



Government response to the consultation on amendments to the Warm Home Discount Reconciliation Regulations

BEIS wrote to all licensed electricity suppliers, Elexon Ltd and the Office for Gas and Electricity Markets E-Serve (Ofgem) on 8 March 2017 asking for views on a change to the reconciliation mechanism in the Warm Home Discount (WHD) Scheme. This change was in relation to who will administer the reconciliation process from Scheme Year 7 (i.e. from 2017/18).

One part of the Scheme consists of the Core Group, which requires participating electricity suppliers to provide a rebate of £140 off electricity bills (the level of which is set through the [Warm Home Discount Regulations](#) (as amended in 2016)) to eligible customers in receipt of Pension Credit Guarantee Credit.

The Warm Home Discount (Reconciliation) Regulations 2011 provide for a reconciliation process, designed to ensure that the cost of the Core Group rebates is shared equitably between the scheme's participating electricity suppliers, such that no supplier is unduly disadvantaged as a result of having a higher number of customers eligible for the rebate. This reconciliation process is currently operated by Elexon. Elexon uses domestic market share information (number of customer accounts) of each participating electricity supplier provided by Ofgem, and the number of WHD Core Group customer rebates delivered, to calculate and then process the reconciliation payments. These payments will be made or received by participating suppliers depending on the proportion of their Core Group customers.

The current contract with Elexon will come to an end this year - after the final reconciliation exercise for Scheme Year 6 (2016/17). So far as BEIS is aware, the reconciliation process has been run successfully by Elexon to date. For the reconciliation process in respect of Scheme Year 7 (2017/18), we proposed that Ofgem, the administrator of the WHD scheme, carries out the reconciliation of the Core Group rebates.

We received a total of nine responses to the consultation. The majority of those who provided views were broadly in favour of appointing Ofgem as operator, whilst two respondents disagreed and queried the rationale for the appointment of Ofgem. The main points raised by respondents were:

- The reconciliation process should undergo little change;
- The reconciliation should not conflict with other Ofgem activities; and
- Ofgem should have sufficient resource to operate the reconciliation process efficiently.

Following the consultation, BEIS has decided to amend the Reconciliation Regulations for Scheme Year 7 (2017/2018) to make provisions for the appointment of Ofgem as the operator. The Energy Act 2010 provides the option for the appointment of Ofgem, through the Reconciliation Regulations, as the operator of the reconciliation process. BEIS considers such an appointment will streamline some of the data management involved in the reconciliation of the payments, as Ofgem provides the energy market share information the operator requires to calculate payments, and it will also minimise the number of bodies with which suppliers would interact with in relation to the administration of the scheme. This change may also represent cost savings to BEIS, including staff time.