader Group of vulnerable households. This discount will be set at the same level as that for the Core Group (£120 in Year 1, £130 in Year 2, £135 in Year 3 and £140 in Year 4).
38. This group will focus on households outside the Core Group who are fuel poor or in a fuel poverty risk group. The Secretary of State believes that households that are both vulnerable and low income qualify as being in a fuel poverty risk group. To help give an indication of the sorts of groups that would fall into this category, the Regulations will include a list of eligibility criteria that the Government believes meet this criteria. Energy suppliers can choose to target subsets of this group, although they will not be required to. Being in receipt of these benefits will therefore not be a guarantee that support will be available, either because suppliers may choose to provide benefits to households in other fuel poverty risk groups not listed, or because there will be a limited amount of money available for these Broader Group benefits.
39. The Regulations will also set out a bench mark verification method which suppliers could choose to use to check that customers in receipt of Broader Group payments are in fuel poverty or a fuel poverty risk group. Suppliers will be required to notify Ofgem of the eligibility criteria they choose for dispensing Broader Group rebates and the process by which they will confirm consumers' eligibility to receive the rebate and gain Ofgem's approval. If suppliers choose the criteria or verification method set out in the Regulations, Ofgem must approve them for use in the Warm Home Discount scheme.
40. The minimum level of spend on the Broader Group is highlighted in the table on page 14. Suppliers will, if they choose to, be able to spend less on the Legacy and Industry Initiatives sections of the scheme, providing this money is spent instead on the Broader group.

Legacy Spending:

41. Suppliers have already been providing assistance to vulnerable consumers on a voluntary basis since 2008, mainly by giving them discounted tariffs. This section of the scheme will allow for such consumers to continue receiving this type of support as suppliers will be able to count spending providing vulnerable consumers with discounted energy tariffs and one off rebates. The maximum level of Legacy Spending is highlighted in the "Expected expenditure across the scheme" table on page 14.
42. Suppliers will be required to reduce their spending on discounted tariffs and one off rebates over the course of the scheme and will be required to spend more on providing Government set rebates instead through the Core and Broader Groups. This will provide greater certainty

for consumers and give greater assurance on the type of households the support is being provided to.

43. To ensure that this section is used for transitional purposes, energy suppliers will only be allowed to provide support under the same eligibility criteria used in the final year of the Voluntary Agreement, and the maximum number of accounts they can assist cannot exceed the number helped in the final year of the Voluntary Agreement.

Industry Initiatives:

44. Industry Initiatives cover support other than direct financial benefits to consumers – for example where suppliers spend money funding energy advice services for vulnerable consumers, benefit entitlement checks, or providing energy efficiency measures. Suppliers will be provided with a degree of flexibility over the distribution of their spending between Industry Initiatives and Legacy Spending – the maximum caps that suppliers may choose between are detailed in the “Expected expenditure across the scheme” table on page 14.

Flexibility between Legacy Spending and Industry Initiatives

45. The Government has decided to introduce additional flexibility between the Legacy Spend and the Industry Initiative parts of the scheme. The scheme Regulations will set a maximum cap for the combined spend of the two sections of the scheme. Within that cap there will be two further sub-caps one for Legacy Spend, and one for Industry Initiatives. The combined total of these two sub-caps, if put together, is greater than the total combined cap allowed for the sections. Therefore suppliers will not be able to spend to the respective maximum sub-caps on both Legacy Spend and Industry Initiatives. Instead suppliers will have the flexibility to choose the exact split between the two, keeping within their overall total allowance. As suppliers will be able to choose a split which more closely resembles what they are doing currently, we expect this to lead to smoother transition from the Voluntary Agreement to the mandated scheme. The total cap for the two sections is set out in the “Expected expenditure across the scheme” table below. This has been termed expected expenditure as the degree of spending on the Core Group, will depend on the data matching and sweep-up processes.

Expected expenditure across the scheme (nominal prices)

Expenditure Type	2011/12	2012/13	2013/14	2014/15
Core Group	£97m	£143m	£159m	£190m
Broader Group	£3m	£47m	£88m	£90m
Total Legacy Spending and Industry Initiatives Cap	£150m	£85m	£53m	£30m
<i>Legacy Spending Cap</i>	<i>£140m</i>	<i>£70m</i>	<i>£35m</i>	<i>£0m</i>
<i>Industry Initiatives Cap</i>	<i>£30m</i>	<i>£30m</i>	<i>£30m</i>	<i>£30m</i>
Total	£250m	£275m	£300m	£310m

Flexibility between scheme years

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46. In order to ensure that the scheme can take account of under and over-spend in the Core Group (and to overcome the practical difficulties that would result from trying to do this in the year in which the over/under-spend occurred), the Government proposes that under or over-spend in the Core Group can be carried between years. Government plans to use any under-spend that is carried forward to increase the size of the Core Group and this would be reflected in revised scheme estimates for spending on the Core Group in subsequent years.
 47. Suppliers will be able to carry forward over- or under-spend of up to 1% of their non-core spending each year. This is intended to allow a small amount of flexibility to suppliers in case it is not possible to reach their exact targets, while ensuring the vast majority of Broader Group, Legacy Spending and Industry Initiative funding is spent each year. It is important to note that within each scheme year, suppliers would not be able to spend more than their total allowance on Legacy Spending and Industry Initiatives, set out in the Regulations. Therefore if suppliers elect to carry over any under-spend, this would have to be spent on the Broader Group.

Core Group

Consultation Question: Core Group

Q3 Do you agree with the suggested eligibility criteria for the Core Group as set out in the table on page 21 and in paragraphs 51- 55? Please provide evidence to support your views.

48. There were significant numbers of responses to this question including over 1800 emails proposing that cancer patients should be included in the Core Group.
49. There was also strong support for including the proposed subset of Pension Credit recipients in the Core Group. The proposal to start with those on Pension Credit Guarantee Credit and move to include those on Pension Credit Guarantee and Savings Credit in the second to fourth years of the scheme was also supported as this meant that those likely to be on the lowest incomes would receive the rebate for the maximum number of years. An error in the consultation Impact Assessment incorrectly indicated that there would be an age threshold of 75 for recipients of Pension Credit Guarantee Credit and Savings Credit to qualify for the Core Group in Year 4 of the scheme. This has been highlighted and corrected in the final Impact Assessment accompanying this response (and the estimate of spend in the table on page 15).
50. One respondent commented that care should be taken to set the eligibility criteria and level of support provided to eligible households such that total expenditure did not exceed the aggregate expenditure. The issue of balancing the size of the Core Group with the level of benefit provided is discussed in the final Impact Assessment and in the proposal for flexibility set out at paragraph 44.
51. In addition to their likely high propensity to fuel poverty, some responses also set out other reasons for including this group, including their relatively low and stable income situation which means that their benefit circumstances were unlikely to change. Several respondents also suggested that the Core Group eligibility for pensioners proposed for year 4 of the scheme (when the group is at its largest) should be used for the duration of the scheme, rather than gradually increasing.
52. There was support for the proposal that those who have been in hospital for a year and those living permanently in a care home would not be eligible as their heating would be provided by those institutions. However, one respondent raised a concern that people who pay their energy bills as part of their rent or service charge to their landlords, for example those living in sheltered housing, park or mobile homes, would not be eligible.
53. There was agreement that the Pension Credit subsets needed to be as easy as possible to explain publicly and to those eligible, particularly during sweep up. Several responses commented that during the Energy Rebate Scheme 2010 some customers seemed to experience confusion in understanding which element of Pension Credit they were on.
54. Linked to this, several respondents commented that experience from the Energy Rebate Scheme 2010 exercise was that some customers struggled with understanding which tariff they were on and therefore not providing the rebate to those on a social or discounted tariff had led to a poor customer experience. As a result they supported those customers being

eligible for the Core Group. Several suppliers were concerned that including those on social and discounted tariffs would mean that some customers could receive a double benefit.

55. Some comments were also received that those who were eligible for Pension Credit but did not claim it would also lose out on the Warm Home Discount. Several respondents also commented that the additional offer of a rebate on their electricity bill could also encourage greater take up of Pension Credit.
56. Respondents were complimentary about the success of the Energy Rebate Scheme 2010. Several commented that the success of this exercise had established confidence in the data matching and should reassure the wide range of consumer and voluntary sector agencies who had previously expressed reservations.
57. Picking up on this, a very significant number of responses proposed that the Government widen the eligibility in the Core Group to cover other people who may suffer from the cold or have a propensity to be fuel poor or vulnerable to fuel poverty. The groups which were suggested were:
 - any groups likely to have a high incidence of fuel poverty;
 - all Pension Credit recipients (e.g. going beyond the subsets proposed in the consultation document);
 - people who are cancer patients, terminally ill, progressively ill, with a long-term heart condition, severely disabled, chronically ill or housebound and therefore unable to work;
 - to mirror current eligibility for the Carbon Emissions Reduction Target (CERT) Super Priority Group;
 - those who would be eligible for a Cold Weather Payment and households in receipt of Child Tax Credit with an income below £16,190 per year;
 - low income families, particularly those with children under five; and,
 - those living alone.
58. Several respondents presented evidence to support their case, for example setting out how the number of pensioners and those eligible for the Cold Weather Payment plus families on the first income threshold for Child Tax Credit compare in terms of propensity to being fuel poor. Others pointed to the low take-up of available support in some groups, for example terminally ill cancer patients not claiming benefits they were entitled too and that automatic benefits would help this group received support but did not have to go through the possible psychological stress of applying. One respondent also pointed to analysis that suggested that the impact of current welfare reform may hit poorer families and children more than pensioner groups.
59. One respondent suggested prioritising older households first, and not those on lower incomes, as according to DECC's fuel poverty statistics 30.6% of households with a member aged over 85 are fuel poor, compared to 17.5% for households where the oldest member is 64 – 75 years old, and older householders may be more likely to be vulnerable to the health effects of fuel poverty.
60. Several respondents also commented on the additional benefit of energy suppliers being able to offer other assistance (subject to the future agreement of Parliament on data

matching Regulations) to these groups, for example in finding those to target measures to under their Carbon Emission Reduction Target (CERT) obligations.

61. There was a broad understanding among respondents that the current legal provision (the primary powers are in Section 142 of the Pensions Act 2008) for data matching only covers those in receipt of Pension Credit, so new primary legislative powers would be needed to allow data matching for other groups. There was also an understanding that a material benefit is required for data matching and that this would require funding. Some responders mentioned that the level of the Warm Home Discount rebate should not be decreased to allow for the size of the group to be increased as they felt that would risk reducing it so much that it could be insignificant. The only suggestion for an alternative source of revenue was for new Government funds.
62. Several respondents suggested running another pilot scheme, similar to the Energy Rebate Scheme, to look at whether data matching could be used to identify these groups, for example families in receipt of Child Tax Credit at the lower income threshold. They felt that this could then be used to deliver a full scale programme in future years.
63. Another respondent suggested that Government could also consider writing to these groups and offering them the chance to claim a discount, possibly through the Home Heat Helpline until wider data matching powers exist. Many of those who supported widening of the Core Group felt this should happen in the second or subsequent years of the Warm Home Discount Scheme, with the initial year concentrating on the Government's proposed eligibility. Some respondents suggested that wider data matching powers should be the only means of finding eligible customers, commenting that it should not be the role of suppliers to identify benefit recipients.
64. Several responses asked for clarity from Government on whether customers will be able to 'opt out' from inclusion in the data matching exercise.

Government Response to Question 3

Government is pleased that the Energy Rebate Scheme 2010 has received such support from energy suppliers, consumer and campaign groups. The success of the scheme has led to support for using data matching and benefit proxies to identify groups with a propensity to be fuel poor more widely.

Government has now completed the analysis of the Energy Rebate Scheme 2010 (details are available on the DWP website³). These set out not only how effective the scheme was and how far we have come, but also showed what improvements need to be made, particularly around the effective delivery of sweep up. Making these improvements and dealing with a significantly larger eligible group (the Energy Rebate Scheme had a potentially eligible group of 340,000, across the four years of the Warm Home Discount scheme as outlined, we expect just under six million households to be eligible, 18 times as many – 3.5 times larger in the first year alone) will lead to significant technical, security, operational and policy challenges and we believe that adding to this group by widening the eligibility criteria for the Core Group beyond the sub-sets of Pension Credit

³ The policy publication "Outcome of the Energy Rebate Scheme" is available via <http://www.dwp.gov.uk/publications/policy-publications/>

recipients identified in the consultation at this time could lead to a significant delivery risk.

Data matching also requires substantial funding for the payment of the rebate (which provides the 'material benefit' outlined above in paragraph 61). The Spending Review settlement as set out in the consultation document does not leave financial scope for adding to the Core Group without significantly reducing the size of the rebate or not making payments to all the Pension Credit subset as set out. There was no support for either of these options in the consultation responses.

Finally, Government is currently developing proposals for a fundamental reform of the working age benefits regime. Over the lifetime of the Warm Home Discount Scheme the basic structure of Pension Credit will not change as a result of the reforms, but the working age benefits which cover the additional groups proposed by respondents to the consultation are likely to change significantly. We need to ensure that any data sharing powers would be durable and deliverable.

As a result of these reasons, Government does not feel able to expand the size of the Core Group at the moment.

Government has considered the suggestion made by respondents that in the absence of wider data matching powers, Government should write to low income groups (including families with young children inviting them to approach their suppliers and claim the rebate). Government considers the arrangements put in place for the Broader Group (detailed in pages 23-26) will provide assistance for these types of households.

Eligibility of Pension Credit Recipients

Government believes that by proposing that all Pension Credit Guarantee Credit customers may be eligible in year one, and then adding a stepped aged threshold for Guarantee Credit and Savings Credit that this should be relatively easy to communicate. In addition, as for the Energy Rebate Scheme, Government plans to write to all matched and unmatched customers, ensuring the simple message 'if you get a letter you may be eligible, so please call us, if you don't you're not'. Government will consider whether it would be possible to use media and publicity more proactively, including working with the energy suppliers, advice agencies and other local partners to provide information about the scheme and encourage those who were eligible and received a letter asking them to claim, to respond to claim the rebate.

In terms of taking the older households first, and not those on lower incomes, Government has considered this and concluded that low income is a robust indicator of fuel poverty, and therefore will continue to target the elderly on low incomes first, using Pension Credit Guarantee Credit, before incorporating those on Pension Credit Guarantee and Savings Credit in later years of the scheme, prioritising the oldest claimants first.

Under the Energy Rebate Scheme, customers already in receipt of a social or discount tariff were not eligible to receive the rebate. Government recognises the concerns of respondents over the level of difficulty this created for customers and those advising them in determining whether or not they were eligible. Government has decided that for the Warm Home Discount scheme, eligible customers will also be able to receive the rebate if they are on a social or discounted tariff. We hope this will make the scheme rules simpler to communicate and reduce the number of people who are likely to need to contact the call centre.

In terms of the eligibility being extended to include those who do not pay their electricity bill directly, e.g. who pay it through their rent on a caravan park or park home. Government understands that people in these situations will be disappointed they do not qualify for a rebate.

However, due to the administrative complexity of identifying and verifying their circumstances, and identifying a means of making a payment, there are no plans to include these individuals in the proposed scheme.

Government recognises that not everyone who is entitled to Pension Credit claims it, but still considers that receipt of Pension Credit does provide a good proxy for groups who are fuel poor or vulnerable to fuel poverty. Government is committed to ensuring that pensioners receive the help that they are entitled to, for example pensioners may claim Housing Benefit and Council Tax Benefit alongside Pension Credit in a single phone call without the need for a signed claim form. The DWP Pension Disability and Carers Service continues to work with local organisations to reach particularly vulnerable customers who are not aware of their full entitlements.

Opt-Out from data matching

Government's experience from the Energy Rebate Scheme is that only one customer approached DWP to ask to opt out (and that this customer turned out not to be in the eligible group). Given this experience and Government's desire that the rebate goes to as many of those who are fuel poor or vulnerable to fuel poverty as possible, we do not propose to offer formal opt out arrangements. However, Government will look to accommodate specific requests. If a customer asks Government not to share their data, we will endeavour to do this. Government also commits to review the number of such requests or any other communication received and would look to develop a formal opt out arrangements if there was significant demand.

Consultation Question: Core Group

Q4	Do you agree with the proposals on how benefits are provided to pre-payment meter consumers (e.g. that energy suppliers will use the means that they currently use for that group)? Please provide evidence to support your views.
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65. There was strong support for giving energy suppliers the flexibility to deliver rebates to pre-payment meter (PPM) consumers through whichever means they currently used. This approach was seen as pragmatic and cost effective. Respondents felt that as this had worked effectively for the Energy Rebate Scheme 2010 there was no need to change the approach.
66. There was support in several responses for using, as far as possible, means that provided a credit to the electricity account rather than cash or a cheque as it was expected the customers would be more likely to use the rebate to heat their home. Several respondents also commented that the rebate should not be used for debt recovery.

Government Response to Question 4

Government will implement the proposals that eligible consumers who are on a PPM should be provided benefits in the manner that their supplier normally uses.

Consultation Question: Core Group

Q5 Do you agree that it would be helpful for consumers if energy suppliers are required to use common language to describe rebates provided through the Core and Broader Group on consumer bills? Please provide evidence to support your views.

67. There was strong support for having clear, uncomplicated communication and for all the energy suppliers to use common language when describing the rebates provided to the Core and the Broader Groups on consumer bills. This would make it clear to customers what the rebate was, where it was from and help those providing advice to those consumers too. One respondent was not convinced that the language should be the same for the Broader group payment, pointing out that this could apply to different groups within each supplier's customer base.
68. Some respondents proposed ideas for how to communicate the scheme details effectively to consumers, for example using plain English, large print, including information on whether the rebate was a result of the customer being included in the Broader or the Core Group, including a footnote on eligibility, providing reassurance to the Core Group that if they switch suppliers they would still keep the rebate, making clear the exact amount they are receiving and offering translations to other languages if possible. Some also suggested names for the rebate for example 'Warm Home Discount rebate', 'Fuel Discount Allowance', 'Fuel Discount Payment', or 'Fuel Bill Allowance'.
69. Others pointed out that in addition to ensuring clear communication on consumer bills, energy suppliers and Government also needed to make sure that other communication, for example the letters from Government to the Core Group was clear and effectively timed.
70. Several respondents also pointed out practical issues which they felt should be considered when requiring suppliers to implement this proposal, particularly the different IT and bill processing arrangements used by energy suppliers and the lack of space on the bill (e.g. number of characters available).

Government Response to Question 5

Taking account of these comments, Government therefore proposes that suppliers should be required to inform Core and Broader Group beneficiaries that they have benefited from the Warm Home Discount scheme. Government considers that, as far as possible, this information should be included next to a clear indication of the amount credited on the customer's bill, but recognises that suppliers have different billing arrangements in place.

Government considers that a requirement to 'inform consumers' will also better serve those PPM consumers who benefit from the scheme. Government will work with energy suppliers on the practicality of applying this and consider all the issues outlined at paragraphs 66-68 above.

In addition Government will seek to ensure that eligibility for the Core Group, the amount of rebate and how it will be paid is explained simply and clearly in any publicity material, websites and any guidance associated with the scheme.

Broader Group

Consultation Question: Broader Group

Q6	Do you agree with the suggestion that energy suppliers should have discretion to target the Broader Group support at those vulnerable households they can identify who fall outside the Core Group? Please provide evidence to support your views.
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71. A large number of respondents to this question expressed concern about the degree of discretion suppliers should have on who to target. Many respondents felt that suppliers do not have the information or resources needed to target the most vulnerable households. Three possible options were identified by respondents to deal with this:

Expand data matching powers

72. A considerable number of respondents suggested that the Government should extend its data matching powers to cover other groups. The respondents argued that following the extension of data matching powers, the Core Group could be expanded and the Broader Group reduced.

Suppliers should work with partner organisations to get referrals

73. Several respondents also argued that suppliers should arrange for referrals from third parties and public bodies whose day to day business is working with vulnerable consumers. A few respondents argued that Local Authorities were in the best position to do this, but organisations using City and Guilds Energy Awareness qualified advisors, those with National Standards accreditation, Local Economic Partnerships, CAB or Energy Saving Scotland advice centres were also mentioned. There was also a suggestion that a national referral body should be set up.

Regulations should have guidance on who to target

74. While many respondents felt it was right for suppliers to have a degree of flexibility around targeting support, a significant number of respondents believed that the scheme Regulations should include guidance on acceptable eligibility criteria for the Broader Group. It was felt that this would send a clear message to suppliers and Ofgem on the types of households that should be targeted.

75. Several respondents proposed that this guidance on eligibility should not be an exhaustive list – rather suppliers should have the ability to target additional groups where they could provide evidence that they were in fuel poverty or a fuel poverty risk group. It was pointed out by one respondent that without this it is likely that those vulnerable households who are already not claiming benefits, which are often used by Government as a proxy for fuel poverty, would have little or no chance of benefitting.

76. A number of respondents argued that suppliers should all use the same eligibility criteria. This was predominantly in order to avoid confusion for consumers. A couple of respondents also suggested that using the same criteria was an imperative to encourage switching in the

market. This argument was based on the idea that if suppliers use different criteria consumers would not want to switch in case they were no longer eligible for a discount.

77. A large number of respondents supported a proposal to prioritise cancer patients as part of the Broader Group. They argued that cancer patients undergoing treatment and on certain benefits such as housing benefit or council tax benefit have a high propensity to be fuel poor. These respondents expressed concern that if suppliers were given discretion, it is unlikely cancer patients would receive help through the Broader Group. This was based on research that suggested only 1 in 10 fuel poor cancer patients received a social tariff under the Voluntary Agreement.
78. Other respondents who mentioned specific groups who should be prioritised for support pointed to subsets of the Cold Weather Payment group. Those groups mentioned the most often were low income families with young children, or those low income households containing a member who is long term sick or disabled.
79. A handful of respondents also argued that all vulnerable groups should be included, and that suppliers should focus on people with mental health problems and those socially excluded groups.

Government Response to Question 6

Expand data matching powers

The proposal from respondents that Government should expand data matching powers to include more consumers in the Core Group is addressed in the Government's response to Question 3.

Suppliers should work with partner organisations to get referrals

The Government agrees that using partner organisations to find vulnerable consumers could be effective. A number of the six major energy suppliers (Centrica, EDF, E.on, RWE Npower, SSE and ScottishPower) worked with partner organisations under the Voluntary Agreement, one example cited among others was RWE Npower's work with Macmillan Cancer Support. Such arrangements have the potential to be effective in identifying low income and vulnerable consumers who need assistance, particularly due to the highly trained staff in the partner organisations who deal with these groups on a daily basis.

Regulations should have guidance on who to target

In considering this issue, the Government was particularly concerned to balance the need for additional guidance for suppliers with the fact that there will be a limited amount of resources available for the Broader Group.

On balance, the Government has decided that it agrees with respondents that it would be helpful to have greater guidance in the scheme Regulations on who suppliers can choose to target under the Broader Group. However, this is accompanied by a strong belief that suppliers should be afforded some flexibility to help household types not listed in the Regulations if they are fuel poor or vulnerable to fuel poverty (further information on the Secretary of State's determinations

regarding this are detailed below). The scheme Regulations will therefore contain a non-exhaustive list of groups that the Government believes have a high propensity to be fuel poor. Suppliers may target subsets of these groups should they wish (details on eligibility are set out below), and a group's inclusion in this list does not entitle anyone who meets that criteria to the benefit. Whether they receive help will depend on a number of factors, including the amount of funding that a supplier has remaining for that scheme year.

Eligibility

The Energy Act 2010 states that one of the ways that scheme customers can be determined is by being a member of a fuel poverty risk group. In the consultation document we provided evidence that showed the groups particularly susceptible to the risks associated with fuel poverty. These groups are what are described as “vulnerable”, i.e. the elderly, the long term sick and disabled, and households containing children. We also provided evidence from our fuel poverty statistics showing that 89% of the fuel poor are in the bottom three income deciles.

These statistics, and indeed the responses to the consultation, indicate that some of the best proxies we have for fuel poverty are combinations of vulnerability and low income. This has led the Secretary of State to determine that, in deciding whether a particular eligibility criteria proposed by suppliers will identify groups in fuel poverty or a fuel poverty risk group, Ofgem should consider whether the criteria proposed will identify those who are vulnerable and low income.

In terms of the eligibility criteria to be listed in the scheme Regulations, we have chosen benefits that contain information on both vulnerability and level of income. Suppliers may choose all or a subset of these in setting their criteria for the Broader Group. This list has significant overlaps with the benefits used in eligibility criteria for other Government policies such as the CERT Super Priority Group. This will include households in receipt of:

- Pension Credit (and, from scheme year 2 onwards, suppliers will be required to direct support at those who were not eligible for the Core Group in the previous scheme year).
- Income Support or Income-based Jobseeker's Allowance, who also have any of following:
 - a disability or pensioner premium
 - a child who is disabled
 - Child Tax Credit that includes a disability or severe disability element
 - a child under five living with them
- Income-related Employment and Support Allowance (ESA), who also have any of the following:
 - the support or work-related component of ESA
 - a severe or enhanced disability premium
 - a pensioner premium
 - a child who is disabled
 - Child Tax Credit that includes a disability or severe disability element
 - a child under five living with them

These benefits cover most of the groups that were highlighted in consultation responses – low income families with young children, households on a low income with a member who is eligible

for disability premiums and low income pensioners not caught in the Core Group.

Government recognises that not all vulnerable and low income households claim benefits they are eligible for. This is an important issue where any passport benefits are used, and is one, among a number, of the reasons that we have allowed suppliers to continue carrying out benefit entitlement checks as part of their Industry Initiatives.

However, as stated above, the Government is also clear that the above list of benefits is not exhaustive, and that there are other vulnerable and low income groups who would not fall into it. This is why the Government is clear that suppliers are not obliged to use these eligibility criteria, and should have flexibility to target other vulnerable and low income groups. As an example, Government considers it likely that those receiving cancer treatment and on benefits such as Housing or Council Tax benefit which are means tested – would fit this criteria if it were possible to provide evidence of both vulnerability (in this case being long term sick) and low income (in this case being on some form of means tested benefit).

Government appreciates, as was highlighted in some responses, that it is possible that some vulnerable people (for example those suffering from long term illnesses) may not feel comfortable sharing information about their treatment with their suppliers. However, this could be a good example of where suppliers could choose to use third parties whose day to day business is working in a sensitive way with vulnerable consumers to help identify and verify those eligible for Broader Group support.

Government is currently developing proposals for a fundamental reform of the working age benefits regime. Over the lifetime of the Warm Home Discount Scheme the basic structure of Pension Credit used for the Core Group will not change as a result of these reforms. The working age benefits (listed above) which suppliers could chose some or all of as Broader Group eligibility criteria may be amended as a result of the reforms. In that event, Government will amend the scheme Regulations appropriately.

Legacy Spending

Consultation Question: Legacy Spending

Q7 Do you agree with the proposed arrangements for legacy spending? Please provide evidence to support your views.

80. The majority of respondents to this question agreed with the proposals to create a smooth transition to the new Warm Home Discount scheme from the Voluntary Agreement which suppliers have had with Government since 2008 to provide support to vulnerable consumers. Most commented on the importance of gradually phasing out the old arrangements through managing down Legacy Spending.
81. There were differing views as to how vulnerable the people receiving support under the Voluntary Agreement were, although many believed that recipients of this support were either in, or on the cusp of, fuel poverty. There was a feeling that these customers had to be treated fairly – as respondents considered that a significant number of customers stood to lose a considerable benefit. Respondents felt that this should be managed carefully to avoid stress and confusion for these vulnerable consumers.
82. A number of respondents also called for a process through which customers would be transferred from Legacy Spending to the Broader Group. It was suggested that work could be done between suppliers and Ofgem to agree a process to move people across following a check on the consumer’s eligibility. Other respondents argued that suppliers should assess whether consumers would get the greater benefit before moving them from one group to another.
83. The importance of clear communications was highlighted by several respondents. As was the suggestion that the transition could be further smoothed if suppliers offered people energy efficiency measures as they were taken off Legacy Spend.
84. There was a minority of respondents who did not agree the proposals. Of these, two believed that the Voluntary Agreement was not providing good or significant support and the new scheme should therefore start with a clean slate. Conversely, the others believed that phasing it out would disadvantage those vulnerable customers who were receiving valuable help, and that Government should therefore maintain a constant level of support for those customers going forward.

Government Response to Question 7

The responses received to this question highlight the lack of certainty around exactly who is receiving support and how fuel poor they are. The Government believe this highlights the importance of having more robust verification methods in the mandated scheme than under the voluntary scheme. This is why we intend to manage Legacy Spend down and to replace it, with larger Core and Broader Groups over the four year scheme. However, we agree with most respondents who argued that a significant number of customers could stand to lose a considerable benefit, and that there will be households in, or on the cusp of, fuel poverty among them. This is why the Government proposes managing down Legacy Spending gradually over the scheme

period.

The Government welcomes proposals for suppliers to work with Ofgem on processes to move people from Legacy Spend to the Broader Group if they are fuel poor or vulnerable to fuel poverty. The method for agreeing such a process should be the same as with any proposals for eligibility and verification of the Broader Group – namely suppliers submit proposals for approval from Ofgem.

The Government agrees that clear communications are vital in managing this section of the scheme down. We will be working with suppliers ahead of the scheme launch to plan communications associated with the scheme.

The Government also welcomes any proposals suppliers may have to offer energy efficiency measures to those who are being taken off Legacy Spending, particularly those who will not be receiving help under other parts of the scheme.

Consultation Question: Legacy Spending

Q8 Do you agree that it is appropriate for energy suppliers to retain discretion over the level and type of benefit they give to people where they are continuing with an agreement already in place? Please provide evidence to support your views.

85. The majority of respondents agreed that suppliers should retain discretion over the level and type of benefit they give people in continuing with agreements already in place. There was a general feeling discretion was important to enable the switch from the old to the new system. In particular there were comments highlighting that suppliers designed the original offerings and should therefore be allowed to design how best to manage these offerings down.
86. Several respondents argued that suppliers should continue with the agreements they have, although it was also pointed out that suppliers can already change the offerings under the Voluntary Agreement, and so maintaining agreements includes this flexibility.
87. A number of respondents argued that this flexibility is so important to ensuring a smooth transition, that suppliers should not be restricted to only offering discounted tariffs and should instead be allowed to offer rebates under this portion of the scheme. To this some also added that several suppliers already offer rebates under the voluntary scheme and it seems arbitrary to not allow them under the mandated scheme.
88. There were some respondents who did not agree with our proposals to allow suppliers discretion. The arguments for this were mainly around avoiding confusion for customers. For example, they argued that suppliers should use common criteria and benefits in order to avoid confusion for customers.

Government Response to Question 8

We acknowledge the concern that some respondents had with suppliers having flexibility over the types of benefits, particularly that this can be confusing for consumers.

On balance however, the Government agrees with the majority of respondents who argued that flexibility on type of support, as well as eligibility, will be vital in enabling a smooth transition. In particular, it is in line with our proposals on the rest of the scheme to suggest that rebates will allow suppliers to plan their spend better (because it is not based on usage), minimises distortion to the market and provides greater certainty for consumers in that they will get a fixed amount off their bill. For these reasons, we will be allowing suppliers to offer rebates as well as discounted tariffs under this section of the scheme.

As suppliers may choose to provide rebates through the Legacy Spend section of the scheme for the reasons outlined above, the Government has also decided to include those who received rebates provided under the Voluntary Agreement in determining the numbers of people suppliers may help in through the Legacy Spending section Warm Home Discount scheme. This will cover the £15.2m that was spend under the second year of the Voluntary Agreement providing roughly 543,000 rebates at an average of £28 per rebate.

Consultation Question: Legacy Spending

Q9 Do you agree that requiring energy suppliers to manage down any spending on Voluntary Agreement commitments is appropriate, and that reducing as set out above (£130m in year 1, £65m in year 2, £33m in year 3, £0 in year 4) is an appropriate way to do this? Please provide evidence to support your views.

89. Most respondents to this question agreed with the proposals for managing Legacy Spend down over 3 years as set out in the consultation document. It was generally felt that this seemed an effective way to manage down the Legacy Spending. Several respondents argued that it was sensible for suppliers to transfer people from Legacy Spending into the Broader Group where they could be proved to still be in fuel poverty.
90. Some respondents argued that the scheme would benefit from having greater flexibility between the Industry Initiatives and Legacy Spend portions of the scheme. This argument was based on the idea that while the split between the two groups represents the split of how the industry spends money under the Voluntary Agreement, individual suppliers have very different splits. For example, some focus more on Industry Initiatives and less on discounted tariffs. These respondents felt that to enable a smooth transition from the current scheme, the new scheme should (at least initially) follow a similar pattern and allow suppliers greater discretion in how they split their spend between these two sections.

91. Of the few who did not agree, this was mostly because they felt it was being managed down too fast, and that a smoother transition could be achieved by managing this section down over 4 years rather than 3, or indeed always allowing a small amount of Legacy Spending going forward. Conversely, one respondent did not agree because they did not believe there should be any Legacy Spending.

Government Response to Question 9

On balance, and given the support for our proposals among respondents to this question, we believe that it is best to manage this section down over the proposed three years, rather than over four or indeed more. We believe that this gives plenty of time for suppliers to manage the number of people, and the amount of support they are giving down. It will also mean that at the end of the scheme we will be in a situation where the only benefits are uniform rebates on electricity bills, which will make the transfer to any additional years of the scheme smoother.

In light on the responses around greater flexibility, the Government has decided to introduce additional flexibility between the Legacy Spend and the Industry Initiative parts of the scheme. The Regulations will now set a maximum cap for the combined spend of the two sections of the scheme. Within that cap there will be two further sub-caps one for Legacy Spend, and one for Industry Initiatives. The combined total of these two sub-caps, if put together, is greater than the total combined cap allowed for the sections. Therefore suppliers will not be able to spend to the respective maximum sub-caps on both Legacy Spend and Industry Initiatives. Instead suppliers will have the flexibility to choose the exact split between the two, keeping within their overall total allowance. As suppliers will be able to choose a split which more closely resembles what they are doing currently, we expect this to lead to smoother transition from the Voluntary Agreement to the mandated scheme.

The caps are set out in the table below. For example, in year 1 the combine total will be £150m. Within that combined total, suppliers will be able to spend their market share's worth of £140m for Legacy Spend, or £30m for Industry Initiatives. Suppliers who had previously focused more on tariffs than initiatives would be able to spend more on Legacy Spend and less on Industry Initiatives, conversely suppliers who had previously focused more on initiatives could do the opposite.

Expenditure Type	2011/12	2012/13	2013/14	2014/15
Total Legacy Spending and Industry Initiatives Cap	£150m	£85m	£53m	£30m
<i>Legacy Spending Cap</i>	<i>£140m</i>	<i>£70m</i>	<i>£35m</i>	<i>£0m</i>
<i>Industry Initiatives Cap</i>	<i>£30m</i>	<i>£30m</i>	<i>£30m</i>	<i>£30m</i>

Industry Initiatives

Consultation Question: Industry Initiatives

Q10 Do you agree that energy suppliers should be able to include funding of the type of activities identified in paragraphs 71-74 within their Warm Home Discount contributions? Please provide evidence to support your views.

92. In the consultation on the Warm Home Discount scheme, the Government proposed that suppliers should be allowed to fund a range of activities aimed at tackling fuel poverty beyond the provision of discounted tariffs or rebates. Such activities would act to assist fuel poor and vulnerable consumers through improved targeting of the available support; delivery of energy efficiency measures; offers of energy advice, and the provision of certain types of fuel-debt relief. Examples of the types of activity that could count were:
- working in partnerships to support referrals from 3rd parties which identify those eligible for assistance;
 - funding benefit entitlement checks for consumers;
 - funding services which deliver energy advice for consumers, training advisory staff, community and health workers on energy matters.
93. The majority of respondents agreed that the Warm Home Discount scheme should allow for suppliers' funding towards the proposed activities to be counted as part of their contribution to the scheme. A small number of respondents disagreed that suppliers should be able to count funding on any activities other than providing direct financial benefits to consumers in the form of rebates or discounted tariffs.
94. Some respondents provided detailed information on the type of activities which suppliers have carried out under the Voluntary Agreement and which they believed should continue to be funded under the mandated system as evidence to support. Examples included the following, among others:
- referral arrangements for energy suppliers provided by Macmillan Cancer Support and by CAB;
 - details on the work of trust funds such as Charis Grants and those run internally by energy suppliers; and
 - detailed information on the work of the Home Heat Helpline.
95. A number of respondents expressed concern that suppliers should not be able to fund activities which were required as part of their licence conditions and that any activities funded as Industry Initiatives under the Warm Home Discount should be shown to be additional to those they count under other licence obligations (this would ensure, for example, that measures provided under CERT were not also counted as being provided through this scheme).

Government Response to Question 10

The Industry Initiatives element of the scheme was proposed in the consultation as Government considered that there was a strong rationale that suppliers should be able to spend a limited portion of their contribution to the scheme on other forms of support which would benefit fuel poor and vulnerable consumers.

Government has considered the balance of arguments expressed in relation to this issue and determined that Industry Initiatives should remain a part of the scheme, the list of allowed activity types will be that included in the consultation – further detail on this is included in the Government’s response to Question 27. The responses to the consultation provided further evidence of the breadth and scope of activities which suppliers have carried out under the Voluntary Agreement and the benefits which they brought to those in or risk of fuel poverty.

Government agrees that it is important for such activities to be additional to those required through licences and that they should be additional to activities carried out as a result of other obligations, so that, for example, the same energy efficiency measures counted under CERT could not also be scored under the Warm Home Discount.

Consultation Question: Industry Initiatives

Q11	Do you agree that the cap on this form of spending should be set £20m? Please provide evidence to support your views.
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96. Respondents views on this issue varied. Some did not consider that any funding of this sort should be counted as part of suppliers’ contributions to the scheme, arguing that all of the funding should be used to provide discounts directly to consumers. Other respondents proposed that the level of funding allowed for these types of activities should be increased and that suppliers should have greater flexibility over the distribution of their spending the Legacy Spending and Industry Initiatives sections of the scheme.
97. Respondents evidenced the proposed flexibility with an assessment of suppliers’ current activities under the Voluntary Agreement. One respondent highlighted that one supplier’s portion of the £20 million cap, set according to market share, would require them to cut back significantly on this type of spending under the mandated scheme compared to their commitments under the Voluntary Agreement.
98. Respondents suggested that the proposed flexibility could be provided if overlapping caps on the individual Industry Initiatives and Legacy Spending sections were allowed within an overall cap on both types of spending.
99. A number of respondents highlighted the likely importance to charitable organisations involved in assisting vulnerable consumers of this source of funding, they argued that this was particularly true in light of current challenging economic situation.

Government Response to Question 11

Government has considered the views expressed in response to this question. Government's rationale for including industry initiatives is described in answer to Question 10.

As set out in the Government's response to Question 9 on Legacy Spending, Government agrees with the broad principles of the alternative cap structure proposed by respondents. The scheme Regulations will set a maximum cap for the combined spend of the two sections of the scheme. Within that cap there will be two further sub-caps one for Legacy Spend, and one for Industry Initiatives. The combined total of these two sub-caps, if put together, is greater than the total combined cap allowed for the sections. Therefore suppliers will not be able to spend to the respective maximum sub-caps on both Legacy Spend and Industry Initiatives. Instead suppliers will have the flexibility to choose the exact split between the two, keeping within their overall total allowance. As suppliers will be able to choose a split which more closely resembles what they are doing currently, we expect this to lead to smoother transition from the Voluntary Agreement to the mandated scheme.

The modification of the cap structure has also allowed Government to address another concern raised by respondents who agreed that Industry Initiatives should be included within the scheme – that the £20m cap proposed was not sufficient. The maximum suppliers can spend on these activities has been raised to £30m within the framework that suppliers' overall spending on Legacy Spending and Industry Initiatives is still constrained to similar levels as proposed in the consultation.

Consultation Question: Industry Initiatives

Q12	Do you consider there should be a cap on the amount energy suppliers can spend on providing debt relief? Please provide evidence to support your views.
Q13	Do you believe there should be additional caps within this section on particular types of spending? Please provide evidence to support your views.
Q14	Do you agree with the proposed level of costs for different benefit entitlement checks? Please provide evidence to support your views.

100. Questions 12, 13, and 14 deal with the issues of additional caps within suppliers' overall allowance for Industry Initiatives and whether Government should denote particular values for different types of benefit entitlement checks that were carried by or on behalf of suppliers using industry initiative funding. The responses to these connected issues have been considered together.
101. Respondents expressed a wide range of views, particularly in relation to debt relief for those in or at risk of fuel poverty. Some respondents argued strongly that no debt relief should be

included within the scheme at all, amid concerns that this would allow suppliers to write-off bad debt and charge it to the scheme which could have competition impacts.

102. Other respondents considered that, while debt relief did have an important role to play in assisting consumers, it should not be included within a mandated scheme. Respondents suggested that Government should look to alternative funding sources outside this scheme to increase the level of resources available to organisations who provided advice to consumers on debt.
103. A large number of respondents did agree that debt relief should be included in the scheme and that it was not necessary to impose an additional cap on debt relief within the overall limit on Industry Initiatives spending. Some respondents qualified this support with agreement that any debt relief provided should be additional to suppliers' licence condition requirements and should be in with the principles identified by Ofgem during the Voluntary Agreement. These principles would require debt relief to be well targeted at those in or at risk of fuel poverty, part of a holistic package of measures and not related to any billing errors etc where the customer would not have been responsible for the debt in the first instance.
104. In response to Question 14, the overwhelming majority of respondents did not consider that it was necessary to set any additional caps on spending on particular activities within Industry Initiatives, arguing that suppliers would be able to best innovate if they had flexibility over this funding.
105. The majority of respondents agreed that the funding of benefit entitlement checks should be included within the scheme, although some commented that it was the responsibility of Government to improve benefit take-up.
106. Responses varied as to whether it was appropriate and helpful for Government to describe an allowance per BEC within the Regulations. The consultation had proposed a range from £10 per BEC carried out over the phone and up to £40 for a face to face assessment and assistance in claiming benefits. Some respondents agreed with the range of proposed costs while other estimated that they could be substantially higher depending on the service provided. Some respondents commented that while it was helpful to acknowledge that there was a range of ways in which BECs could be carried, the degree of variation that could exist meant it was not appropriate to include set costs for BECs within the scheme.

Government Response to Questions 12-14

Government has considered the wide range of views expressed on these issues. On balance, and given the weight of support for the inclusion of debt relief within the scheme and the benefits brought to vulnerable consumers through well targeted debt relief, Government agrees that suppliers should be able to include spending on debt relief within their Industry Initiative contributions.

Government does not consider that it is necessary at this stage to impose an additional cap on debt relief spending within the overall limit on Industry Initiatives. Suppliers will be required to demonstrate that any debt relief proposed as part of their contributions towards the scheme was in addition to their licence condition requirements and adhered to the principles identified by Ofgem under the Voluntary Agreement. This requires that the debt relief would be well targeted at those in or at risk of fuel poverty, part of a holistic package of measures and not related to any

billing errors etc where the customer would not have been responsible for the debt in the first instance.

Government also agrees with respondents' views that it is not necessary to impose any additional limits on other types of activities which would count towards Industry Initiatives. Government has also considered whether it is necessary to include with the scheme Regulations a set allowance which suppliers could claim for BECs. Government's view is that the range of type of BECs which could usefully be carried out and the range of organisations that suppliers may wish to work with to provide this type of service mean that it is not necessary to specify in Regulations the value that suppliers should be able to attribute to BECs.

Energy Suppliers' Role

Threshold for participation in the scheme

107. Government recently consulted on the thresholds at which energy suppliers should be obligated to deliver certain programmes, including the Warm Home Discount. In the light of that consultation we have decided that participation in the Warm Home Discount scheme will be mandatory for suppliers with 250,000 or more customer accounts.
108. This decision has been based on the responses to the consultation and our view that the per customer cost of complying with the Warm Home Discount to be higher for small suppliers than for those six major suppliers (Centrica, EDF, E.on, RWE Npower, SSE and ScottishPower) who took part in the Energy Rebate Scheme last year and the Voluntary Agreement to provide support which has been in place since 2008. Data matching has significant fixed costs and we would expect that the other costs associated with compliance to the rest of the scheme requirements, including the costs of indentifying eligible customers, would have economies of scale for larger suppliers.
109. Government has therefore decided to set this higher threshold for mandatory participation in the scheme in order to avoid a potential barrier to entry and growth in retail energy markets. A full response to the Thresholds consultation will be published in due course.

Consultation Question: Funding for the Warm Home Discount Scheme

Q15	Do you agree that energy suppliers below the customer account threshold should be allowed to participate providing benefits to the Core Group through the scheme on a voluntary basis? Please provide evidence for your views.
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110. The majority of respondents to this question agreed with the proposal that small suppliers should be able to participate in the core group on a voluntary basis. These respondents argued that mandatory participation would impose a disproportionate administrative burden on small suppliers, reducing their ability to compete for customers in electricity and gas markets. They also argued that many small suppliers were often serving niche markets that were unlikely to include many households that would be eligible for support within the proposed core group.
111. However, there was also a significant minority of respondents who felt that all energy suppliers should be required to participate in the scheme. These respondents felt that it was important to ensure that all households that were potentially eligible for support should be able to receive a rebate irrespective of who supplies their energy.

Government Response to Question 15

It is important to strike the right balance between ensuring that potentially eligible households can access support through the scheme whilst taking care that participation in the scheme does not create barriers to entry through placing disproportionate costs on smaller energy suppliers (who have a smaller customer base over which to recoup these costs).

The Government intends therefore to allow small energy supplier to participate in the core group on a voluntary basis. This will allow small energy suppliers to take a decision about whether to participate based on their judgement of the number of potentially eligible customers that they serve versus the cost of participation.

Consultation Question: Funding for the Warm Home Discount Scheme

Q16 Do you agree that the costs of the Warm Home Discount scheme should be split between energy suppliers based on their share of customer accounts (as is the case under the current Voluntary Agreement)? Or would it be appropriate to use an alternative metric? Please provide evidence for your views.

112. The majority of respondents agreed that the costs of the Warm Home Discount should be split between energy suppliers based on their share of customer accounts on the basis that this approach was simple and mirrored the arrangements for existing policies (e.g., CERT).
113. A number of respondents suggested that the Government should investigate alternative metrics for sharing the costs of the scheme across suppliers (in particular, that the cost should be split according to market share based on volume of energy supplied by each participating supplier). Respondents argued that (assuming that energy suppliers will pass on costs in the way in which they are levied) this would result in a larger proportion of the total costs of the scheme being recouped from high-use (and, on average, higher-income) households and a smaller amount being recouped from households in lower income deciles.

Government Response to Question 16

While a market-share metric that is based on the amount of energy supplied is likely to result in a larger share of the costs being recouped from households in higher income deciles, this type of metric does have some limitations. For example, it would penalise a large number of low-income/high-use households and (because fuel poor households tend to live in houses that are on average less energy efficient than non fuel poor households) it will make it more difficult for the majority of fuel poor household to heat their home to an adequate standard of warmth.

The Government intends to split the costs of the scheme across participating energy suppliers on the basis of their shares of gas and electricity customer accounts. However, the Government will do further work to look into alternative supply-based metrics. In particular, we will seek to understand better how these types of metric are likely to affect low-income and vulnerable households.

Consultation Question: Funding for the Warm Home Discount Scheme

Q17 What do you consider to be the best way to deal with any potential under-spend in the Core Group? Please provide evidence and examples of how any proposals may work.

114. The majority of respondents to this question felt that it was important to ensure that there was a process in place to ensure that any under-spend in the Core Group could be used to provide support to vulnerable households. There were a number of suggestions on how resources should be used, including: expanding the number of households and/or increasing the level of the payments in the Core Group; increasing the funding envelope for non-core spend; increasing expenditures on targeting/advertising of the scheme and funding energy efficiency measures.
115. A number of respondents raised practical concerns about timing (i.e., the difficulty in accounting for under-spend within a particular scheme year given that the level of core group under-spend against the announced funding envelope would not be known until after the end of sweep-up) and on the issue of over-spend (i.e., how the system would cope with the situation where data-matching and sweep up is more successful than anticipated). Respondents suggested that both of these issues could be dealt with by allowing under or over-spend in the core group to be carried over to the following scheme year.
116. Respondents also raised the wider issue of flexibility in the non-core expenditures. Specifically, they argued that it could be difficult to meet non-core obligations in the first year of the scheme if there is a delay in getting approval to non-core expenditures.

Government Response to Question 17

In order to ensure that the scheme can take account of under and over-spend in the Core Group (and to overcome the practical difficulties that would result from trying to do this in the year in which the over/under-spent occurred), the Government will introduce a degree of flexibility into the timing of expenditures under Warm Home Discount.

Government has determined that under or over-spend in the Core Group can be carried forward to future years. Government plans to use any under-spend that is carried forward to increase the size of the Core Group and this would be reflected in revised scheme estimates for spending on the Core Group in subsequent years.

The Government also proposes to introduce a degree of flexibility into the timing of non-core expenditure. Specifically, energy suppliers will be permitted to:

- bank an over-spend of up to 1% on their non-core obligation in year t from the following scheme year (i.e., required non-core expenditure in year t+1 would be reduced by the banked amount): or
- borrow an under spend of up to 1% of their non-core obligation in year t against the following scheme year (i.e., required non-core expenditure in year t+1 would be increased by the borrowed amount).

Each energy supplier would be required to meet their obligated level of expenditure (adjusted for any banked or borrowed compliance from the previous year) in the final year of the spending period. The methodology for banking and borrowing of non-core expenditures will be set out in the Scheme Regulations.

Consultation Question: Funding for the Warm Home Discount Scheme

Q18 Do you agree that Elexon would be an appropriate operator of the reconciliation mechanism for the Warm Home Discount scheme? Please provide evidence for your views.

117. Every respondent that offered an opinion on this question was supportive of the proposal to amend the Balancing and Settlement Code (BSC) to allow Elexon to be the operator of the reconciliation mechanism. There were, however, a number of issues raised. Including:

- **Governance and costs:** a number of respondents made the point that it was important to ensure that there are safeguards in place to ensure that the operations of Elexon to reconcile expenditures under Warm Home Discount does not interfere with Elexon's core function to balance and settle trades on electricity markets. They also requested greater clarity on the how the administrative costs of the reconciliation mechanism will be met.
- **Cash-flow difficulties:** a respondent expressed some concern about cash-flow difficulties as a result of the time delay between the point where suppliers would be making payments to eligible customers and the point at which the reconciliation mechanism would balance these payments. The respondent felt that the proposal to reconcile three times between suppliers was insufficient to allay these concerns.

Government Response to Question 18

In light of these responses, the Government will look to amend the Balancing and Settlement Code (BSC) and the Standard Licence Condition C3 of the Electricity Transmission Licence to

allow Elexon to be the operator of the reconciliation mechanism for Warm Home Discount.

The reconciliation Regulations (which sets out the process for reconciling core group expenditures) and amendments to the BSC and Electricity Transmission Standard Licence Condition C3 will be published in due course.

The Government recognises the importance of ensuring that any involvement of Elexon in the Warm Home Discount policy does not interfere with their activities to balance and settle trades on electricity markets. This concern is recognised in the proposed amendments to section C of the BSC where it is stated that:

'the appointed BSC company shall account for all costs, expenses, liabilities and resources (incurred or used) and for payments (received and made) in the discharge of the Operator's functions and responsibilities separately from BSC costs and trading charges respectively' (proposed new paragraph 1.2.1A(e)).

The proposed BSC amendments also state that:

'[BSC] Parties shall have no liability or obligation to provide financial support to the appointed BSC company in respect of its discharge of the functions and responsibilities of the Operator' (proposed new paragraph 1.2.1A(d)).

It is envisaged that DECC would be responsible for the administrative costs of the operator.

The Government is aware of the potential cash flow problems that could result from a large time lag between the payment of rebates and the equalisation of these costs through the reconciliation mechanism.

Each of the reconciliations in the annual cycle will be initiated through a direction by the Secretary of State and it would be possible for additional reconciliations to take place if they were thought necessary (e.g., if a particular energy supplier had found a disproportionate number of eligible customers at the beginning of the sweep-up process).

While we believe that the proposed three reconciliations (the first after the initial match, the second after the end of the sweep-up and a final reconciliation after expenditures have been audited) strikes the right balance between lowering the administrative burden of the scheme and reducing the risk of cash-flow problems, we will keep this issue under review throughout the course of the scheme.

Use of Data Matching

Consultation Question: Targeting the Warm Home Discount

Q19 Do you agree energy suppliers and Government should use data matching to help find eligible members of the Core Group? Can you think of alternative proposals for how to do this, including how, if we use data matching we could find people who do not match?

118. There was very strong support for using data matching as a tool for finding those who could be eligible for the rebate in the Core Group. Some respondents caveated that no data sources were perfect but that should not be used as a reason to do nothing. There were no responses received which disagreed with the proposed approach.
119. A very large number of responders suggested that the Government should look to widen the Core Group to include other people who may be fuel poor or vulnerable to fuel poverty such as terminally ill cancer patients, families with young children etc and suggested that Government sought wider data matching powers to allow this to happen. Government's response on eligibility for the Core Group is set out in the section on Question 3.
120. Several respondents commented that very high levels of data security were vital and suggested adopting international standards such as ISO27001.
121. There was an acceptance that whichever approach was chosen, some customers who did not match and receive the automatic benefit would need to have the opportunity to confirm their eligibility. Some comments were made that, following the experience of the Energy Rebate Scheme 2010 data matching exercise, that more should be done to improve the experience for these sweep up customers. Suggestions included using publicity to encourage customers to respond, and having a range of response routes including confirming by correspondence or face to face at Pension Centres.
122. Several responders also raised the need to have alternative means of finding those vulnerable to fuel poverty beyond data matching on Pension Credit data, for example using direct or third party referral, Local Authority expertise etc. Several of the energy suppliers supported data matching but said that there were significant costs of them being engaged in the process, such as developing and maintaining the software and that they should be able to include these costs within the value of the scheme.

Government Response to Question 19

Government will ensure that the sharing of personal data held by the Department for Work and Pensions complies with existing safeguards and follows statutory and best practice guidance. These are at least as stringent as ISO27001. All administration of data sharing regardless of the parties involved is subject to these standards. Energy suppliers will also be required to have secure measures in place for handling and transferring data to the data-matching organisation. Government also plans to include an offence for anyone who unlawfully discloses data in the draft Data Matching Regulations (see the Government's response to Question 20).

In terms of comments on better managing the sweep up process, suggestions included using publicity to encourage customers to respond etc. Government will consider these options and look at the opportunities which could be provided by a more proactive publicity approach or whether, for example, a more clearly signposted means of confirming eligibility by correspondence could be put in place.

Government recognises that suppliers will entail administration costs associated with data matching. However, the Warm Home Discount Scheme is a mandatory scheme, and participating in the data matching process and therefore these costs will form part of the energy suppliers' compliance with the scheme. As such they cannot be counted as part of the suppliers' contributions to the scheme.

Consultation Question: Targeting the Warm Home Discount

Q20	As set out at paragraph 103, the reasons for which energy suppliers can use the information from the data match will be set out in detail in Regulations under Section 142 of the Pensions Act 2008. Are there any reasons you think suppliers should or should not be able to use this information? Please provide evidence to support your answer.
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123. As set out in the consultation, data matching requires a legal gateway. The Pensions Act 2008 Section 142 gives the Secretary of State power to make Regulations regarding disclosing social security information on Pension Credit recipients to energy suppliers and vice versa. It prescribes that the Regulations must specify the purpose for which that information that is supplied, which must be in connection with enabling the provision of assistance to persons in receipt of State Pension Credit. In addition it gives the power to make Regulations about offences for wrongful disclosure of information and the recovery of the cost of supplying and using shared information.
124. These Regulations may therefore allow, once a rebate had been paid to the customer, for their energy supplier to use the information about the customer to offer them other assistance for example measures such as heating or insulation or offering to place them on the Priority Services Register. The reasons for making this contact would need to be set out in new Regulations under Section 142 of the Pensions Act 2008. This question asked

responders whether they had a view on reasons a supplier should, or should not be allowed to offer assistance to these customers.

125. The vast majority of respondents supported energy suppliers being able, once a benefit had been received, to offer additional assistance to these customers. The following specific reasons were suggested:
- Providing the customer with information about measures available through the Carbon Emissions Reduction Target (CERT)
 - Offering information about energy efficiency or products
 - Offering a place on the Priority Services Register
 - As the Green Deal develops, looking at whether this could be used to let customers know about the Energy Company Obligation
 - Helping the supplier to understand that the customer was potentially vulnerable so this could be taken into account when the supplier considered debt follow up procedures, for example to avoid them being disconnected.
126. Concern was raised by some responders that this would allow the suppliers to identify customers and know that they were pensioners. There was also concern that the use of this information should not be uncontrolled or be used for sales or general marketing purposes by the energy suppliers.
127. Several responders said that energy suppliers being able to offer additional assistance was a further benefit of data sharing and that being able to open this communication gateway to other groups through wider data sharing powers increased the case for a larger Core Group, for example for the better targeting of CERT. Government's response to recommendations to increase eligibility in the Core Group is set out at in the response to Question 3.

Government Response to Question 20

128. Concern was raised by some responders about energy suppliers being able to use this information. Government can provide reassurance that the anticipated data matching Regulations required under Section 142 of the Pension's Act 2008, would only allow suppliers to use the knowledge that their customer had received the rebate for specific reasons to provide assistance, and that Government intends that there will be a specific offence for the misuse of this information. Any transfer and storage of that data by the energy suppliers would also be subject to the requirements of the Data Protection Acts.
129. Government is pleased with the broad support for the additional use of this information about customers and will consider the suggestions for additional purposes for which shared data can be used under the scheme outlined above. Following this deliberation, Government we will look to include this in the Data Matching Regulations under Section 142 of the Pensions Act 2008. The Data Matching Regulations are expected to be tabled later in 2011 and will be put (through the affirmative procedure) to both Houses of Parliament.

Consultation Question: Targeting the Warm Home Discount

Q21 On the data matching methods

- **What is your view on using software to cleanse the address data and ensure customer details are recorded in the same way? Do you have any proposals for how to do that better?**
- **Do you have a view on using techniques (often called ‘fuzzy matching’) in the match process. Do you think we should apply them? What do you see as the advantages and disadvantages? Do you have examples, supported by evidence of approaches that work well.**
- **We have outlined some possible options for the automatic match routines above and set out one possible proposal in Regulation 7 of the draft scheme Regulations. We have suggested some advantages and disadvantages of tightening or loosening the match routine. Do you have any views on which match routines we should use? Do you have a preference between the options we have set out or have ideas for others? Can you see any other arguments for or against such an approach? Could you support any example with what you see as the advantages and disadvantages of them?**

130. Several respondents commented that they did not have much expertise in data matching, so did not feel able to comment in detail, but supported the principle and understood that final decisions would be agreed as part of the IT development and testing procedure between the energy suppliers, Government and the organisation delivering the data matching solution.

131. Those respondents who considered eligibility and match rates options in detail, expressed a range of views. Most supported the principle of increasing the automatic match rate and reducing the number of customers who had to confirm their eligibility via the call centre, but felt this should be balanced against the risk of more incorrect or disclosive matches. However, when expressing a specific view, most support was for having the eligibility based on the bill payer as that would reduce the risk of those who did not ‘truly’ qualify receiving the benefit.

132. In terms of the match routines, there were a range of responses, but the majority of respondents felt that the match routine could be weakened a little to increase the number of automatic matches, for example using a surname and address match. Several responders suggested that the effectiveness of the match routines should be reviewed annually and whether to change them for the following year considered. Many responders also provided technical suggestions around how the data matching process could work. The main recommendations were:

- Ensuring that the filtering of data from the energy suppliers customer records was as robust as possible, for example using a postcode filter or central energy markets systems such the ECOES database
- Looking at whether data on customers who did not match could be held from year to year to save them having to provide their eligibility data several times

- Considering if a common information security environment between DWP, the match provider and the energy suppliers could be developed to manage the data transfers
- Looking at whether improved protocols could be developed on the recording of name and address details between DWP and the energy suppliers
- Recommending the use of data cleaning procedures and data match software, for example Trillium or Data Flux Experian to ensure that all data is placed into a Postcode Address File (PAF) address structure
- Tempered support for using so called 'fuzzy matching' techniques. Most responders recommended considering these approaches, and some proposed phonetic as well as spelling matches. However they did point out that they could risk introducing more mistakes, so suggested that this risk is mitigated by using a high confidence level for the fuzzy match and reviewing some data to test the quality of the match.

133. Several responders commented that the tight timescales for delivery in Year 1 meant that some of these proposals might only be possible in future years, but they would like them considered. Several organisations offered to share their expertise on data matching. One respondent considered that it would be Government's responsibility to ensure that information about the number of customers found through the automatic match and sweep up process was accurate, comprehensive and are delivered in a timely fashion. The same respondent also asked for clarity on what a rebate payment may constitute, for the purpose of a supplier meeting its obligation and the cases where a supplier may not have been able to make the credit and why.

Government Response to Question 21

In terms of eligibility for the Core Group, Government is minded that it should be that the Pension Credit claimant or their partner is a customer of one of the participating energy supply companies. Government will seek to exclude those who are living permanently in a care home or who were in hospital for more than a year as these customers will have their heating provided through those institutions.

Government will undertake a match routine which will deliver this eligibility criteria. The final decision on which match routine to use will be taken following testing of the technical match solution and analysis of the data. Following the comments received, Government commits to review the match routines annually and consider whether to change them for the following year.

Government is grateful for the suggestions on how the data matching process could work and the understanding about the likely pressure on the timetables for the first year of the scheme. Government will also consider these options as part of the technical development and testing proposals for the data matching technical solution and will follow up suggestions from organisations to share their expertise on data matching.

Government recognises that it will important to ensure that Ofgem, who will monitor suppliers' compliance with the scheme, have adequate information about the results of the data match and sweep-up processes. This will be taken account of in the scheme Regulations which will be laid before Parliament following the publication of this response.

Implementation of the Scheme

Consultation Questions: Implementing the Warm Home Discount Scheme

Q22 Do you agree with the proposed annual cycle for the scheme? Please provide evidence to support your views.

134. The majority of respondents who answered this question in the consultation agreed with the proposed annual cycle of the scheme. In particular a number of respondents commented that it was sensible to pay Core Group rebates during the winter months when consumers' fuel bills were likely to be at their highest.
135. A number of respondents expressed concern about the length of time available for the sweep-up process associated with data matching in the Core Group, suggesting that the time allowed for this process may not be sufficient to engage with the vulnerable consumers the scheme is aimed at. Other respondents suggested that the proposed timings of the reconciliations throughout the scheme year and into the next to deal with spending on the Core Group could have negative cash flow implications for those suppliers who had a lower than average market share of Core Group customers.
136. Additional challenges to the timeline identified by respondents included the amount of time available for suppliers to fulfil their obligations under the scheme. This was thought to be a particular problem in the first year of the scheme where respondents suggested that Ofgem would not be able to issue their guidance on the scheme to suppliers until after the commencement of the scheme (Ofgem will undertake a consultation on this guidance following the laying of the draft scheme Regulations before Parliament). Respondents considered that they would not be able to submit notifications for approval until the final guidance was published. Some respondents indicated that if suppliers had greater flexibility over the distribution of their non-core spending, this would assist them in ensuring they met their obligations in each scheme year.
137. Respondents also commented that little time would be left within the scheme year to use any under-spend from the Core Group on the other sections of the scheme and requested clarity over whether spending could be transferred between scheme years.

Government Response to Question 22

Government has considered the issues raised by respondents on the annual cycle for the Warm Home Discount scheme.

Government recognises that it will be important to ensure energy suppliers are afforded sufficient time in which to meet their obligations in year one of the scheme. Government also understands that the timescale of the scheme's implementation means it is likely that Ofgem's final guidance following consultation will not be available at the start of the scheme. Therefore Government will provide in the scheme Regulations, that in year one, spending by suppliers on Legacy arrangements and Industry Initiatives from the 1st April 2011 (areas of the scheme suppliers may be likely to roll over from their commitments under the Voluntary Agreement) will count towards their obligations, providing the spending is subsequently determined by Ofgem to meet the

scheme's requirements. The Government has also provided that spending by suppliers on the Broader Group in year one of the scheme, from the date of commencement of the Regulations, will count towards suppliers' contributions providing they obtain approval for their Broader Group arrangements from Ofgem during that scheme year.

In subsequent years of the scheme, Government considers that it will be important for suppliers to gain approval from Ofgem before committing to spending against specific activities, for the expenditure to count towards their obligation. Therefore, from year two onwards, energy suppliers will be required to submit notifications to the Authority for approval in advance of spending on these activities. Suppliers may request that the notifications are approved for more than one scheme year.

In addition, Government has made clear in its response to Question 2 that additional flexibility will be afforded to suppliers in the distribution of the spending on Industry Initiatives and Legacy Spending and in the type of benefits offered under Legacy Spending – modifications which are likely to assist suppliers in meeting their obligations within each scheme year.

Government's position on flexibility between scheme years is set out on page 17. In response to the concerns raised that suppliers would have to find avenues to make up any Core Group under-spend within the scheme year in which the under-spend occurred, Government agrees that sufficient time would not be available for this to be practicable. The results of the Core Groups will instead be used to inform the level at which suppliers' obligations are set in subsequent years.

Consultation Questions: Implementing the Warm Home Discount Scheme

Q23	Do you foresee any circumstances where it would be desirable for the Secretary of State to amend the scheme which would not be covered by the current wording of Regulation 22? Please provide evidence to support your views.
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138. Respondents to this question consider that the proposed wording within the draft Regulations was sufficient to cover the circumstances in which it would be desirable for the Secretary of State to conduct a review of the scheme. A number of respondents also reiterated their views that data matching should be extended to other groups.

Government Response to Question 23

Government has considered the responses to the consultation and will ensure that the scheme Regulations contain a provision to allow the Secretary of State to review the scheme and its operation.

Government's views on the extension of data matching are set out in its response to Question 3

Monitoring and Auditing the Scheme

Consultation Questions: Monitoring the Warm Home Discount Scheme	
Q24	Do you have any suggestions on how Ofgem should monitor the scheme or the proposed approvals process? This information will be passed to Ofgem for their consideration.
Q25	We propose that it is important for all parties to consider how best to balance the need to gain the necessary assurances that suppliers' spending would meet the requirements of the mandated scheme alongside the administrative burdens which could be associated with demonstrating this. We welcome views on this issue, in particular what a reasonable level of assurance would be for verifying eligibility in the Broader Group and what the associated costs would be. Please provide suggestions and evidence as to how this balance can best be achieved.

139. Government received a number of responses to Questions 24 and 25 of the consultation regarding the proposed approvals process for the scheme and the balance to be struck between gaining the necessary assurances that suppliers' spending would meet the scheme requirements and the costs which could be associated with demonstrating this.
140. We have provided Ofgem with the information received in response to Question 24 for consideration as they determine how best to monitor and ensure compliance with the scheme's requirements. Ofgem will consult on guidance for suppliers in relation to the Warm Home Discount scheme once the scheme Regulations are laid before the Houses of Parliament.
141. Respondents highlighted a number of important issues related to Question 25. Many agreed with the premise in the question that was of particular concern for the Broader Group. Respondents argued that the costs of checking and auditing eligibility should be considered in relation both to the value of the benefit provided and the likelihood that additional administrative costs would be passed on to consumers. Respondents included evidence of the higher costs associated with managing Fuel Direct⁴ accounts due to the degree of manual processing, and on the estimated costs of agencies who routinely assess consumers eligibility for benefits and other forms of assistance.
142. Others commented on the importance of ensuring that this funding was used appropriately and that a level of verification was necessary to reduce the risk of fraud. This was considered of particular importance by some respondents due to the classification of this spending as imputed tax and spend who suggested that the department should look to the NAO for guidance over monitoring and verification arrangements.

⁴ Fuel Direct is a scheme of last resort through which a consumer's overdue energy bills are paid directly from their benefit allowance to energy suppliers, further information is available from the Directgov website: http://www.direct.gov.uk/en/MoneyTaxAndBenefits/ManagingDebt/DebtsAndArrears/DG_10025592

143. Some respondents to the consultation and those who participated in the consultation workshops also highlighted the hurdles which could be perceived by vulnerable consumers if the verification processes were overly intrusive and burdensome, commenting that it was not clear if suppliers' call centre operators would have the same level of training as those who routinely dealt with vulnerable households, such as CAB.
144. The difficulties surrounding determining an appropriate level of verification were suggested by one respondent in support of their proposal to extend the Core Group in which eligibility would be determined by Government and consumers identified through data matching (and sweep-up).
145. This issue was also discussed at the workshops run by Government during the consultation process in relation to the Broader Group. One of the options considered by participants was reflected in a number of their responses. Respondents proposed that an agreed verification methodology should be established which would include declarations from customers (potentially on the phone or via the internet) that they were eligible for the Broader Group and then asking an agreed proportion of those consumers to provide further evidence demonstrating their eligibility. A number of respondents suggested that Government and the energy suppliers should work together to establish an efficient and effective method by which eligibility could be established in the absence of data matching.

Government Response to Questions 24-25

Government has considered the issues raised in relation to this question. Government agrees that the costs of suppliers' compliance with the scheme must be taken into account, but is also concerned that the funding delivered by suppliers through this scheme can be demonstrated to be within the scheme's requirements.

Government has worked with respondents during the consultation process and with Ofgem (who will monitor suppliers' compliance) to explore how a suitable balance can be struck. Government considers that two of the key changes to the scheme as a result of the consultation provide greater certainty on whether spending on the Broader Group meets the requirements of the scheme.

Firstly, the Regulations set out certain eligibility criteria which suppliers could use to target Broader Group benefits. If suppliers choose from this list, Ofgem must approve these as eligibility criteria for the Broader Group. This provides clear direction on the type of households that Government considers suppliers could target and clearly indicates that if suppliers choose to propose alternative criteria, that they should include an assessment of both income and vulnerability to determine whether a household is in or at risk of fuel poverty. Secondly, the Regulations will also set out a bench mark verification method for the Broader Group, which if suppliers choose to use it, Ofgem must approve. This methodology will include the following steps:

- obtaining a declaration that the consumer meets the supplier's eligibility criteria;
- explaining that the consumer may be asked to provide further evidence of their eligibility; and
- providing documentary evidence of eligibility for 5% of those paid the broader group

rebate.

Government has considered other comparable schemes in which eligibility is declared and the degree to which sample spot checks are used to determine eligibility. Government also considers that this methodology provides the right balance to deter fraudulent applications, while at the same time not imposing too high a hurdle which could prevent eligible vulnerable and low income consumers from accessing the benefit.

Consultation Question: Monitoring the Warm Home Discount Scheme

Q26 Do you agree with the proposed methodology for calculating the value of suppliers' spending on discounted tariffs?

In particular:

- Will the principles set out in paragraph 131 (see Regulation 17 and Schedule 1 of the draft Regulations for further detail) allow Ofgem to identify a suitable reference tariff for each supplier, against which to value that supplier's discounted tariff?
- Do you agree that average tariff values (where tariffs vary across regions) should be determined using weightings by customer numbers within each region?

Please provide evidence to support your views.

146. The majority of respondents to Question 26 were in broad agreement with proposed principles to identify a suitable reference tariff and with the methodology for valuing suppliers' contributions in the draft Regulations. In particular respondents agreed that it was sensible to build on the agreed methodology which had been used in the Voluntary Agreement. A number of respondents suggested that it would be more appropriate to value all suppliers' discounted tariffs against the same reference tariff and that suppliers' contributions should not be dependent on the differential between their own reference and discounted tariffs.

147. A range of views were expressed by respondents to the point of regional tariff weightings. Some agreed that this would improve the accuracy of the calculation of suppliers' contributions while others felt that the costs associated with providing data within this format were not justified by the improvements in accuracy.

Government Response to Question 26

Government recognises the concerns raised by respondents on the most suitable method by which to value suppliers' contributions. After careful consideration of the arguments put forward, the methodology set out in the consultation draft of the Regulations will be used to value suppliers' contributions.

The calculation rests on a principle that the value to the consumer should be the difference between the discount tariff that they receive and the tariff they would otherwise have been likely to have had with their supplier. For this reason Government does not consider that it would be appropriate to value all suppliers' discounted tariffs against the same reference tariff.

Government has considered the arguments around clarifying this methodology to average weight tariff values according to the numbers of customers on such tariffs in different regions where suppliers' prices vary on a regional basis. This would be an additional requirement to the methodology which Ofgem uses with suppliers under the Voluntary Agreement and while Government agrees that it could result in a marginal increase in accuracy, Government does not consider that this would justify amending the methodology from that currently in use.

Consultation Question: Monitoring the Warm Home Discount Scheme

Q27 Do you agree that the proposed criteria for Industry Initiatives encompass a suitable range of activities which should be included in the Warm Home Discount scheme? Please provide evidence to support your views.

148. The majority of respondents agreed that a suitable range of criteria had been included in the draft Regulations to cover the activities which Government had suggested should be included in the Industry Initiatives. A number of respondents highlighted that suppliers should also be able to fund the provision of thermal efficiency measures such as heating systems as well as energy efficiency measures such as insulation.
149. Some respondents to the consultation requested clarity from Government over whether funding provided to Trust Funds which carried out activities on the supplier's behalf would be included within suppliers' contributions to the Warm Home Discount scheme. Respondents also asked for certainty on how initiatives which were jointly funded by industry, such as the current Home Heat Helpline (funded by suppliers and run on their behalf by the ERA) would be treated under the scheme.
150. A number of respondents considered that some of the activities proposed would duplicate existing services provided elsewhere and therefore did not need to be included within the scheme.

Government Response to Question 27

Government agrees with respondents that the provision of heating measures is the type of activity which would fit within the overall scope and aim of the scheme, as well as energy efficiency measures. The majority of the support provided through the scheme will be focused on the direct provision of financial support with energy costs, but within the limited portion of the scheme through which suppliers can provide other types of support, Government agrees that the provision of heat measures should be included.

On this basis Government agrees that it is sensible to clarify the schedule to the Regulations which

details the type of activities which can be counted as Initiatives to remove any ambiguity over whether heat measures provided to persons in or at risk of fuel poverty would count towards the scheme.

The scheme Regulations will cover the following types of activities, in line with those proposed in the consultation:

- Referrals to energy suppliers of persons in or at risk of fuel poverty who may be eligible for benefits under this scheme or any other assistance by their supplier
- Benefit Entitlement Checks
- Provision of measures (including energy or thermal efficiency)
- Provision or funding of provision of energy advice
- Training, or funding of training, of persons to provide energy advice
- Debt relief measures targeted at persons in or at risk of fuel poverty

Government considers that if suppliers wish to work with other organisations, including Trust Funds to deliver these activities they should be free to do so, providing the activities remain within the scope of those set out in the scheme Regulations. Government also considers that suppliers would be able to count activities which they funded in a collaborative manner, providing they were within the scope of those set out in the scheme Regulations.

Ofgem will have responsibility for determining which activities are approved to count towards suppliers contributions and will be issuing guidance to suppliers on making such applications. A number of respondents asked for clarity as to whether the existing Home Heat Helpline which provides advice to vulnerable consumers and helps them to access the available support, would count as an Industry Initiative under the scheme. Government's view is that the Home Heat Helpline is an activity which could be within the scope of those which are allowed under Industry Initiatives, because of the advice and assistance offered through it to those customers struggling to meet their energy costs. As stated above, it is Ofgem (who will monitor and enforce suppliers' compliance with the scheme) who will determine what activities will count and will be responsible for approving suppliers' proposals for Industry Initiatives.

Annex 1: List of Respondents

In addition to the organisations listed below, 1800 members of the public sent emails as responses to the consultation in support of Macmillan Cancer Support's proposals in relation to the consultation.

Age UK

Association for the Conservation of Energy

Bracknell Forest Council

British Gas

British Heart Foundation

Changeworks

Charis Grants

Citizens Advice Bureau

Consumer Focus

Cystic Fibrosis Trust

Derby City Council

Doorways

Eaga

Ecotricity

Edf

Elexon

Energy Action Scotland

Energy retail Association

Eon

First utility

Federated Private residents Association

Friends of the Earth (Scotland)

Fuel Poverty Advisory Group

Gemserve

Good Energy

Hastoe Group

Incomemax

Islington Council

Leeds City Council
Local Government Association
Macmillan Cancer Support
National Energy Association
National Grid
National Housing Federation
National Insulation Association
NPower
Ofgem
Right to warmth
Save the Children
Scottish Power
Scottish and Southern Electricity
Southampton City Council
Utilita
Warm Zones
Welsh Assembly Government
Westminster City Council

Annex 2: Analysis of responses

Respondents to the consultation by type:

Type of Respondent	Number
Energy Suppliers and Industry Bodies	14
Consumer representatives and non-governmental organisations	18
Local Government, Devolved Administrations and Regulatory Bodies	10
Consultancy and commercial bodies	5
Individuals	1800

Number of responses to each consultation question:

Question number	Question	Number of responses
Q1	Do you agree that Warm Home Discount policy should be implemented in line with the principles outlined in this chapter? Please explain your answer.	32
Q2	Do you agree with the structure of the proposed Warm Home Discount scheme, including the target groups, type of benefit and distribution of funding between the four sections of the scheme? Please explain your answer.	24
Q3	Do you agree with the suggested eligibility criteria for the Core Group as set out in the table on page 21 and in paragraphs 51-55? Please provide evidence to support your views.	1827

Q4	Do you agree with the proposals on how benefits are provided to pre-payment meter consumers (e.g. that energy suppliers will use the means that they currently use for that group)? Please provide evidence to support your views.	23
Q5	Do you agree that it would be helpful for consumers if energy suppliers are required to use common language to describe rebates provided through the Core and Broader Group on consumer bills? Please provide evidence to support your views.	26
Q6	Do you agree with the suggestion that energy suppliers should have discretion to target the Broader Group support at those vulnerable households they can identify who fall outside the Core Group? Please provide evidence to support your views.	30
Q7	Do you agree with the proposed arrangements for legacy spending? Please provide evidence to support your views.	18
Q8	Do you agree that it is appropriate for energy suppliers to retain discretion over the level and type of benefit they give to people where they are continuing with an agreement already in place? Please provide evidence to support your views.	20
Q9	Do you agree that requiring energy suppliers to manage down any spending on Voluntary Agreement commitments is appropriate, and that reducing as set out above (£130m in year 1, £65m in year 2, £33m in year 3, £0 in year 4) is an appropriate way to do this? Please provide evidence to support your views.	20
Q10	Do you agree that energy suppliers should be able to include funding of the type of activities identified in paragraphs 71-74 within their Warm Home Discount contributions? Please provide evidence to support your views	29
Q11	Do you agree that the cap on this form of spending should be set £20m? Please provide evidence to support your views.	19
Q12	Do you consider there should be a cap on the amount energy suppliers can spend on providing debt relief? Please provide evidence to support your views	21
Q13	Do you believe there should be additional caps within this section on particular types of spending? Please provide evidence to support your views.	19

Q14	Do you agree with the proposed level of costs for different benefit entitlement checks outlined in paragraph 77? Please provide evidence to support your views.	19
Q15	Do you agree that energy suppliers below the customer account threshold should be allowed to participate providing benefits to the Core Group through the scheme on a voluntary basis? Please provide evidence for your views.	26
Q16	Do you agree that the costs of the Warm Home Discount scheme should be split between energy suppliers based on their share of customer accounts (as is the case under the current Voluntary Agreement)? Or would it be appropriate to use an alternative metric? Please provide evidence for your views.	25
Q17	What do you consider to be the best way to deal with any potential under-spend in the Core Group? Please provide evidence and examples of how any proposals may work.	22
Q18	Do you agree that Elexon would be an appropriate operator of the reconciliation mechanism for the Warm Home Discount scheme? Please provide evidence for your views	13
Q19	Do you agree energy suppliers and Government should use data matching to help find eligible members of the Core Group? Can you think of alternative proposals for how to do this, including how, if we use data matching we could find people who do not match?	27
Q20	As set out at paragraph 103, the reasons for which energy suppliers can use the information from the data match will be set out in detail in Regulations under Section 142 of the Pensions Act 2008. Are there any reasons you think suppliers should or should not be able to use this information? Please provide evidence to support your answer.	19

Q21	<p>On the data matching methods</p> <ul style="list-style-type: none"> • What is your view on using software to cleanse the address data and ensure customer details are recorded in the same way? Do you have any proposals for how to do that better? • Do you have a view on using techniques (often called ‘fuzzy matching’) in the match process. Do you think we should apply them? What do you see as the advantages and disadvantages? Do you have examples, supported by evidence of approaches that work well. • We have outlined some possible options for the automatic match routines above and set out one possible proposal in Regulation 7 of the draft scheme Regulations. We have suggested some advantages and disadvantages of tightening or loosening the match routine. Do you have any views on which match routines we should use? Do you have a preference between the options we have set out or have ideas for others? Can you see any other arguments for or against such an approach? Could you support any example with what you see as the advantages and disadvantages of them? 	21
Q22	<p>Do you agree with the proposed annual cycle for the scheme? Please provide evidence to support your views.</p>	17
Q23	<p>Do you foresee any circumstances where it would be desirable for the Secretary of State to amend the scheme which would not be covered by the current wording of Regulation 22? Please provide evidence to support your views.</p>	16
Q24	<p>Do you have any suggestions on how Ofgem should monitor the scheme or the proposed approvals process? This information will be passed to Ofgem for their consideration.</p>	20
Q25	<p>We propose that it is important for all parties to consider how best to balance the need to gain the necessary assurances that suppliers’ spending would meet the requirements of the mandated scheme alongside the administrative burdens which could be associated with demonstrating this.</p> <p>We welcome views on this issue, in particular what a reasonable level of assurance would be for verifying eligibility in the Broader Group and what the associated costs would be. Please provide suggestions and evidence as to how this balance can best be achieved.</p>	14

Q26	<p>Do you agree with the proposed methodology for calculating the value of suppliers' spending on discounted tariffs?</p> <p>In particular:</p> <ul style="list-style-type: none"> • Will the principles set out in paragraph 131 (see Regulation 17 and Schedule 1 of the draft Regulations for further detail) allow Ofgem to identify a suitable reference tariff for each supplier, against which to value that supplier's discounted tariff? • Do you agree that average tariff values (where tariffs vary across regions) should be determined using weightings by customer numbers within each region? <p>Please provide evidence to support your views.</p>	13
Q27	<p>Do you agree that the proposed criteria for Industry Initiatives encompass a suitable range of activities which should be included in the Warm Home Discount scheme? Please provide evidence to support your views.</p>	19

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Department of Energy & Climate Change

3 Whitehall Place

London SW1A 2AW

www.decc.gov.uk

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