



Department  
of Energy &  
Climate Change

# Warm Home Discount: Extension to 2015/16

Consultation Response Document

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# General information

## **Purpose of this document:**

This document sets out the Government's response to the consultation - Warm Home Discount – Extension 2015-2016. This consultation was to seek views on extending the scheme to 2015-16 and on how Government can improve the design and delivery of the policy.

**Issued:** 29 January 2015

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**Territorial extent:** Great Britain

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## **Quality assurance:**

This consultation has been carried out in accordance with the Government's Code of Practice on consultation, which can be found here:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/255180/Consultation-Principles-Oct-2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/255180/Consultation-Principles-Oct-2013.pdf)

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:

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# Consultation questions

1	Do you agree with the Core Group eligibility criteria remaining in place for those people in receipt of Pension Credit Guarantee Credit?
2	To what extent do the current Broader Group criteria act as a barrier to switching, and if they do how could this be addressed cost-effectively?
3	Would the potential benefits of moving to a standard set of compulsory criteria outweigh the potential disadvantages? What could any compulsory criteria be (e.g. which benefits or tax credits), and why?
4	Do you agree that a higher number of Broader Group applications should be verified? If yes, how could this be done in a cost effective manner?
5	Do you agree with the proposal to reduce future non-core obligations by up to 5% of the current non-core spending obligations in the event of overspend? Do you have any suggestions on the level of overspend?
6	Do you have views on whether there are particular challenges for smaller suppliers in delivering their Broader Group obligations? Would any of the changes proposed above introduce new challenges for smaller suppliers?
7	What are your views on the Government putting in place a cap on the amount suppliers are able to spend on debt assistance through the Industry Initiatives section of the Warm Home Discount scheme? What do you suggest the cap could be?
8	Do you agree with the proposed option for suppliers to provide eligible park home residents a rebate through the Industry Initiatives portion of the scheme? Please provide the details of any solutions you may have on the practicalities of delivery and communications.
9	Do you agree that participating energy suppliers should be given the option to deliver Industry Initiatives to help eligible households: <ul style="list-style-type: none"> <li>• Living off the gas grid</li> <li>• With health problems and/ or a disability</li> <li>• Living in communities where residents are wholly or mainly in fuel poverty</li> </ul>
10	Do you agree that participating energy suppliers in the Warm Home Discount should provide energy efficiency advice alongside other Industry Initiative measures? Please explain your answer.
11	Do you agree that the value of the rebate should remain at £140? If not, please explain your answer.
12	We would like to understand more about the costs of delivering the Warm Home Discount. Please provide any costs you think will help Government understand more about the administration of the policy.
13	How should market shares be calculated for the purposes of setting the non-core spending obligation? Please provide evidence for your answer.

14

How should non-core spending obligations be apportioned where they include an adjustment for an over or underspend in the previous Scheme year? Please provide evidence for your answer.

# Executive Summary

## Background

This is the response to the consultation on extending the Warm Home Discount (WHD) to 2015/16. The WHD was launched in 2011 and has helped over 2 million fuel poor and vulnerable households each scheme year, most of them through direct rebates off their electricity bill. The current scheme regulations expire on 31 March 2015, so Government needs new regulations in order to extend the scheme to 2015-2016. The consultation set out the progress the scheme has made so far and our proposal for the scheme to be extended for a year to 2015/16.

We stated in the consultation that we wanted the framework of the scheme to stay as it was, divided into the Core Group, Broader Group and Industry Initiatives. We also explained that we intended to maintain the same delivery methods, with the Department of Work and Pensions (DWP) continuing to work with suppliers in helping deliver the Core Group and Ofgem continuing as the scheme administrator. However, we chose to take the opportunity to improve the scheme's effectiveness and make it simpler and more accessible to more people.

## Summary of proposals

The proposals set out in the consultation were aimed at making the scheme more effective and implementing the lessons that have been learned through the operation of WHD.

In summary, we proposed to keep the Core Group the same by keeping the group who automatically receive the rebate to those in receipt of State Pension Credit.

We proposed more substantial changes to the Broader Group, with the proposed introduction of standard criteria across participating suppliers, increasing the level of verification and increasing the flexibility around non-core overspends. Respondents were also asked to provide their views on whether there were any particular barriers for smaller suppliers participating in the scheme.

The proposals for Industry Initiatives focused on increasing the approved activities which participating suppliers could carry out during the extension of the scheme. These included the option of helping particular risk groups, providing a rebate to eligible park home residents and mandating the provision of energy advice to all households benefitting from an Industry Initiative measure. The Government also proposed to put a cap on spending on debt assistance through Industry Initiatives.

Finally, there were some more general operational issues that the Government asked for views on. These included the value of the rebate, information on the costs of delivering the WHD, how market share should be calculated and how non-core under and overspend should be apportioned.

## Summary of Government Responses

There were a total of 31 unique responses, mainly from participating suppliers, local councils and consumer organisations. We received an additional 332 responses as part of a campaign by The Children's Society which called for more low income working families to receive rebates automatically under the scheme.

The main point of consensus from respondents was that Government should introduce wider data sharing powers in order that all recipients of the WHD receive a rebate off their electricity bill automatically, as currently happens under the Core Group for low income pensioners.

There were other themes which respondents broadly agreed on:

- Better access to the WHD for low income families through the Broader Group;
- Changes to the scheme should be limited given the extension is for a year and there is a short implementation time;
- We should not introduce new administrative costs;
- Suppliers should be encouraged to provide help to non-gas fuel poor and vulnerable households.

### **Key policy decision as a result of the consultation**

This document provides a summary of the points raised during the consultation and states the Government's position on proposals for extending the Warm Home Discount Scheme to 2015/16. The key changes to the scheme are as follows:

- Retain the eligibility criteria of the Core Group to those in receipt of Pension Credit Guarantee Credit or Pension Credit Guarantee Credit (with Savings Credit) for the extension of the WHD to 2015/16.
- Keep the value of the rebate at £140 for 2015/16.
- Introduce compulsory standard criteria for the Broader Group but retain flexibility for suppliers to have additional criteria subject to Ofgem's approval.
- Include the provision of a rebate to eligible park home residents in the list of approved Industry Initiative activities as well as additional groups of customers who may be at particular risk of living in fuel poverty.
- Introduce a number of further, small and technical changes to improve the help households receive and provide greater flexibility in how suppliers meet their obligations.

### **Next Steps**

The next steps for the WHD are to make amendments to the regulations which underpin the policy, namely The Warm Home Discount Regulations 2011 and Disclosure of State Pension Credit Information (Warm Home Discount) Regulations 2011. We expect the amendments to come into force before the end of March 2015.



# 1. Core Group response

The Core Group currently consists of customers of participating energy suppliers who are in receipt of Pension Credit Guarantee Credit or Pension Credit Guarantee Credit (with Savings Credit) on the qualifying date. If a customer meets this specification and their name or their partner's name is on the electricity account with a participating scheme energy supplier, then they are eligible for the WHD rebate.

In the consultation, we proposed to keep the same eligibility criteria in place as is currently in operation and asked for views on adopting this approach in 2015/16.

Consultation Question	22 responses
1.	Do you agree with the Core Group eligibility criteria remaining in place for those people in receipt of Pension Credit Guarantee Credit?

## Background

As we set out in the consultation on the extension to the WHD to 2015/16, we want to achieve the right balance between the value of the rebate and the total number and type of households assisted. With this in mind, we believe that maintaining the same eligibility criteria in 2015/16 as is currently in operation in scheme year 4 (2014/15) would be the best approach to adopt.

## Summary of responses

The majority of responses to the consultation agreed that the Core Group should remain for those customers in receipt of Pension Credit Guarantee Credit and Pension Credit Guarantee Credit (with Savings Credit) on the qualifying date. A high proportion of respondents made a strong case for expanding the Core Group to include other people on means-tested benefits. In particular, there were calls for more working age people to be included in the Core Group and receive the rebates automatically through wider data sharing powers. Respondents argued that this would help capture more people who are likely to be fuel poor and provide a much better customer experience. Energy suppliers made the point that if a larger proportion of rebates were provided in the same way as they are currently under the Core Group their costs of delivery would be lower and this would ultimately result in lower customer bills.

## Government decision

The Government has decided to keep the eligibility criteria of the Core Group to those in receipt of Pension Credit Guarantee Credit or Pension Credit Guarantee Credit (with Savings

Credit) for the extension of the WHD to 2015/16. We note the views on expanding the Core Group and the increased use of data sharing to deliver the scheme. Currently, the sharing of data under the WHD is enabled under section 142 of the Pensions Act 2008 which only allows the sharing of data for people on State Pension Credit. Therefore, we do not have the primary legislative powers to share data about people not on State Pension Credit without their consent.

As noted in the consultation, as part of work led by the Cabinet Office, Government is considering whether data sharing powers should be expanded; delivery of fuel poverty policies is part of those considerations. However, any new powers will not be available for this one-year extension of the WHD.

## 2. Broader Group response

The Broader Group part of the WHD enables low income and vulnerable households, who do not qualify for the Core Group, to apply for a rebate of the same value through their participating supplier.

In this section, the Government proposed to:

- Consider whether there were advantages to introducing a standard set of compulsory criteria for the Broader Group;
- Increase the proportion of applicants whose eligibility is verified; and
- Introduce a spending flexibility of 5% between the current scheme year and 2015/16 for non-core spending.

### Broader Group criteria

Consultation Question		27 responses
2.	To what extent do the current Broader Group criteria act as a barrier to switching, and if they do how could this be addressed cost-effectively?	

Consultation Question		26 responses
3.	Would the potential benefits of moving to a standard set of compulsory criteria outweigh the potential disadvantages? What could any compulsory criteria be (e.g. which benefits or tax credits), and why?	

### Background

To date, participating energy suppliers have had the ability to choose their own eligibility criteria for the Broader Group schemes and are then submitted to Ofgem for approval. This has enabled suppliers to differentiate themselves in the market as well as maintaining a balance between providing rebates to the right households and the costs of identifying and verifying customers.

Since the WHD began, the differences in eligibility may have created difficulties for some customers in navigating the market to find the best deal. In the consultation we suggested that

a standard set of criteria applied consistently among participating suppliers may help remove some of these difficulties.

The adoption of the Low Income High Cost (LIHC) definition of fuel poverty in England has also shifted thinking on the groups of customers who are most likely to be fuel poor. Under this new definition, families with children and other working age households make up over 70% of those in fuel poverty. Of these, families are by far the largest single group (45%)<sup>1</sup>. In light of this Government sought views on what the standard criteria could include.

## Summary of responses

In general, most respondents to the two questions agreed that the adoption of standard criteria could to some extent help towards removing disincentives to switch. However, not all respondents felt that the differences in eligibility criteria created barriers for customers switching suppliers. Some felt that there were other issues such as the participation threshold, currently set at 250,000 domestic customer accounts, which is a significant barrier for customers looking to switch suppliers.

Others felt that there was a lack of transparency in how the application process for the WHD was communicated to Broader Group applicants, in particular, how the WHD was flagged on energy price comparison sites. Some respondents suggested that this could be dealt with through Ofgem's changes to the Confidence Codes for third party intermediaries.

There was broad support from stakeholders for adopting standard criteria though participating suppliers argued strongly for keeping some flexibility to go beyond those criteria determined by Government.

There were some suggestions from respondents on the benefits which could be used as a proxy for the standard criteria. They included households eligible for Cold Weather Payments, low income working families under a certain income threshold and claiming tax credits, and means-tested benefits such as Income Support and Job Seekers Allowance. Consumer groups suggested that it would be easier to flag the WHD to low income families, if this group was eligible across all participating suppliers

Responses on the behalf of the Children's Society campaign called for participating energy suppliers to align their eligibility criteria for low income families, and for this group to be entitled to the same support under WHD as low income pensioners.

In general, other stakeholders called for increased data sharing powers to allow all low income families to automatically receive the rebate as part of the Core Group. This would provide more certainty for those families.

## Government decision

The Government has decided to introduce a set of standard criteria that all participating suppliers will have to adopt for their Broader Group schemes. Alongside these, suppliers will be permitted to have additional criteria, subject to Ofgem approval.

The standard criteria will include a variation on the current means-tested benefits for Cold Weather Payments. As well as including those on certain means-tested benefits, it will also be extended to low income working families in receipt of in-work benefits with either a child under 5 or disabled child. Fuel Poverty statistics have shown that a large number of fuel poor families

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<sup>1</sup> Cutting the Cost of Keeping Warm, DECC, 2014

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/335099/fuel\\_poverty\\_consultation.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/335099/fuel_poverty_consultation.pdf)

61% (with at least one child under 16 in the household) are in work<sup>2</sup>. For this reason, we propose a total annual household income threshold of £16,190 which will allow many working households on minimum wage and tax credits to be eligible for a rebate.

The eligibility criteria for the standard group are set out in detail below:

Means-tested benefits (must receive one or more of the following)	In work benefits (must receive one or more of the following)
<ul style="list-style-type: none"> <li>• Income Support or Income-based Jobseeker's Allowance, with any of following:               <ul style="list-style-type: none"> <li>○ a disability or pensioner premium</li> <li>○ a child who is disabled</li> <li>○ Child Tax Credit that includes a disability or severe disability element</li> <li>○ a child under 5 years living with them</li> </ul> </li> <li>• Income-related Employment and Support Allowance (ESA), with any of the following:               <ul style="list-style-type: none"> <li>○ the support or work-related component of ESA</li> <li>○ a severe or enhanced disability premium</li> <li>○ a pensioner premium</li> <li>○ a child who is disabled</li> <li>○ Child Tax Credit that includes a disability or severe disability element</li> <li>○ a child under 5 years living with them</li> </ul> </li> <li>• Universal Credit, not in work or self-employer, with any of the following:               <ul style="list-style-type: none"> <li>○ limited capability for work element (with or without a work-related activity element)</li> <li>○ the disabled child element</li> <li>○ a child under 5 years living with them</li> <li>○ disabled child element, whether employed or not.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Total household annual income is less than or equal to £16,190 (and in receipt of Child Tax Credits or the Universal Credit equivalent) with either:               <ul style="list-style-type: none"> <li>○ a child aged under 5 years living with them</li> <li>○ a disabled child living with them with a Child Disability Premium or claiming Child Tax Credit that includes a disability or severe disability element.</li> </ul> </li> </ul>

The majority of participating suppliers already use many of the criteria set out above, meaning that most households falling into those criteria can already receive support. We believe that aligning some criteria across suppliers should be relatively easy for suppliers to implement and, most importantly, that this will represent a positive change for customers.

With regard to the participation threshold for suppliers, lowering this would be a very significant change to the scheme. Rather than amending schemes in isolation, DECC is currently considering the impact of the participation threshold for all schemes and will be publishing a call for evidence on this issue this year.

<sup>2</sup> Fuel Poverty Dataset 2011, DECC, 2011 <https://www.gov.uk/government/collections/fuel-poverty-statistics>

## Verification

Consultation Question		22 responses
4.	Do you agree that a higher number of Broader Group applications should be verified? If yes, how could this be done in a cost effective manner?	

### Background

Participating energy suppliers are currently obligated to verify at least 5% of their total Broader Group applications. This ensures that 5% of all households who apply for the rebate meet the eligibility criteria set by their supplier. The regulations currently set out that suppliers can only pay the rebate to applicants once they have successfully verified 5% of applications with DWP or another third party. We asked in the consultation whether this percentage should be higher.

### Summary of responses

The majority of responses to this consultation question were against the Government introducing a higher rate of verification for Broader Group applications. They suggested that this could result in an increase in the cost of delivering the rebate and this could be reflected in customer bills. Most respondents proposed that the most cost effective way to enable greater verification would be to extend data-matching to those eligible for the Broader Group.

### Government decision

We have considered the views of the respondents and have decided we will not require suppliers to verify a higher percentage of Broader Group applications for scheme year 2015/16 given the additional costs and limited timescales for suppliers to prepare for the change. However, this issue will be kept under review.

## Overspend

Consultation Question		21 responses
5.	Do you agree with the proposal to reduce future non-core obligations by up to 5% of the current non-core spending obligations in the event of overspend? Do you have any suggestions on the level of overspend?	

### Background

In the consultation we proposed that if suppliers overspent in scheme year 4 (2014/15) against their non-core spending obligation, they could reduce their non-core spending obligation in 2015/16 by up to 5% of their overspend. This is an increase from 1% which had been the limit

when the scheme began in 2011. Between scheme years 3 and 4, we had raised this to 34% but this was a one-off to deal with a large forecast underspend.

### Summary of responses

Nearly two-thirds of the responses we received agreed that suppliers should be allowed to have more flexibility in offsetting overspending. Despite this, there were some which argued that participating suppliers should not be allowed to erode the value of future years' Broader Group spending in case this detrimentally affected the number of Broader Group rebates being paid in the following scheme year.

### Government decision

We have decided that suppliers who overspend against their non-core spending obligation in scheme year 4 will be able to offset up to 5% of that overspend against their non-core obligation in 2015/16.

### Smaller suppliers

Consultation Question	20 responses
6.	Do you have any views on whether there are particular challenges for smaller suppliers in delivering their Broader Group obligations? Would any of the changes proposed above introduce new challenges for smaller suppliers?

### Background

We are aware that participating suppliers who are new entrants to the WHD may find it more difficult to meet their Broader Group obligations as they may have a lower proportion of low income and vulnerable customers. In light of this, we asked whether there were any particular challenges for smaller suppliers to see if there were any changes we could make to the scheme to make participation easier.

### Summary of responses

There was no broad agreement about the challenges facing small suppliers or the potential solutions. Though some recognised that small suppliers face particular issues, most responses supported the removal of the participation threshold entirely. As stated above, the participation threshold is part of wider considerations for several DECC policies.

However, from those who offered solutions, more flexibility in how the non-core obligation is split between Broader Group and Industry Initiatives was offered as a credible solution which could be implemented for the next scheme year.

### Government decision

We believe that suppliers that are new to the scheme are likely to face a greater challenge in meeting their Broader Group obligations given their likely customer base. While we want all suppliers to meet their minimum obligations, including on the Broader Group, we do not want

to create a situation whereby a supplier fails to meet its obligations purely because of the composition of its customers. Therefore, next scheme year, should a supplier take all reasonably practicable steps to meet its minimum Broader Group spending obligation and still be unable to do so, it will have the option of spending more on Industry Initiatives in order to fulfil its non-core spending obligation.

Suppliers will have until 15 December 2015 to notify Ofgem if they believe they are unable to meet their Broader Group minimum spending having taken all reasonably practicable steps. Suppliers will also have to produce evidence of the steps taken which could include evidence of their customer demographics and marketing strategies. Following Ofgem's assessment of the steps taken, it will notify suppliers by how much they may underspend against their Broader Group obligation and therefore overspend against their Industry Initiatives cap.

In the first three years of the scheme, all suppliers have met their obligations. Therefore, we expect that most, if not all suppliers, will be able to meet their minimum Broader Group spending requirements. Nevertheless, this change to the policy will ensure that suppliers make best endeavours on the Broader Group and still meet their overall spending requirements while ensuring that suppliers are not put at a disadvantage in terms of compliance because of the composition of their customer base.



## 3. Industry Initiatives response

The third element of the Warm Home Discount is Industry Initiatives. This section of the scheme operates to provide fuel poor and vulnerable households with additional assistance with their energy bills outside the Core Group and Broader Group rebates. We consulted on this section of the scheme to make sure energy suppliers have the freedom to help the broadest group of fuel poor and vulnerable customers in the most effective and efficient way.

In this section we proposed to:

- Put a cap on debt assistance.
- Permit suppliers to provide park home residents with a rebate if they meet eligibility criteria of the Core or Broader Group.
- Encourage participating energy suppliers to provide support to additional groups at risk of fuel poverty.
- Mandate participating energy suppliers to provide energy advice alongside the delivery of Industry Initiative measures.

### Cap on debt assistance

Consultation Question	20 responses
7.	What are your views on the Government putting in place a cap on the amount suppliers are able to spend on debt assistance through the Industry Initiatives section of the Warm Home Discount scheme? What do you suggest the cap could be?

### Background

In the consultation, the Government proposed putting a cap on the proportion of Industry Initiatives funding which could be spent on debt assistance to fuel poor and vulnerable customers. This was proposed in order to encourage a higher proportion of Industry Initiatives spending on other programmes. The Ofgem annual reports demonstrated that a high proportion of Industry Initiatives spending has been used for debt assistance during the past 3 years of the scheme: 58% in scheme year 1 (2011/12), 70% in scheme year 2 (2012/13) and 60% in scheme year 3 (2013/14)<sup>3</sup>.

<sup>3</sup> Warm Home Discount Annual Report 2013/14, Ofgem, 2014 <https://www.ofgem.gov.uk/ofgem-publications/91036/whdannualreportsy3.pdf>

## Summary of responses

A majority of responses to this consultation question disagreed with the Government placing a cap on debt assistance. Many of those who disagreed with the cap suggested that debt assistance often helps fuel poor and vulnerable customers settle their existing debt and then remain clear of debt afterwards.

Alongside these views, there were some respondents who agreed with placing a cap on debt assistance as they suggested that it can be helpful for some customers, but can be self-serving for participating energy suppliers. These respondents also suggested that these customers could be better assisted by independent debt advisors.

## Government decision

For the extension of the scheme to 2015/16, the Government will not implement a cap on debt assistance as there is not enough time for participating energy suppliers to put in place the required changes to their current arrangements for Industry Initiatives. However, Government wants to ensure that those customers who receive debt assistance as part of an Industry Initiative will be provided with energy efficiency advice in order to provide a more holistic approach in managing debt and their energy. This would link in with our proposal around providing additional energy advice alongside Industry Initiatives. Government will continue to monitor debt assistance schemes under Industry Initiatives.

## Park home residents

Consultation Question	21 responses
8.	Do you agree with the proposed option for suppliers to provide eligible park home residents a rebate through the Industry Initiatives portion of the scheme? Please provide the details of any solutions you may have on the practicalities of delivery and communications.

## Background

Those who live in park homes, referred to as mobile homes from now on<sup>4</sup>, are not currently eligible for a Core Group or Broader Group rebate as they do not tend to have a domestic electricity account with an electricity supplier who participates in the scheme. Accounts may be held by mobile home site owners, and may be non-domestic accounts (i.e. business accounts) and which are assumed not to include the costs of consumer-facing policies such as WHD. At the same time, people living in mobile homes may be in receipt of qualifying benefits which form the eligibility criteria of the WHD and, regardless of how they pay for their energy, may find meeting their bills difficult.

In the consultation document, we asked whether those living in mobile homes should be given the opportunity to apply for the rebate and asked for any solutions on how it could be delivered.

## Summary of responses

Over two-thirds of consultation responses to this question were positive about the Government proposal to provide low income and fuel poor mobile home residents with a rebate through the Industry Initiatives section of the WHD. However, there were some concerns about how the rebate would be delivered to these customers.

Some of those who reacted positively to participating suppliers providing a rebate to eligible mobile home residents questioned whether the WHD was the right delivery tool to use to support these households. They called for the Government to introduce long term, holistic support to mobile home residents.

Responses to the consultation included some more general concerns about how the delivery of this Industry Initiative would work in practice. Respondents suggested that the delivery route for the rebate through electronic payment or a cheque had a high risk of fraud attached to it and risked weakening the connection between the rebate and its payment for energy.

Participating energy suppliers, in particular, raised that it would be challenging to deliver a rebate to mobile home residents as they do not have a customer relationship with those who may be eligible. They also felt that suppliers were not being afforded much time to establish, identify and provide a rebate to those eligible mobile home residents.

## Government decision

Taking these views into account, the Government will include the provision of a rebate to eligible mobile home residents in the list of approved Industry Initiative activities for the extension of the WHD to 2015/16. However, the provision of a rebate to eligible mobile home residents will remain an option alongside other Industry Initiatives rather than a mandatory activity. Government plans to work closely with participating energy suppliers prior to the start of the new scheme year in 2015-16 to explore how an Industry Initiative providing rebates to mobile home residents could work in practice.

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<sup>4</sup> Occupier of a mobile home as defined under section 1 of the Mobile Homes Act 1983.

## Support to additional risk groups

Consultation Question	20 responses
9.	<p>Do you agree that participating energy suppliers should be given the option to deliver Industry Initiatives to help eligible households:</p> <ul style="list-style-type: none"><li>• Living off the gas grid</li><li>• With health problems and/ or a disability</li><li>• Living in communities where residents are wholly or mainly in fuel poverty</li></ul>

### Background

The consultation proposed that participating suppliers could focus some of their Industry Initiatives spending on customers who may be at particular risk of living in fuel poverty by adding them to the list of approved activities. The groups highlighted in the consultation were those who live in non-gas homes; have a disability or long term illness; and customers living in disadvantaged communities as they were at high risk of living in fuel poverty or more likely to experience poor outcomes from living in a cold home.

Customers in non-gas homes both in rural and urban areas experience high energy bills in comparison with customers who use natural gas for their heating. The fuel poverty gap for these customers and high incidence of solid-wall properties means that these customers are more likely to experience severe fuel poverty when compared with their counterparts with natural gas heating.

The consultation identified customers living in a cold or badly insulated home can be detrimentally affected and exacerbate any poor health conditions. It also suggested that it could be cost effective to deliver Industry Initiatives to a community rather than individually as it may lower delivery costs and help suppliers to assist a higher number of customers than they may have done by individually identifying households to provide assistance to.

### Summary of responses

Approximately 95% of respondents agreed with adding those risk groups to the approved activities under Industry Initiatives as long as they were not mandatory.

There were some specific suggestions which respondents made on delivering to this group. These included providing a top up to the value of the rebate to these particular households; participating suppliers being given the opportunity to test some new small-scale projects and pilots; and for EPC assessments to be counted within the cost of delivering an initiative to target LIHC households.

Respondents also highlighted some possible difficulties with adding these groups to the list of approved Industry Initiative activities. They suggested there was not enough time to put a scheme in place to assist this group of customers and they were concerned that this approach may result in excluding other groups who may also be fuel poor under the LIHC measure.

## Government decision

The Government has decided to add activities aimed at helping those living in non-gas homes, customers with a disability or a long term illness, and those in disadvantaged communities to the list of approved Industry Initiative projects participating energy suppliers can choose from for the extension to the scheme to 2015/16. This will encourage energy suppliers to provide Industry Initiatives to these groups who may struggle to get assistance through other policies.

## Additional energy advice

Consultation Question		21 responses
10.	Do you agree that participating energy suppliers in the Warm Home Discount should provide energy efficiency advice alongside other Industry Initiative measures?	

## Background

The consultation asked whether suppliers should provide energy advice alongside the delivery of other Industry Initiative measures. We have identified positive results with energy suppliers and other groups providing energy advice in the home to fuel poor customers and wanted to investigate the option of mandating participating suppliers to provide this type of advice alongside all other Industry Initiatives.

## Summary of responses

Two-thirds of those who responded to this question agreed that participating energy suppliers should be mandated to provide energy advice alongside the delivery of Industry Initiative measures to customers. Some participating suppliers who responded to this question stated that they are already providing this advice to their customers and other groups thought that if suppliers are not providing this advice to their customers then they should be. Others were concerned that it could add complexity to the audit requirements and there were a group who suggested that it should be linked to local programmes and based on individual needs rather than a generic programme.

## Government decision

The Government has decided to mandate the provision of energy advice to customers alongside the delivery of other Industry Initiative projects. The mandate is to provide energy advice so as not to constrain services to only energy efficiency advice. Government would require energy advice to be provided as part of a comprehensive package under any Industry Initiatives put forward by energy suppliers. For example, under Industry Initiatives providing debt assistance, energy advice should be provided alongside the debt assistance in order to help prevent the customers from going into debt in the future.

## 4. Operational issues response

The consultation explored some operational issues concerning the WHD. This section of the consultation asked stakeholders about:

- The value of the rebate.
- The costs of delivering the WHD.
- How market shares should be calculated; and
- How non-core under and overspend should be apportioned.

### Value of the rebate

Consultation Question	22 responses
11.	Do you agree the value of the rebate should remain at £140? If not, please explain your answer.

### Background

The value of the rebate has increased from each scheme year to the next from £120 in scheme year 1 (2011/12) to £140 in scheme year 4 (2014/15), mostly by £5 increments. In the consultation the Government proposed to keep the value of the rebate at £140 for the extension of the scheme to 2015/16 as this would enable energy suppliers to provide 71,000 additional households with a rebate than if we raised the value to £145 for the 2 million households currently in receipt of the rebate.

### Summary of responses

The majority of respondents wanted the rebate to continue rising as their perception was that fuel bills have increased and it would be in line with the expectations of recipients. Participating suppliers also suggested that it would make it easier for suppliers to meet their obligation as they would have to identify a lower number of customers and deliver fewer rebates.

There were some participating suppliers and other respondents who were in favour of keeping the rebate to £140 in order to help more households who may fall into the Broader Group.

### Government decision

The consultation revealed there are reasons in favour of either option. Recognising that suppliers have been concerned about the costs of delivering rebates to a larger Broader

Group; we have considered this issue carefully. However, given this scheme year's and next year's spending target, we anticipate the number of households receiving a rebate under the Broader Group this year and next will be very similar even if we keep the rebate at £140. Therefore, suppliers should not face increased administrative costs year on year as a result of this decision. This is particularly the case given that many suppliers "close" their Broader Group offer in the middle of the winter period.

Keeping the rebate at £140 will mean an extra 71,000 households receive the rebate, possibly for the first time. The value of this, compared to increasing the rebate by £5, is obvious for those households. On balance, we therefore intend to keep the rebate at £140 in 2015/16.

### Cost of delivering the Warm Home Discount

Consultation Question		14 responses
12.	We would like to understand more about the costs of delivering the Warm Home Discount. Please provide any costs you think will help Government understand more about the administration of the policy.	

#### Background

The consultation set out that the Government would like to understand more about the costs to participating suppliers to deliver the WHD.

#### Summary of responses

We had a number of responses to this question from participating suppliers which will help to inform future policy cost calculations. The information provided is commercially sensitive but has, in aggregate, informed our impact assessment and will inform any future policy decisions.

### Market share calculations

Consultation Question		12 responses
13.	How should market shares be calculated for the purposes of setting the non-core spending obligation?	

#### Background

We wanted to use the consultation on the extension of the WHD to 2015/16 to understand the views on how market share is calculated for participating electricity suppliers. Currently, the market share for participating energy suppliers is calculated using the number of domestic gas and electricity accounts a supplier has. If a customer has a dual fuel account with a participating supplier then that counts as two accounts for the purposes of the WHD.

## Summary of responses

Participating electricity suppliers were the only group to respond to this question. There were a couple of suggestions to change the way market share is calculated by basing it on the electricity accounts of participating suppliers and on the number of kilowatt hours (kWh) of energy provided by a participating supplier. However, the majority of respondents suggested the current approach was fair.

## Government decision

Taking into account the views of those who responded to this question, we have decided to keep the market share calculation the same for the extension to the scheme.

## Non-core spending obligations

Consultation Question		11 responses
14.	How should non-core spending obligations be apportioned where they include an adjustment for an over or underspend in the previous scheme year?	

## Background

By 14 February each scheme year the Government estimates the size of and consequent spending on the Core Group. Based on that estimate, Government also sets the non-core spending obligation. Participating suppliers are informed of their individual non-core spending obligations by 14 March in order for them to prepare in advance of the scheme year.

In previous scheme years, the uncertainty in forecasting has meant that Core Group spending has not matched the original estimate so that overall spending did not match the annual spending target. We have dealt with this by increasing or decreasing the spending target in the following scheme year to maintain the overall level of spending for the four years of the scheme. In the case of an underspend in one scheme year, the non-core spending obligation in the following scheme year was increased. This could be a disadvantage when new suppliers are joining the scheme and when market shares change. Therefore, we proposed that under and overspends should be dealt with by apportioning them to the suppliers participating in the scheme when the over or underspends took place on the basis of their market shares in that scheme year.

## Summary of responses

There were a variety of responses to this question. Some suppliers proposed that the Core Group should be increased in any year following an underspend, highlighting the size of the Core Group was out of their control. In terms of calculating underspends there were calls to remain with the current calculation and those who said that the methodology should be changed so that underspends or overspends are apportioned in a way which reflects the market shares in the year in which they took place.



## Government decision

We have improved the forecasting methodology and currently estimate that Core Group spending will be very close to what was estimated in February 2014 (£200m). Therefore, any over or underspends in future should be very small. However, we are changing the methodology by which over or underspends are assigned should they arise in scheme year 4.

For example, if there is a Core Group underspend in this scheme year, we will increase the overall scheme spending target and the non-core spending obligation for 2015/16. However, the part of the non-core spending obligation which is a result of an underspend this year will be apportioned to suppliers participating in scheme year 4 based on their market share in scheme year 4. We believe this is a more equitable solution, particularly given the rising number of suppliers participating in the scheme.

## 5. Next steps

The next steps for the WHD are to amend the regulations which underpin the policy, namely The Warm Home Discount Regulations 2011 and Disclosure of State Pension Credit Information (Warm Home Discount) Regulations 2011. Subject to Parliamentary time and clearance we are planning for the regulations to come into force before the end of March 2015. This should provide suppliers with sufficient time to implement changes and to deliver another successful year of the WHD.

We will make decisions on the future of the scheme beyond 2015/16 subject to the outcome of the next Spending Review. This will allow us to take stock of progress against the new fuel poverty target, the strategy, the latest analysis and progress made on wider data matching. We will be in a better position to make long-term decisions about fuel poverty policies, including the future of the WHD.

Furthermore, we intend to carry out a detailed review of the current scheme in 2015, including the impacts on rebate recipients and the customer experience of those in receipt of rebates under the Core and Broader Groups. We will use the results of that review to inform decisions on future policy.

# Annex A - List of consultation respondents

Age Sector Platform  
Bolton Warm Homes Healthy People Partnership  
British Gas  
Care and Repair – Cymru  
Charis Grants  
Citizens Advice  
Cooperative Energy  
County Durham Energy and Fuel Poverty Partnership  
Dale and Valley Homes  
Energy UK  
EDF  
E.On  
First Utility  
Fuel Poverty Advisory Group (FPAG)  
Glass and Glazing Federation  
Islington Borough Council  
Julian Sturdy MP  
Liverpool City Region Child Poverty and Life Chances Commission  
National Energy Action  
Ovo Energy  
Ofgem  
Post Office and BT Pensioners (Northern Ireland)  
RWE N Power  
Scottish Power  
South Staffs CAB  
SSE  
The Children's Society  
The Children's Society – campaign responses  
Thirteen Housing Group  
Two park home residents – responding as individuals  
Utility Warehouse

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