

Fuel Poverty Team

Department of Energy & Climate Change

3 Whitehall Place

London

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www.decc.gov.uk

22 March 2011

Dear,

Re FOI Request 12/0300

Your FOI request of 23 February asked about the number of applications under the Warm Home Discount scheme that were accepted & rejected to date. We are not able to respond directly to this request as the way the scheme operates means that this is not information that the Department holds.

This letter sets out some further background on the scheme and its operation, explaining how the different elements of the scheme function and energy suppliers' role in providing this support.

The scheme was enabled by powers provided to the Secretary of State by the Energy Act 2010, legislation brought forward by the previous Government. The Warm Home Discount scheme began in April 2011 and is structured to oblige energy suppliers to provide low income and vulnerable households with direct support with their energy costs. A brief description of the scheme, together with the Spending Review settlement for annual spending targets is attached to this letter.

This year suppliers will provide support worth up to £250m and we expect that around 2 million households will be helped. The scheme operates in four ways, with support distributed by suppliers to the poorest pensioners through the Core Group, under the direction of the Secretary of State, and through support provided by suppliers, with Ofgem's approval, to a wider group of low income and vulnerable households through the Broader Group, Legacy Spending and Industry Initiative elements of the scheme. Suppliers are required to participate in the scheme if they have more than 250,000 customer accounts, this accounts for 99% of the domestic energy market.

For the Core Group, pensioners in receipt of Pension Credit Guarantee Credit only who are named on their electricity bill with one of the six major energy suppliers are eligible for 2011/12. In 2011/12, nearly 600,000 of these pensioners were found automatically through data matching between Government (DWP data) and the energy suppliers. The scheme was designed the scheme so this vulnerable group did not have to 'apply', but would receive the £120 discount in their energy account automatically. We wrote to all these customers before Christmas to let them know that the rebate would be automatically applied.

However, we know that data matching will not find all eligible customers as there may be differences in the data held by the energy suppliers and Government. To make sure this

group do not lose out we have written to those who did not match and asked those who are eligible to call a dedicated Government call centre to claim. We expect around 20-30% of this group to be named on their bill with a participating energy company. As a result we expect to find around another 60,000 customers through this claiming process. The last date to claim is 28 March 2012, but to date the response rate is very high. We will make sure that any customers who do 'claim' this year and are eligible next year will have their data saved so they receive the discount without having to contact the call centre again next year.

As a result we expect that overall about 80-90% of those who will receive the £120 discount this year will be found through data matching and not need to claim and 10-20% will successfully claim. We expect that the rebates will be worth about £85 million in 2011/12. As the spending envelope for the scheme increases to 2014/15, the eligibility criteria for the Core Group will also gradually expand to encompass all those in receipt of the Pension Credit Guarantee and Savings Credit.

Beyond the Core Group, suppliers are required to spend a set amount assisting a wider group of low income households. In 2011/12 energy suppliers are required to spend £153m on such support. Within this set total suppliers have a degree of discretion over how assistance is provided. As the first year of the scheme represents a transition from the previous voluntary agreement, suppliers may spend up to £150m on providing legacy forms of support such as social and discounted tariffs and on industry initiatives (which provide support such as energy advice and debt relief to those at risk of fuel poverty). Suppliers will continue to use the same eligibility criteria and verification methods as they had under the previous voluntary agreement to distribute this legacy support.

Within the total of £153m, suppliers are required to spend a minimum of £3m on providing electricity bill rebates of £120 to low income and vulnerable households through the Broader Group. Ofgem will approve the criteria suppliers use to distribute the support, ensuring that it is provided to low income vulnerable households. The scheme regulations set out examples of eligibility criteria which Ofgem will automatically approve, covering the means tested benefits linked to cold weather payments. If suppliers spend less than £150m on legacy support and industry initiatives, they must make up this spending through an increase in spend on the Broader Group.

Ofgem will review suppliers' spending for each year of the scheme to ensure they have met the requirements of the scheme. The impact assessment published for the Warm Home Discount scheme made an assessment of the average level of support that would be provided to groups beyond the Core Group. Those assisted through the Broader Group will receive a rebate of £120 and we estimated that those assisted under legacy spending through support such as discounted tariffs will receive on average £89.

As the scheme has a fixed maximum spending envelope, beyond the Core Group, suppliers are not required to assist all of those customers who meet the suppliers' eligibility criteria for support under the Broader Group, Legacy Spending or Industry Initiative elements of the scheme – instead they are required to meet a set spending obligation. Suppliers are responsible for administering these elements of the scheme, DECC does not have day to day oversight or involvement in this process, that is why we are unable to provide data on the number of applications which have been accepted or rejected. Ofgem will audit on an annual basis the processes used by suppliers as part of their review of suppliers' spending on the Warm Home Discount scheme. Once Ofgem have completed this process, we do intend to publish an annual report on the scheme, which will set out how many households suppliers have been assisted.

Under the Freedom of Information Act, you have the right to:

- Know whether we hold the information you have requested and;
- Be provided with that information (subject to any exemptions or exceptions which may apply).

In response to your request for information submitted under the Freedom of Information Act, and received on 23 February 2012:

1. How many applications have been made to the Warm Homes Discount Scheme to date?
2. How many applications to the Warm Homes Discount Scheme have been accepted to date?
3. How many applications to the Warm Homes Discount Scheme have been rejected to date?

I can confirm that the information you requested is not held by this Department, for the reasons stated above.

If you are dissatisfied with the handling of your request, you have the right to ask for an internal review. Internal review requests should be submitted within two months of the date of receipt of the response to your original letter and should be addressed to: **Information Rights Unit** (foi@decc.gsi.gov.uk)

Please remember to quote the reference number above in any future communications. If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The Information Commissioner can be contacted at: Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF

Yours sincerely,

Annex A – Summary of the WHD scheme

The Warm Home Discount scheme is a four-year scheme that runs from April 2011 to March 2015 to help low-income and vulnerable households with energy costs. The scheme will be worth up to £1.1bn over the next four years and we expect around 2 million low-income and vulnerable households will be assisted annually. The funding will come from the participating energy suppliers. Table 1 sets out its annual value.

Table 1. WHD scheme value.

Scheme Year	2011/12	2012/13	2013/14	2014/15
Value	£250m	£275m	£300m	£310m

There are four elements to the scheme, Table 2 sets out suppliers' expected expenditure on each element:

- **Core Group:** The Warm Home Discount scheme requires participating energy suppliers to give a rebate on their electricity bill to a specified group of their older customers on low incomes, known as the Core Group. Government will inform suppliers which recipients to support through sharing limited data between the Department for Work and Pensions and the energy suppliers. For the first year of the scheme, eligibility for the Core Group rebate is linked to those on the Guarantee Credit element of Pension Credit – eligibility for the Core Group expands as the amount of funding available for the scheme increases.
- **Broader Group:** support will be targeted at low income and vulnerable households who are fuel poor or in a fuel poverty risk group. Participating energy suppliers have some discretion over the eligibility criteria for the Broader Group, but will need to target those in or at risk of fuel poverty. Their eligibility criteria and the processes they will use to verify eligibility, will be subject to approval from Ofgem.
- **Legacy Spend:** energy suppliers can continue to provide support through discounted/social tariffs and rebates – this support will be managed down over the course of the scheme as the Core and Broader Groups expand.
- **Industry Initiatives:** energy supplier-funded programmes and partnerships which assist those in or at risk of fuel poverty with a range of support, including benefit entitlement checks, debt advice and energy efficiency measures.
- The scheme will be worth over £1.1bn from 11/12 to 14/15, 2 million households will be assisted each year on average.

Table 2. Expected breakdown of spending on the WHD scheme by suppliers

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