Department for
Business, Energy
& Industrial Strategy

Warm Home Discount Scheme 2021/22

The Government Response to the Warm Home Discount Extension Consultation

February 2021

Acknowledgements

BEIS would like to thank all stakeholders who took the time to respond to the Warm Home Discount 2021/22 consultation.

Any enquiries regarding this publication should be sent to us at:
enquiries@beis.gov.uk

Contents

1. General information

Purpose of this document

This document sets out the UK Government's response to the consultation on the Warm Home Discount scheme for 2021/22. The consultation sought views on extending the scheme for an additional year, as well as views on proposals to make a number of changes to the scheme for 2021/22.

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Other versions of the document in Braille, large print or audio-cassette are available on request. This includes a Welsh version. Please contact us at the Enquiries details above to request alternative versions.

Quality assurance

The consultation was carried out in accordance with the Government's Consultation Principles.

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

BEIS Consultation Co-ordinator, 1 Victoria Street, London SW1H 0ET

Email: enquiries@beis.gov.uk

2. Executive Summary

Overview of the scheme

1. The Warm Home Discount scheme (WHD) was launched in April 2011 and provides assistance with energy costs to around 2.2 million low income and vulnerable households in Great Britain each year. It has provided over £3 billion of direct assistance to low income and vulnerable households in the ten years since its launch.

2. Under the Regulations which underpin the WHD, energy suppliers are required to provide £351 million worth of support for the 2020/21 scheme year. The Regulations currently provide for the WHD to come to an end on 31 March 2021, and new Regulations are needed to extend the scheme beyond this date until March 2022.

3. Considering the continuing impact of the COVID-19 pandemic, we proposed limited changes to the scheme for the one-year extension pending future consultation on wider policy reforms should the scheme be extended beyond March 2022. Since then, the Energy White Paper, which was published in December 2020, announced that Government will: i) extend the WHD to at least 2025/26; ii) increase the spending envelope from the current £351 million to £475 million (in 2020 prices) per year from 2022, so that we can reach a further 750,000 households; and iii) consult on reforms to improve the fuel poverty targeting of the scheme. We will consult on an extended and reformed scheme later in 2021 and plan to implement reforms from the 2022/23 scheme year.

4. In the consultation, we proposed to keep the major elements of the scheme unchanged for the one-year extension whilst making small operational improvements.

Feedback to the consultation

5. The consultation ran from 14th October 2020 to 11th November 2020 with the consultation published on gov.uk and announced through a Government press release. A link to the consultation document was sent to key stakeholders including consumer groups, energy suppliers and other industry parties.

6. We received fifty-two responses to the consultation. Among the responses, there were eleven responses from energy suppliers, seventeen from charities, ten from local authorities and other public bodies, three from private sector organisations, and eleven from members of the public. There was general support for the Government’s proposals to:

- make minimal changes to the scheme for scheme year 2021/22, including keeping the size of the rebate, eligibility for Core and Broader Groups and the current thresholds for energy supplier participation the same, in recognition of the relatively short timeframes available;

- make operational changes to Industry Initiatives, including the introduction of an individual debt write-off cap in addition to the current overall cap, the removal of the restriction on providing financial assistance to Core Group and Broader Group recipients, and requiring advice about smart meters to be given in addition to energy advice to every customer benefiting from an Industry Initiative so far as is reasonably practicable;
- introduce consumer protection requirements for boilers and central heating systems installed under Industry Initiatives; and
- facilitate Suppliers of Last Resort voluntarily taking on non-core obligations of failing energy suppliers.

Structure of the Government Response

7. Sections 3 to 6 of this document summarise the detailed feedback received on the consultation questions and set out the Government's position on the key issues highlighted in the consultation feedback. Specifically, section 3 covers rebate size and eligibility criteria; section 4 covers operational changes to Industry Initiatives, including the introduction of consumer protection requirements and quality standards for boiler and central heating system installations; section 5 covers other aspects of the WHD, including energy supplier participation thresholds; and section 6 covers the future of the scheme and devolution. Section 7 summarises the Government's conclusions and next steps.

Conclusion and next steps

8. The Government is committed to protecting low income and vulnerable consumers and will continue the support provided through the WHD. This support can help individuals avoid the potential impacts of living in a cold home, such as negative health outcomes, and could therefore have positive implications for social mobility and life chances.

9. The decisions set out in this Government response are subject to Parliamentary approval of the implementing Regulations. We intend to lay Regulations in Parliament to extend the WHD until March 2022 shortly after publication of this Government response, and plan to consult in 2021 on reforms to the scheme for 2022/23 onwards.

3. Eligibility Criteria

Size of rebate

Consultation Questions	
1	Do you agree the size of the rebate should remain at £140 for 2021/22? If not, what size do you think the rebate should be and why?

Summary of responses

10. The vast majority of the 47 respondents who responded to Question 1 (91%) agreed that the size of the WHD rebate should remain unchanged for 2021/22 as this would allow as many eligible consumers as possible to receive support. Many respondents recognised that it may not be possible to implement changes in time for scheme year 2021/22, particularly given the increased pressures caused by COVID-19.

11. However, most respondents also recommended that a higher spending pot was needed to allow more eligible households to receive a rebate, noting the increasing number of Broader Group households which are left without a rebate due to the limited WHD scheme budget. This was notably raised in response to the continuing impacts of the COVID-19 pandemic on household finances.

12. Some respondents who were in favour of the proposal did discuss future reform of the scheme beyond the extension. Many recommended increasing the size of the rebate in line with inflation beyond scheme year 2021/22, with several respondents arguing that there was a disparity between the reach of the scheme and the depth of support available to each household. Other proposed solutions included increasing automatic entitlement alongside an increased spending target or using a sliding payment scale to account for larger households with multiple child dependents.

13. The respondents who opposed the proposal had diverging suggestions for the size of the rebate for scheme year 2021/22, including decreasing it to allow all households eligible for the Broader Group to benefit, or increasing it to take inflation and electricity price rises into account.

Government response

14. Government notes the support for retaining the rebate at £140 for scheme year 2021/22).

15. We understand the effect that COVID-19 has had on household incomes. However, given the only slight increase in the overall spending target, increasing the level of the

rebate would mean that fewer households would receive the rebate. Therefore, given that the pool of benefit claimants has increased sharply due to the pandemic and that the average household's dual fuel energy bill in 2019 was similar to that in 2010, Government has decided to maintain the level of rebate at £140 in 2021/22.

16. We also note that there were some suggestions for future scheme reform and concerns about the scheme's total budget. We will consult later this year on reforms to the scheme beyond the one-year extension, including on proposals to increase the size of the rebate to provide £150 a year off electricity bills. The Energy White Paper set out our vision to ensure energy bills remain affordable in the 2020s and that the cost of the transition to net zero is fair and affordable. Already, lower income households can receive up to £10,000 to improve the energy efficiency of their homes via the Green Homes Grant (GHG) scheme, saving up to £600 each year on bills. Government has also committed to extend and expand the Energy Company Obligation (ECO) scheme to 2026 and to extend and increase funding for WHD from 2022 until at least 2026[1].

Eligibility

Consultation Questions	
2	Do you agree that the Core Group element of the Warm Home Discount scheme should continue unchanged for a one-year extension, to scheme year 2021/22?
3	Do you agree that the Broader Group element of the Warm Home Discount scheme should continue unchanged for a one-year extension, to year 2021/22?

Summary of responses

17. 50 respondents answered the question about the Core Group element of the scheme, while 46 provided a view on the Broader Group. The majority of respondents who expressed an opinion on these questions supported Government proposals to keep the eligibility criteria for Core and Broader Groups unchanged for 2021/22, with 92% supporting the Core Group proposal and 87% supporting the Broader Group proposal.

18. Across both, there was general agreement that keeping the criteria the same would ensure that the tight timeframe for implementation and delivery was met.

19. For the Core Group specifically, the majority of respondents considered Pension Credit Guarantee Credit to be a sensible proxy for identifying target households in the absence of more robust data. One respondent claimed that only 60% of eligible households claim

[1] 'Energy White Paper: Powering our net zero future', published on 14 December 2020: https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future

Pension Credit and suggested that BEIS could work with DWP in the short term to increase uptake.

20. One respondent suggested that the Government should consider standardising the timings and length of Broader Group applications across energy suppliers for scheme year 2021/22, with some respondents expressing concern that certain Broader Group application processes were only open for short periods of time.

21. Longer-term reforms were suggested, with improvements to data matching a particularly common suggestion. Respondents noted this would improve the efficiency of the targeting of rebates and facilitate a more inclusive delivery approach across all energy suppliers, removing the need for repeat applications across scheme years.

22. There were several calls for reducing or eliminating the energy supplier thresholds and making participation in the Core Group a ‘price of entry’ into the energy supplier market to prevent vulnerable customers losing out. This is covered in more detail in section 5.

23. Those opposed to the proposals suggested implementing improved data matching and reduced energy supplier participation thresholds, as well as expanding the scheme to provide rebates for more eligible Broader Group households, in scheme year 2021/22 rather than in the longer term.

Government response

24. Government welcomes the significant response in favour of keeping the Core and Broader Groups unchanged for 2021/22. We will therefore maintain the current rules for the Core and Broader Groups, enabling an estimated 1.1 million Pension Credit Guarantee Credit recipients to receive the energy bill rebate automatically under the Core Group and 1.2 million vulnerable customers to be supported through Broader Group rebates.

25. As noted in the consultation responses, keeping these elements unchanged helps to ensure that the tight timeframe for implementation of the scheme is met, as well as providing continuity with the current scheme, which is particularly valuable in a COVID-19 context. However, we intend to consult later this year on reform of the eligibility criteria for future scheme years. This will include proposals on the expansion and improvement of data matching, which will enable the scheme to reach more target households, as well as to expand automatic rebate provision.

26. Government would also like to thank those energy suppliers who submitted additional data around Broader Group eligibility criteria for our analysis. This will be taken into consideration in the analysis of future scheme reform proposals.

4. Industry Initiatives

Debt write-off

Consultation Questions	
5	Do you agree that the cap on debt write-off should remain at £6 million for scheme year 2021/22?
6	Do you agree that there should be a cap on individual debt write-off at £2,000 for scheme year 2021/22? If not, provide evidence for alternative levels.

Summary of responses

27. The majority of respondents to these questions responded favourably to Government's debt write-off proposals, with 78% of the 36 respondents to question 5 in favour of maintaining the £6 million overall cap and 77% of the 39 respondents to question 6 in support of the proposed introduction of an individual debt write-off cap of £2,000.

28. Many highlighted the value of debt write-off as a means of supporting vulnerable households, which has become even more important during the COVID-19 pandemic.

29. For the overall cap, there was widespread recognition, particularly from respondents from the charity sector, of the value of other Industry Initiatives in providing a longer-term solution for fuel poor households. These respondents largely suggested that the current cap level of £6 million maintained a balance between debt write-off and these other Initiatives, and it was argued that any increase in the debt write-off cap would be detrimental by reducing the amount available for other Initiatives.

30. Only one respondent proposed reducing the overall cap for scheme year 2021/22. However, the majority of those opposed to the proposal argued for the overall cap to be increased. Even some respondents who were in favour of the proposal viewed the £6 million as the absolute minimum amount for the cap. COVID-19 was cited as the main reason for increasing the cap, with one energy supplier noting that they had already seen an increase in costs related to debt compared to last scheme year. Some respondents also highlighted the value of debt write-off in preventing longer-term debt.

31. Most respondents in support of the proposed individual debt write-off cap agreed with the positive impacts outlined in the consultation: namely, that the cap would prevent funds from being used for writing off historic or bad debt, and it would encourage earlier

intervention in cases where individual debt exceeds £2,000. Some also agreed that this would complement Ofgem's 'ability to pay' principles.

32. There were, however, some calls for adding flexibility to the £2,000 cap to allow higher payments in exceptional circumstances. It was proposed by a few respondents that Ofgem could be asked to review exceptional requests for debt write-off above the £2,000 cap on a case-by-case basis.

33. Opposition to the individual debt write-off cap was nearly evenly split between respondents calling for no cap and respondents in favour of a cap but set at a different amount. The alternative amounts suggested included a £4,000 cap, a flexible amount at 20% of an energy supplier's total debt write-off, or an average of £2,000 across all debt write-off payments. These respondents noted that debt write-off can be a successful 'reset measure', helping to prevent longer-term debt, and raised concerns about the tight timeframe for implementation of the change, particularly as some energy suppliers have already begun planning for Industry Initiatives spend in scheme year 2021/22.

34. One energy supplier in favour of the cap did raise a concern about double payments. They suggested that, while it would be easy to track a £2,000 payment for dual-fuel customers, data sharing limits may mean that customers who are with two separate energy suppliers for their electricity and their gas could potentially receive two payments of £2,000, one from each energy supplier.

Government response

35. Government welcomes the positive response to the consultation proposals on maintaining the current overall debt write-off cap at £6 million and the introduction of an individual cap of £2,000. An overall debt write-off cap ensures spending on debt write-off is proportionate with other Industry Initiatives, whilst the individual cap level encourages earlier intervention where individual debt is more than £2,000. It also enables help to reach a greater number of households, particularly given the financial impacts of COVID-19. We therefore intend to maintain the overall cap and introduce the individual cap as planned.

36. We note that some respondents called for the overall cap amount to be increased. However, we also note the concerns that other respondents raised about crowding out funding of other Industry Initiatives if the cap were to be changed. Any increase in the overall cap for debt write-off would likely lead to less funding being given to other Industry Initiatives, such as debt reduction and energy advice, which provide valuable, long-lasting solutions to fuel poverty. We also note that there was one call for the cap to be reduced, but given the circumstances of COVID-19 and the uncertainty this is causing for some low income and vulnerable households, we agree with the majority of respondents and do not intend to reduce the cap this year.

37. We also considered the proposal for Ofgem to review requests for individual debt write-off payments above the £2,000 cap in exceptional circumstances. However, where an individual is over £2,000 in debt, this is likely to be the result of wider and long-term

financial challenges and require more holistic assistance beyond the WHD. Domestic energy suppliers are obligated under their licence conditions to check a customer's ability to pay and ensure repayment plans are affordable. These circumstances should therefore be addressed in line with those requirements in an energy supplier's licence conditions. We would note that in cases where there is an individual debt greater than £2,000, write-off of up to £2,000 of that can still be counted towards an energy supplier's non-core spending obligation.

38. We take note of the concern raised about the potential of double payments being made to customers who receive their electricity and gas from two separate energy suppliers. While the double payment scenario is a possibility, it is unlikely that there would be a situation where a customer would receive two large payments, and it would create a disproportionately large administrative burden to check payments for the few cases where this were to happen. We will keep this under review.

39. We appreciate a couple of respondents noted the tight implementation timeframe. However, we do not anticipate that this measure will introduce significant administrative burdens, particularly given the significant positive response to introducing it, and its importance as a means of reaching more households, especially in a COVID-19 context.

40. We also note that there were additional calls for both a cap at a different amount or having no cap at all, and we thank respondents for their suggested alternatives. As noted in the consultation, we have seen cases where debt write-off has been used to write-off historic or 'bad' debt, which goes against the policy intention. However, we do recognise that debt write-off is still a valuable source of assistance. Reducing the cap amount would result in less support for households who could genuinely benefit from write-off of current debts, while increasing the cap or removing it entirely would increase the risk of continued write-off of historic or 'bad' debt.

Financial assistance

Consultation Questions	
7	Do you agree that the restriction on providing financial assistance to Core Group and Broader Group recipients should be removed?
8	Do you agree that the £5 million cap for financial assistance (12.5% overall industry initiative spend) should be maintained for the scheme year 2021/22?
9	Should Government keep the financial assistance eligibility criterion of customers living in communities wholly or mainly in fuel poverty? If not, please provide reasons.

Summary of responses

41. The majority of respondents who provided an answer to these questions supported Government's proposals around provision of financial assistance. 63% of the 43 respondents to question 7 supported removal of the restriction on providing financial assistance to Core and Broader Group recipients, and 79% of the 34 respondents to question 8 agreed with maintaining the £5 million cap on financial assistance.

42. The proposal to remove the restriction on providing financial assistance to Core and Broader Group recipients was particularly well-received by energy suppliers. The main reason cited by those in favour was that it allowed for provision of emergency support to vulnerable households during the COVID-19 pandemic. It was suggested by some that lifting the restriction would encourage vulnerable households to apply for financial assistance where they previously may not have done due to confusion over eligibility or fears of making themselves ineligible for a rebate later in the winter.

43. Several energy suppliers suggested that the removal of the restriction would enable them to deliver financial assistance more effectively by alleviating the challenges and administrative costs of identifying eligible households who were not also eligible for the Core or Broader Group rebate. One energy supplier noted that the existence of the current restriction is the reason why they do not currently take part in the financial assistance part of Industry Initiatives.

44. Some respondents from the charity sector also welcomed the change, suggesting that lifting the restriction would enable their clients from fuel poor households to receive the financial assistance they needed without charities having to make up the shortfall.

45. Most respondents who supported maintaining the overall cap of £5 million cited consistency across scheme years as a reason. They argued that this would make delivery easier, as current Industry Initiatives could be carried over. Some also noted that the cap had not been reached in previous years, and this meant there was no reason to change the amount.

46. Opposition to both proposals largely focussed on the scheme's reach. Many of these respondents argued that, if the restriction on providing financial assistance to Core and Broader Groups was lifted, the overall cap amount should be decreased to avoid crowding out other Industry Initiatives with longer-term benefits for fuel poor households. There were also concerns raised about the potential for double payments. One respondent was concerned suppliers could use the removal of the restriction as an easy route to provide double payments for individuals in receipt of the Core and Broader Group rebates, which would provide them with disproportionate support and reduce the level of support available to other households in need.

47. One charity suggested increasing the financial assistance spending cap for 2021/22. They argued that this would ensure wider reach, particularly if eligibility restrictions were also lifted, and emphasised the importance of this during COVID-19. Additionally, some

respondents called for Government to monitor and review the cap, but to implement any resulting changes through future reform rather than for the 2021/22 scheme year.

48. 90% of the 38 respondents to question 9 were in favour of keeping the financial assistance eligibility criterion of customers living in communities wholly or mainly in fuel poverty. Most of those in favour suggested that this was a useful option for energy suppliers as it allowed them to target support at households in, or at risk of, fuel poverty and those who may not necessarily be eligible to receive a Core or Broader Group rebate. One energy supplier noted that this was particularly important given the COVID-19 pandemic. The limited timeframe for implementation was also cited by some as a reason for supporting the proposal.

49. Those who were opposed to the proposal suggested that funding more individualised, rather than community-level, assistance would be more beneficial.

50. Government also asked in this consultation proposal for views on whether the criterion of customers living in communities wholly or mainly in fuel poverty could lead to confusion. Of those who did answer this directly, the majority suggested that the current criterion was easy to understand. Some cautioned against using other indicators, such as households in debt, off the gas grid, with disabilities or with prepayment meters, arguing that these were unreliable proxies for fuel poverty. Only one respondent, who opposed the proposal, stated that the lack of preciseness in the definition of 'wholly or mainly in fuel poverty' caused confusion.

Government response

51. Government welcomes the favourable response to the proposals to remove the restriction on providing financial assistance to Core and Broader Group recipients and to maintain the £5 million cap on total financial assistance.

52. We note that the removal of restrictions on financial assistance would offer greater flexibility, reduce administrative costs, and could encourage vulnerable households to apply for help where they previously would not have done so. Additionally, we recognise that maintaining the cap would ensure consistency across scheme years and note that the amount has not so far been reached in a scheme year. For these reasons, we plan to remove the restriction on providing financial assistance to Core and Broader Group recipients and maintain the £5 million cap as proposed. We will continue to keep the cap under review in future.

53. Government recognises the concerns raised about available funding and the potential for some vulnerable households to lose out to those already in receipt of a rebate. Whilst there is a risk of double payments, those benefitting twice are likely to be particularly vulnerable or at risk of fuel poverty. Maintaining eligibility restrictions could prevent double payment, but it would restrict the number of households that could benefit from financial assistance and discourage eligible individuals from applying for help due to fear of later losing out on a rebate. Some respondents advocated a reduction in the overall £5 million cap to offset the potential for reduced additionality

caused by double payments. However, we do not consider a reduction in the overall cap to be necessary, as double payments would still be below the average fuel poverty gap and we are reassured customers benefitting from any such double payments would be in groups of particular need. In addition, reducing the cap is unlikely to make a significant change to the proportion of funding available for other Industry Initiatives, but it would reduce the number of households being able to receive financial assistance, which is particularly valuable in light of the uncertainties caused by COVID-19.

54. We welcome the positive response to keeping the criterion of customers living in communities wholly or mainly in fuel poverty and note that this criterion is seen as a valuable and flexible option for energy suppliers to target those in, or at risk of, fuel poverty. We also note that the majority of respondents who responded to this question suggested that this criterion did not cause confusion. Therefore, we intend to keep this criterion unchanged.

Smart meter advice

Consultation Questions	
10	Do you agree that, in addition to energy advice, advice about the benefits of smart meters should be provided, so far as is reasonably practicable, to every customer benefitting from an Industry Initiative?

Summary of responses

55. Most of the 45 respondents who provided views on this question (87%) agreed with the consultation proposal that smart metering advice should be provided to every customer benefiting from an Industry Initiative, so far as is reasonably practicable.

56. Amongst those who agreed, a majority highlighted the benefits that smart meters bring to vulnerable consumers, including the ability to add credit remotely to smart prepayment meters. They also noted that smart meter data and alerts provide energy suppliers with the opportunity to better support their customers. Whilst energy suppliers have wider obligations in respect of smart metering, one respondent noted that introducing this requirement would provide an additional opportunity to engage customers, promoting the benefits of smart meters and helping consumers become more energy efficient.

57. One respondent suggested that the proposal to provide smart meter advice was both reasonable and proportionate, with another stating that their WHD Industry Initiative funded programme already includes an element of discussion about smart meters between households and their energy advisors.

58. Three respondents (one who agreed, one who disagreed and one who did not provide a position) flagged concerns with the practicality of the proposal, particularly where the Industry Initiative delivery is conducted by a third party or where another energy supplier’s customer is benefitting from assistance under the Industry Initiative.

59. Respondents expressed differing views on the extent to which smart metering advice should be tailored to a customer’s specific circumstances. Recognising that third parties often deliver advice on behalf of multiple energy suppliers, two respondents suggested that relatively high-level, generic information should be provided. However, a few emphasised the importance of ensuring that advice remained relevant to the consumer, noting in particular that different approaches should be taken for those who already have a smart meter. Three respondents proposed that Ofgem and industry work together to develop implementation guidance.

60. A minority (11%) of those who provided an opinion on this question disagreed with the proposal, with one suggesting that the inclusion of smart metering advice should be considered later during the full review of the scheme. Two members of the public cited broader concerns with the smart meter rollout, whilst the remaining six respondents provided a variety of reasons for disagreeing with the proposal. These reasons included concerns about duplicating efforts, given that the requirement to provide energy efficiency advice already offers a route through which information on smart meters can be provided, and that Smart Energy GB already undertakes consumer engagement activities[2]. It was also suggested that this should be introduced during future scheme reform, that advice should be impartial, and that the provision of information should be optional, rather than mandated.

61. Two respondents mentioned energy supplier administrative costs in their response. One energy supplier (who agreed with the proposal) also noted that it would result in increased costs due to training, printing, administration, and reporting.

62. Finally, two respondents (one who disagreed with the proposal and one who did not provide a position) stated that Government has an important role to play in encouraging public support for smart metering, including at a Ministerial level. It was also noted that Government should continue to support the development of improved industry communications regarding smart meters. Another two respondents (who agreed with the proposal) suggested that the rollout of smart meters for prepayment consumers should be prioritised as they stand to benefit the most from this technology.

Government response

63. Government welcomes the positive response in favour of providing smart meter advice, so far as is reasonably practicable, to every customer benefiting from an Industry Initiative. We therefore confirm our intention to introduce a new requirement for the provision of smart meter advice, in line with the consultation proposal. We agree with

[2] Smart Energy GB is the not-for-profit body responsible for delivering smart meter coordinated consumer engagement activity on behalf of energy suppliers.

those respondents who said that this proposal is reasonable and proportionate and envisage that providing information on smart meters complements current requirements to provide energy efficiency information. We are aware that in some cases smart meter advice is already included as part of this energy advice. Introducing a requirement to provide smart meter advice ensures a consistent consumer experience and builds on existing good practice. In light of this, and the existing availability of appropriate smart meter resources, we would also like to clarify that we do not intend for training on the provision of smart meter advice to be added onto Industry Initiatives spending.

64. Smart meters are replacing traditional gas and electricity meters across Great Britain as part of an essential infrastructure upgrade to make the energy system more efficient and flexible, helping to deliver net zero emissions cost-effectively. At the end of September 2020 there were 22.2 million smart meters in homes and small businesses across Great Britain[3]. We expect the provision of smart meter advice alongside Industry Initiatives in scheme year 2021/22 will likely lead to increased awareness of the benefits of smart metering amongst low income and vulnerable customers[4]. This will, in turn, support our ambition to achieve market-wide rollout of smart meters, enabling consumers to access digital energy services that put them in charge of their energy use. Respondents to the consultation echoed this, outlining how smart meter data could be used to achieve better outcomes for consumers.

65. A few respondents noted that increased visibility of energy costs could cause concern for some consumers, particularly those who may be struggling to pay their energy bills. Smart metering brings specific benefits for consumers in more vulnerable circumstances, including confidence that their energy bills are accurate and enabling those with prepayment meters to top up from home. It is therefore important to ensure that any advice provided makes these consumers aware of these benefits and, dispels myths, whilst also supporting them to understand how to make the most of their smart meters once they have been installed. Ultimately this information should reassure consumers and help them have the confidence to embrace smart metering.

66. A few respondents raised concerns regarding the costs and administrative impact of introducing a new obligation to provide smart meter advice, together with the extent to which this could duplicate existing activity led by Smart Energy GB. In particular, Smart Energy GB run an 'In Communities Programme' which includes smart meter training to upskill advisors, grant funding for projects and free publicly available resources[5] to support engagement activities. Government is of the view that the proposal to deliver smart meter advice alongside Industry Initiatives will build on these existing activities, increasing the number of consumers who receive advice and allowing for more targeted support. In light of the existing availability of free materials and recognising that in some

[3] https://www.gov.uk/government/statistics/smart-meters-in-great-britain-quarterly-update-september-2020
[4] Consumer awareness of smart metering remains lower for some audiences, including some consumers who are more likely to be in vulnerable circumstances. Smart Energy GB's attitudes tracker found that in November 2019, 28% of consumers who did not yet have a smart meter and who had no personal internet access were unaware of smart meters, together with 14% of those on low incomes and 11% of consumers in fuel poverty
[5] https://www.smartenergygb.org/en/resources/resource-centre

cases smart metering advice is already included as part of the energy advice being provided to customers alongside delivery of Industry Initiatives, we do not expect the introduction to result in a significant increase in administrative or training costs.

67. In considering the extent to which smart meter information should be tailored to a consumer's circumstances, we agree with those respondents who emphasised the importance of ensuring that the advice provided is relevant to customers of any energy supplier. We also agree that information should be broadly tailored to consumers where possible: for example, according to whether a customer is a credit or prepayment customer, and whether they already have a smart meter installed. Where appropriate, we will work with Ofgem as they update their WHD guidance for energy suppliers on the implementation of smart metering advice.

68. More widely, some respondents called for Government to play a more active role in promoting smart metering. We reaffirm our commitment to achieve a market-wide rollout of smart meters as soon as practicable and will continue to work closely with Ofgem, energy suppliers and consumers groups to promote uptake by energy consumers.

69. In relation to WHD, smart meter advice will only be required to be provided where it is reasonably practicable to do so. When communicating with customers regarding smart metering, energy suppliers must ensure they are compliant with other relevant regulatory frameworks, including the General Data Protection Regulation (GDPR) and the Privacy and Electronic Communications Regulations 2003 (PECR) rules on direct marketing.

TrustMark

Consultation Questions	
11	Do you agree that businesses installing and repairing boilers and central heating systems under the WHD Industry Initiatives should be TrustMark registered from 1 April 2021? Please provide reasons for your answer.

Summary of responses

70. Of the 38 respondents to this question, 89% agreed that businesses installing and repairing boilers and central heating systems as part of WHD Industry Initiatives should be TrustMark registered from 1 April 2021.

71. Most respondents cited consistency with other Government schemes, such as the Energy Company Obligation (ECO) and Green Homes Grant (GHG) schemes, as the main reason for supporting the proposal. It was noted that a significant number of organisations delivering Industry Initiatives are already TrustMark registered businesses.

72. There was also recognition that requiring TrustMark registration for the installation and repair of energy efficiency measures other than boilers and central heating systems under Industry Initiatives would not be proportionate.

73. Some respondents did observe that this requirement may put pressure on smaller organisations, as TrustMark registration costs remain the same regardless of an organisation's size, and that the tight implementation timeframe for scheme year 2021/22 may cause a bottleneck and delays while relevant parties get registered. Some also suggested that the expense associated with becoming TrustMark registered may be included in the cost of each installation, which could slow the rate of energy improvements under Industry Initiatives.

74. Of those opposed, one respondent raised concerns about the additional burdens this would place on installers and called for any additional requirements to be paid for by Government.

Government response

75. In light of responses, Government has decided to introduce a requirement for installers to be TrustMark registered if installing boilers and central heating systems under Industry Initiatives from 1st of April 2021. This is in line with requirements under other Government schemes, such as ECO and GHG.

76. Installations and repairs of boilers and central heating systems will need to be lodged in the TrustMark Data Warehouse to be counted towards an energy supplier's non-core spending obligation for scheme year 2021/22. Like for the ECO scheme, the certificate of lodgement issued by TrustMark will effectively demonstrate that a measure has been lodged.

77. TrustMark will set out the process for lodgements in their Framework Operating Requirements.

Certification and compliance with PAS 2030:2019 and compliance with PAS 2035:2019

Consultation Questions	
12	Do you agree that the installations of boilers, in high-risk properties and central heating systems in all homes, should be installed in accordance with PAS 2030:2019 and PAS 2035:2019 from 1 April 2021? Please provide reasons for your answer.

Summary of responses

78. Most of the 40 respondents (85%) to this question were in support of introducing the requirement for boilers in high-risk properties and central heating systems in all homes to be installed in accordance with PAS 2030:2019 and PAS 2035:2019 from 1 April 2021. The majority viewed these installations as sufficiently complex to require the certification. Some of those who supported the proposal, including charities and some energy suppliers, observed that, although the transition period for PAS 2019 under the Energy Company Obligation (ECO) is due to end on 30 June 2021, it made sense to implement the new standards under the WHD from 1 April 2021 to have uniformity across scheme year 2021/22.

79. Of those opposed to the proposal, the majority felt that the introduction of the standards should be aligned with the ECO transition date of 1 July 2021 to prevent confusion and additional deadlines in the delivery chain. One respondent also argued that this measure would restrict consumer choice about who could undertake an installation.

80. Some did argue that these standards should apply to boiler installations in all households, regardless of risk, to ensure a fair approach across all scheme recipients. However, others agreed that PAS certification may not be required for single distress boiler installations, as it could lead to vulnerable households not receiving the help they need in an emergency situation. One respondent suggested that there should be a formal link with ECO suppliers, and that a visit should trigger a follow-up assessment by a PAS certified professional who could advise on further measures. Another respondent noted that a link between WHD and ECO installations would be beneficial, though they also raised concerns about double counting.

81. Whilst supportive of the proposal, a few respondents noted that this could affect the rate of change under Government schemes due to increased costs. These respondents suggested that the Value for Money assessments conducted by Ofgem would therefore have to reflect increased costs per measure.

Government response

82. Responses were supportive of the proposal, and therefore Government will introduce a requirement for boilers in high-risk properties[6] and central heating systems in all homes to be installed in accordance with PAS 2030:2019 and PAS 2035:2019 from 1st of April 2021. As with ECO, we believe that compliance and certification with these PAS standards will be sufficiently demonstrated by virtue of an installer's TrustMark registration and lodgement of measures in TrustMark's Data Warehouse, which will be subject to the auditing of measures discussed further below. Government takes note of concerns in relation to this requirement applying earlier than the transition date for ECO.

[6] High-risk properties are: park homes as defined in the Mobile Homes Act 1983, and high rise buildings and buildings that are both traditionally constructed and protected as defined in PAS 2030:2019 and PAS 2035:2019.

However, to avoid the confusion of having two sets of requirements during one WHD scheme year, Government has decided to introduce this requirement from 1 April 2021.

83. Government notes that some respondents considered that PAS should apply to boiler installations in low-risk properties to provide a consistent approach across all households. However, Government has decided not to require PAS certification for single boilers installed in low-risk properties to enable emergency heating and hot water to be provided in a timely manner to vulnerable households at risk of fuel poverty. Links with the ECO scheme, including referrals for further PAS assessment and for funding additional measures, is encouraged but will not be required, as we recognise these may not be possible in all emergency circumstances. As per current rules, double counting measures between ECO and WHD schemes will not be allowed.

Auditing of measures

Consultation Questions	
13	Do you agree with the introduction of technical monitoring for boilers and central heating systems installed or repaired under WHD from 1 April 2021? Please provide reasons for your answers.

Summary of responses

84. Half (50%) of the 38 respondents to this question agreed that technical monitoring for installations or repairs of boilers and central heating systems should be required from 1st April 2021. Of these, most agreed that this would provide greater protections for consumers, especially those who are vulnerable or on lower incomes. However, a few respondents added the caveat that for monitoring to be effective it must be accompanied by a strong framework for action when standards are not met.

85. A number of respondents stated that they agreed with the proposal on the condition that it was consistent with technical monitoring under ECO. Some argued that TrustMark would be in a better position to do this monitoring and that technical monitoring should be consistent across schemes.

86. The most common reason for opposition to the proposal was that this would increase the costs per measure if energy suppliers had to undertake technical monitoring, which would reduce the amount of funding available for installing energy efficiency measures under the WHD. Due to the small spending envelope increase, this was perceived as taking funding away from helping those in need.

87. Some suggested that introducing technical monitoring was a disproportionate measure considering the low risk of poor installations, while others stated that TrustMark registration and PAS certification would be sufficient for ensuring good standards. Only

one respondent raised a concern about tight implementation timeframes presenting a barrier to timely implementation.

Government response

88. Government notes responses were evenly balanced on the proposal to introduce technical monitoring for all boilers and central heating measures installed under WHD. Some respondents called for TrustMark to carry out auditing and enforcement as part of their framework, rather than Government setting up a separate system. Government agrees, and it will work with TrustMark to ensure that appropriate auditing of boilers and central heating systems installed and repaired under Industry Initiatives is incorporated into their Framework. Auditing will cover both consumer protection requirements under TrustMark and the monitoring of PAS standards where these apply. Where PAS standards do not apply, i.e. for single boilers installed in low risk buildings, TrustMark will set out in their Framework Operating Requirements the scope of their auditing processes. TrustMark will ensure measures are audited and redressed in a timely fashion according to their Framework Operating Requirements.

89. The TrustMark Framework requires compliance and certification with PAS standards for all relevant ECO measures and has developed systems for checking that certification is current and in place for the measures being delivered by installers. Therefore, where these standards are required for WHD, we are satisfied that TrustMark will continue to ensure that installers are certified and compliant through links to UKAS accredited Certification Bodies.

5. Scheme Implementation

Timings of the scheme year

91. We expect the implementing Regulations to come into force after 1 April, as was the case when the WHD was previously extended (in scheme years 6 and 8). As mentioned in the consultation, to avoid a hiatus in the delivery of Industry Initiatives, the intention is that any spending incurred by energy suppliers on Industry Initiatives from 1 April 2021 will count towards their obligations, providing the spending is subsequently determined by Ofgem to meet the scheme's requirements. This means that multi-year initiatives will need to meet the new scheme requirements for Industry Initiatives from 1 April 2021 if they are to count towards energy suppliers' obligations for scheme year 2021/22.

92. In addition, as changes to the Broader Group are minor, suppliers will be able to start preparations on their Broader Group before the start of the scheme. Ofgem will review early notifications from suppliers, which will however need to be subject to formal approval before being launched.

Energy supplier participation thresholds

Consultation Questions	
14	Do you agree that the supplier participation thresholds should remain unchanged for scheme year 2021/22?

Summary of responses

93. The responses around energy supplier participation thresholds were mixed, with 55% of the 40 respondents to this question in favour of maintaining the current energy supplier thresholds for the 2021/22 scheme year.

94. Almost all respondents who did agree with keeping the thresholds unchanged shared Government's concerns about the short timeframe for implementation of any changes, with many cautioning against rushing through changes due to the impact this would have on smaller energy suppliers. Some argued there was not enough time to notify small energy suppliers, and for them to then implement the changes required to their systems and tariffs. It was noted that any changes could lead to high financial burdens for these energy suppliers which, combined with the challenges caused by COVID-19, could increase the risk of non-compliance, resulting in issues for both energy suppliers and their vulnerable customers. However, other respondents, including some larger obligated energy suppliers, suggested that the costs of administering the scheme, particularly the Core Group, were minimal and not prohibitive.

95. There was a range of reasons for opposition to the proposal to keep participation thresholds unchanged. The most commonly cited was the issue of market distortion, with some arguing that smaller energy suppliers who fall below the threshold were able to offer lower tariff rates as they did not have to take part in the scheme.

96. Others argued that reducing or eliminating thresholds immediately would ensure that vulnerable customers with non-obligated energy suppliers would also be able to receive the rebate. Some suggested that the current system could cause confusion and prevent customers from switching to better rates in case they lost the discount.

97. A number of alternative approaches were presented for consideration. These included: a reduction of the current participation threshold of 150,000 domestic customer accounts to 100,000 in line with previous years' decreases of 50,000 customers per year; asking non-obligated energy suppliers to provide evidence that costs of participation are too high before they are exempted; and obligating all energy suppliers to contribute to a central fund while allowing smaller energy suppliers to opt out of delivering rebates to their own customers.

98. Almost all respondents, both in favour and against the proposal to keep thresholds unchanged for the 2021/22 extension, were in support of Government's goal to consult on removing participation thresholds as part of reform in future scheme years. Some respondents noted that extended data-matching of eligible customers, consolidation of eligibility criteria and early communication with smaller energy suppliers would make this more achievable.

Government response

99. Government recognises that there was a mixed response to maintaining current energy supplier thresholds for the 2021/22 scheme year. We note that there were concerns raised about market distortion, vulnerable customers who are with non-participating energy suppliers, and the confusion that the current system may cause.

100. Government is committed to removing energy supplier participation thresholds for the same reasons as outlined by those respondents. However, the limited timeframe for implementation poses a significant challenge for removing thresholds in time for the 2021/22 scheme year. This would particularly disadvantage smaller energy suppliers, who would need to create new data sharing processes and administrative systems to comply. Combined with the financial impacts caused by COVID-19, this increases the risk of non-compliance and could increase the risk of supplier failure, which would cause damage for energy suppliers, market competition, and vulnerable customers. Government is grateful to those who provided alternative proposals. While we have considered the suggestions proposed, these would still create significant administrative, financial and implementation challenges for smaller energy suppliers, as well as for Ofgem and Government, if introduced for the 2021/22 scheme year.

101. We note that currently around 97% of domestic customer accounts are with energy suppliers who are already above the 150,000-customer accounts threshold. Removal of

the threshold for this scheme year, therefore, would create significant risks for a relatively small number of accounts. The Energy White Paper, published in December 2020, sets out plans for wider reform of the WHD, including expansion of data matching. We therefore intend to maintain the current energy supplier thresholds for the 2021/22 scheme year but commit to consulting on removal of thresholds as part of wider scheme reform beyond 2022.

102. We would also like to thank those energy suppliers who submitted data about their administrative costs. The analysis of this is included in the Impact Assessment published alongside this document.

Reporting by the failing energy supplier

Consultation Questions	
16	Do you agree with the requirement for the failing energy supplier to report on their paid and unpaid Core Group and Broader Group customers and Industry Initiatives spending incurred? If not, please explain your reasons.

Summary of responses

103. There was widespread support (97% of the 35 respondents to this question) for requiring failing suppliers to report on their paid and unpaid Core Group and Broader Group rebates and Industry Initiative spending, on the basis that: i) it would help facilitate payments to eligible consumers, and ii) that it would give Industry Initiatives delivery organisations more confidence to work on Industry Initiatives with a supplier that could be perceived as being riskier.

104. However, while many supported the proposal in principle, a number of issues were raised by energy suppliers on whether the proposal could be successfully implemented and enforced. A number of energy suppliers pointed out that failing suppliers often do not have sufficiently reliable, or sufficiently granular, customer data to allow for reporting. This feedback resonated with comments from several respondents who noted that Ofgem may have limited recourse if the failing supplier did not comply with those requirements, and therefore the requirement may not make much difference in practice.

105. As an alternative to this requirement, a large consumer charity suggested that Ofgem should require suppliers to include information on WHD in the 'Customer Supply Continuity Plans' which Ofgem had proposed in their Supplier Licencing Review. They also suggested energy suppliers should be setting out details on how information on WHD would be transferred to the appointed Supplier of Last Resort (SoLR) in the event of failure, and that this information should be reviewed as part of Ofgem's 'milestone assessments' and 'dynamic assessments' of suppliers.

Government response

106. Having carefully considered responses, Government has decided not to introduce a reporting requirement on failing suppliers as, whilst desirable, it may not be deliverable in practice.

107. As an alternative to this mandatory requirement, Ofgem has since published its decision in relation to the Supplier Licencing Review[7] including the expectation that the newly required 'Customer Supply Continuity Plans' contain details of where energy suppliers' data relating to WHD payments is held and how this can be accessed[8]. This is fundamental information for a potential SoLR and would allow for a smoother transition for customers, including WHD customers. In addition, Ofgem has also introduced 'milestone assessments' when suppliers reach their first 50,000 and 200,000 domestic customers, to ensure that suppliers are adequately prepared and resourced to serve their customers, and to meet additional regulatory and statutory obligations, as they grow. These new requirements will reduce the likelihood of failure, as well as ensuring the SoLR will have access to information on WHD payments when a supplier fails. It is also worth noting that WHD is already taken into consideration when Ofgem appoints a Supplier of Last Resort. BEIS, DWP and Ofgem will continue to work with the SoLR to facilitate the delivery of WHD rebates to a failed supplier's customers.

Additional overspend on non-core obligations for Suppliers of Last Resort

Consultation Questions	
17	Do you agree that an SoLR and WHD participant who volunteers to pay non-core obligations of a failing WHD participant should be allowed 10% non-core overspend? If not, why not? If you think a different % should be applied, please explain your rationale.

Summary of responses

108. Of the 34 respondents to this question, 79% agreed with the proposal to facilitate the SoLR taking on the failed energy supplier's non-core group obligations by increasing their overspending allowance into the following scheme year, from 5% to 10%.

[7] 'Supplier Licensing Review: Ongoing requirements and exit arrangements – Decision', Ofgem, published on 26 November 2020: https://www.ofgem.gov.uk/publications-and-updates/decision-supplier-licensing-review-ongoing-requirements-and-exit-arrangements

[8] Ofgem's Supplier Licensing Review requires Customer Supply Continuity Plans to set out the supplier's strategy for safeguarding the continuity of supply for its customers in the event of its exit from the market. They will need to include details of how to access data sets, including for data held by third-party IT billing system providers, where data sets are held, how the supplier proposes to keep its data sets up to date, and methodologies for handing over information and customer data. This is fundamental information for a potential SoLR and would allow for a smoother transition for customers.

109. There were concerns around the proposal to only allow this additional overspend allowance for the payment of unpaid Broader Group rebates or unspent Industry Initiatives. These concerns focused on the difficulties of delivering this in practice if the failed supplier’s data is not of sufficient quality, and on the administrative burden of reporting to demonstrate the additional spending was only in relation to the failed supplier’s Broader Group customers or Industry Initiatives.

110. Alternative proposals included: a suggestion that the overspend allowance should relate to the number of WHD rebates voluntarily paid by the gaining supplier; and a couple of energy suppliers asked for longer delivery timeframes, beyond the end of the scheme year, to allow sufficient time for rebate delivery by the SoLR depending on when in a scheme year a supplier failed.

Government response

111. Given the widespread support for this proposal, Government intends to go ahead with the proposal to allow up to 10% overspend on non-core obligations for a SoLR who volunteers to pay a failed supplier’s non-core obligations. This additional allowance would apply to overspend incurred in 2021/22, which we intend to be accounted for the 2022/23 scheme year. It is the Government’s intention to consult on the future of the scheme beyond 2022 later this year, which should give energy suppliers some reassurance that their overspend will be carried over into the future scheme. Whilst there were calls for allowing higher overspending, we consider that allowing overspend above this limit would risk affecting the following years’ obligations too much.

112. Any additional overspend allowance will be subject to the SoLR having notified Ofgem by 15 February 2022 at the latest of its intention to voluntarily take on all or part of the failed supplier’s non-core spending for scheme year 2021/22. The notification deadline is to allow sufficient time for any relevant additional Broader Group and Industry Initiatives approvals and rebate provision.

113. Given the potential lack of robust data and reporting from the failed supplier, as suggested by responses to question 16, Government does not intend to link the extra overspend allowance directly to the failed supplier’s unpaid Broader Group rebates or unspent Industry Initiatives expenditure.

114. The intention is that SoLRs will be able to spend their additional allowance to fund Industry Initiatives, but, as per current rules, we will not allow suppliers to overspend beyond their Industry Initiatives cap. It is not desirable for Industry Initiatives to be left unfunded, and we do encourage the SoLR to consider voluntarily taking these on. Funding could alternatively be provided by other suppliers looking to increase their Industry Initiatives spending.

115. We do not think it is necessary at this stage to provide a similar incentive for supply company special administration, given a supply company in special administration will remain subject to supply licence obligations, and given the unlikely event of special administration occurring.

Second reconciliation removal

Consultation Questions	
18	Do you agree with removing the second reconciliation?

Summary of responses

116. Nearly all of the 16 respondents who answered this question (94%) were in favour of removing the second reconciliation, with only one respondent opposed. It is noted, however, that 36 consultation respondents chose not to provide a view on this question.

117. Of those who answered, the majority welcomed the proposal as a means of reducing administrative burdens on energy suppliers and Ofgem, with many noting that only about 4% of Core Group rebates tended to be dealt with during the second reconciliation.

118. Two respondents raised concerns about cash flow but diverged on who this would affect. One noted that smaller energy suppliers would have longer to wait to receive credit due, whilst the other noted that larger energy suppliers would be more exposed to costs from any failing energy suppliers due to the reduced frequency of reconciliation. To mitigate this risk, the latter respondent suggested merging the third reconciliation, which is smaller than the second, with the first one. This respondent also opposed the proposal to move the first reconciliation to January for the same reason.

Government response

119. Government recognises the overwhelming support for removal of the second reconciliation and will proceed with this. While we note the concerns about cash flow due to the resulting reduced number of reconciliations, we highlight that the majority of rebates, and therefore the majority of the annual costs, will have been paid in time for the proposed first reconciliation in January. In addition, removal of the second reconciliation will reduce smaller energy suppliers' administrative burdens, and the final reconciliation will remain in place to redistribute the cost burdens from any failing energy suppliers. One respondent suggested merging the final (third) reconciliation with the first reconciliation of a subsequent year. However, it would be impractical to merge the two as they are two distinct exercises and the final one is carried out by Ofgem alongside compliance checks.

120. As per the current approach, the specific dates of the reconciliations will not be set out in legislation but will be communicated to energy suppliers by Ofgem.

Carrying forward undelivered rebates

Consultation Questions	
19	Do you agree with the proposal to carry forward voluntary and compulsory smaller energy suppliers' undelivered rebates and add the value of these rebates to their non-core obligation for the scheme year when they become fully obligated? Please provide reasons for your answer.

Summary of responses

121. Of the 22 respondents who answered this question, 86% were in favour of the proposal to carry forward voluntary and compulsory smaller energy suppliers' undelivered rebates and add the value of these to their non-core obligation for the scheme year when they become fully obligated.

122. The proposal was welcomed by many as a means of ensuring consistency between the provisions for existing and newly participating fully obligated energy suppliers, as well as ensuring that unspent obligations would reach customers in need in future scheme years. One respondent noted as well that this lined up with Government's longer-term commitment to remove energy supplier participation thresholds.

123. Two energy suppliers were in opposition to the proposal. One raised the concern of additional costs for smaller energy suppliers, as well as the difficulties faced in ensuring that rebates are delivered rather than just provided. The other thought that current fully obligated energy suppliers are not subject to the same measure.

Government response

124. We welcome the positive response to the proposal for undelivered rebates of voluntary and compulsory smaller energy suppliers to be added to the non-core obligation in the scheme year in which they become fully obligated (i.e. pass the 250,000-customer account threshold). A newly fully obligated supplier's undelivered Core Group rebates from the previous scheme year will be carried forward and added to their non-core obligation for the scheme year in which they become fully obligated. This will apply in respect of suppliers that become newly fully obligated in scheme year 2021/22 and in future scheme years.

125. We appreciate that there was a concern raised about costs for smaller energy suppliers but highlight that these non-core obligations would only take effect once an energy supplier is large enough to have crossed the 250,000-customer threshold, and that we consider the supplier would be in a position to meet these costs. A couple of respondents were concerned about additional costs for compulsory smaller suppliers and voluntary suppliers to ensure that rebates are delivered rather than simply provided. However, it should be noted that compulsory smaller suppliers over the 150,000-

customer account threshold and voluntary suppliers already have to notify Ofgem of any undelivered Core Group rebates.

126. We would like to clarify that this provision only applies from one scheme year to the next, rather than obligations being stockpiled and accruing over multiple scheme years until an energy supplier becomes fully obligated.

6. Future of the scheme and devolution

Consultation Questions	
20	How might changes to scheme design result in costs to suppliers, for example if eligibility were different in different national schemes, and how could these impacts be prevented or mitigated?
21	Should supplier thresholds for separate schemes be the same in England and Wales and Scotland? Please provide your reasons.

Summary of responses

127. The majority of those who responded to the questions about the potential for separate schemes operating in England and Wales and in Scotland in future were in favour of continuing to have one scheme across Great Britain, and opposed to introducing different energy supplier participation threshold levels if different schemes were introduced. 76% of the 21 respondents to question 20 were opposed to the idea of having separate schemes, while 92% of the 26 respondents to question 21 were opposed to varying thresholds between schemes. Only one respondent expressed clear support for separate schemes, with a few responding neutrally. It should be noted that, while offering opinions, many respondents said that further details would be required before they could fully commit to a view or quantify impacts.

128. There was some recognition of the different contexts between England and Wales and Scotland as reasons in favour of different schemes. These respondents suggested that a more tailored scheme that emphasised supporting households with the costs of fuel in rural areas and areas off the gas grid, as well as one more aligned with the different definition of fuel poverty used in Scotland, would be beneficial for ensuring support is more targeted towards vulnerable customers in Scotland.

129. However, the majority of respondents were concerned about the increased complexity and associated costs for all stakeholders if different schemes were introduced, particularly if they had different eligibility criteria, application processes and thresholds. Of particular concern was the administrative and financial burden this would place on energy suppliers, who would potentially have to upgrade systems to split customers by location, retrain staff, recalculate funding for regionalised Industry Initiatives, and deliver to two sets of processes and obligations. Multiple respondents suggested that the administrative costs could ultimately end up being passed on to customers, and the complexities could lead to confusion or mixed messaging, causing challenges for third party advisers as well as customers.

130. Some respondents also argued that a scheme operating at a Great Britain level made sense, given that energy suppliers and most Industry Initiative delivery partners also operate at this level. Even if the metrics for identifying target households differed between parts of Great Britain, there was a common aim of helping vulnerable households to keep warm over winter.

131. There were some further concerns around energy supplier participation thresholds. Most notably there were questions around how thresholds and energy supplier obligations would be calculated across multiple schemes. It was highlighted that different thresholds would be particularly damaging for smaller energy suppliers, with one respondent suggesting that these energy suppliers could receive obligations where they have few or no customers.

132. It was also noted that if the thresholds were calculated based on customer numbers per region, this might result in fewer customers participating in each scheme, which could result in fewer vulnerable customers being reached.

133. Other respondents additionally noted that there was a risk of funding being distributed disproportionately between parts of Great Britain, which would create further market distortions.

134. Another key point of opposition was not necessarily to the proposal of different thresholds across schemes, but to thresholds themselves. A significant number of respondents suggested that energy supplier participation thresholds should be removed across the board, regardless of whether schemes are split or stay unified.

Government response

135. We would like to thank respondents for providing their views and insights about the potential for separate schemes operating in England and Wales and in Scotland beyond 2022. While we note that there was recognition of the benefits of having a more tailored scheme in Scotland, we also recognise that there were significant concerns raised about the administrative and financial burdens that this could place on energy suppliers and the scheme administrator, and questions about the calculation of obligations and thresholds. These issues will be considered as we design the future of the scheme beyond 2022. We have shared responses with the Scottish Government and will continue to work closely with them on future design of the WHD scheme.

7. Conclusion and next steps

136. The decisions set out in this Government response are subject to Parliamentary approval of the implementing Regulations. We intend to lay Regulations shortly after the publication of this Government response to cover scheme year 2021/22. Subject to Parliamentary process, Regulations should come into force by June 2021 at the latest, when the new scheme would begin. Ofgem will also publish guidance consistent with the details of the new policy and the amended Regulations.

Annex: List of respondents

- Age UK
- AgilityEco
- Barnsley Council
- Believe Housing
- Bulb
- Centrica
- Changeworks
- Charis Grants
- Christians Against Poverty
- Citizens Advice
- Citizens Advice Scotland
- Committee on Fuel Poverty
- E (Gas & Electricity)
- E.ON
- EDF Energy
- Effective Energy
- End Fuel Poverty Coalition
- Energy Action Scotland
- Energy Saving Trust
- Energy UK
- Fair By Design
- Fuel Bank Foundation
- Fuel Poverty Action
- Information Commissioner's Office (ICO)
- Money Advice Trust
- National Energy Action
- National Energy Foundation
- Neil Marshall Consultancy Services
- Office of Gas and Electricity Markets (Ofgem)
- Ombudsman Services

- OVO
- Oxford City Council
- Pure Planet
- Repowering London
- Scope
- Scottish Power
- Severn Wye Energy Agency
- Shell UK
- Sprayfoam Insulation Contractors Network
- StepChange Debt Charity
- Utilita

There were additionally 11 responses from members of the public.

This publication is available from: www.gov.uk/government/consultations/warm-home-discount-scheme-2021-to-2022

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