Department for
Business, Energy
& Industrial Strategy

Warm Home Discount

The Government Response to the Warm Home Discount: Better targeted support from 2022 consultation

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Ministerial Foreword

For eleven years the Warm Home Discount has provided vital help with energy bills to the most vulnerable households in society. It has provided over £3 billion of assistance during that time. Last year, over 2.2 million households received £140 off their energy bills and almost 470,000 received crucial help such as debt assistance, benefit checks and energy advice through the Industry Initiatives element of the scheme.

This Government recognises the value of this help to households, especially as energy prices rise due to the global price of gas. That is why we have committed to extending the Warm Home Discount until March 2026 and increased the overall spending across Great Britain from £350m to £475m (in 2020 prices). That will allow an additional 750,000 households to benefit from energy bill rebates, which we are increasing to £150.

We are also making fundamental reforms to the scheme so that those low-income households most likely to be living in homes that are expensive to heat will receive the rebate. Through the innovative use of Government-data, those households will no longer face the lottery of applying, but will receive it automatically from their energy supplier. And, we will continue to protect the Core Group of the poorest pensioners who currently benefit from automatic rebates.

The rise in energy prices announced by Ofgem in February will be a worry for many people and this Government understands that the Warm Home Discount alone is insufficient to provide the help necessary. That is why we have announced additional measures in the form of a £200 energy bill rebate to all households and a £150 Council Tax rebate for those living in homes with a Council Tax band of A to D. Councils will also be given an extra £144 million to provide discretionary support to vulnerable households who may not qualify for Council Tax rebate. The devolved administrations will receive around £715 million funding through the Barnett formula.

That comes on top of existing help with energy bills provided through the Winter Fuel Payment and Cold Weather Payment, meaning that some of the most vulnerable households could receive over £800 this year.

This Government is also investing in long-term measures to reduce bills through energy efficiency improvements to homes. The Heat and Buildings Strategy set out plans for an additional £1.75 billion of Government investment through the Social Housing Decarbonisation Fund and Home Upgrade Grant and we have committed to extend an expand the Energy Company Obligation to £4 billion over the next four years. Those schemes will be focused on low-income households, least able to make the energy efficiency improvements themselves.

Upgrading our building stock takes time however, which is why the Warm Home Discount will continue to be a key policy in tackling fuel poverty and helping the most vulnerable in our society stay warm and well each winter.

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Executive summary

Overview of the scheme

The Warm Home Discount (WHD) scheme was established in 2011 to help fuel poor households with the costs of heating their homes. Through the scheme, energy suppliers provide rebates off the energy bills of low-income and vulnerable households. The scheme has provided over £3 billion of support since it began. Additional financial and energy-related support is also available to households through the Industry Initiatives element of the scheme. This scheme year, 2021/22, the scheme is worth £354 million and around 2.2 million households will receive a rebate worth £140.

In the Energy White Paper in December 2020, the Government committed to extend, expand, and consult on reforming the scheme from 2022 onwards. The scheme will be extended to 2025/26 at least and expanded to £475m (in 2020 prices) per year. Over the summer of 2021, the Government consulted on reforming the scheme for England and Wales, which would see 2.8 million households receive a rebate every year worth £150. 750,000 more households will receive a rebate every year as a result of this expansion and compared to 2021/22. The proposals focused on improving the fuel poverty targeting of the scheme, enabling the vast majority of households to be identified automatically and to receive their rebates without having to apply, putting Industry Initiatives on a surer footing by making them a mandatory part of the scheme, and allowing more energy suppliers to participate in the scheme.

Consultation responses

The consultation was published on gov.uk and ran from 28th June to 22nd August 2021.[1] We received 87 individual responses to the consultation. Responses were received from across 79 organisations, as listed in Annex B. Among the responses, there were 15 from energy suppliers, 34 from charities and consumer bodies, 9 from the housing sector, and 7 from local government. There were also responses from 7 members of the public.

This document summarises the responses for each question, grouped where relevant, and outlines the Government's response.

There was general support for the Government's proposals to:

- **Extend the scheme to 2025/26 and expand the scheme** to £475 million per year (in 2020 prices). While increasing the value of the rebates to £150, this would mean 2.8 million households in England and Wales would receive a rebate every year.

[1] Warm Home Discount: better targeted support from 2022 consultation, June 2021, https://www.gov.uk/government/consultations/warm-home-discount-better-targeted-support-from-2022

- **Retain the Core Group**, renamed the Core Group 1, to continue providing rebates to low-income pensioner households, many of whom may have come to rely on receiving the rebates over the years.
- **Provide the rebates automatically** under the Core Group 1 and new Core Group 2, so that the vast majority of households do not need to apply. This will be achieved by identifying eligible households through data matching between government departments and energy suppliers.
- **Focus the rebates to households with the highest energy costs and low incomes**, which, along with low energy efficiency, are key factors associated with fuel poverty.
- **Create a challenge process** so that households can provide alternative evidence about energy costs to challenge our decisions on rebates.
- **Make Industry Initiatives mandatory**, in recognition of the wider and longer-term value these measures can provide to households, for instance in the form of energy efficiency measures, benefit entitlement checks, and debt write-off.
- **Lower the energy supplier thresholds** in 2022/23 and again in 2023/24 so that almost all customers are with a supplier participating in the scheme. Smaller suppliers will also be able to participate in the scheme voluntarily, subject to an assessment by Ofgem.

There were significant proportions of differing views and other points on the following areas:

- **The benefits eligibility under the Core Group 2**. Respondents suggested alternatives to support households not in receipt of benefits or for expanding the list of eligible benefits, for instance to include disability benefits.
- **The calculation of energy costs under the Core Group 2**. Respondents argued for a wider range of factors underpinning a household's energy costs to be included, such as fuel type, energy efficiency levels, and individual needs.
- **The importance of clear communication and accessibility**. In light of the fundamental changes replacing the Broader Group with the new Core Group 2, respondents highlighted the need to communicate the changes clearly so that households understand who may or may no longer be eligible for a rebate. Respondents also emphasised the need for information about the scheme and the challenge process under Core Group 2 to be accessible and easily understandable.
- **Restrictions on Industry Initiatives**. A significant proportion of respondents disagreed with our approach to adjusting the budget for Industry Initiatives between and within scheme years in order to respond to fluctuating levels of rebates within the Core Groups. Energy suppliers and delivery partners particularly opposed the proposed in-year adjustment. Some respondents also raised differing views to the proposed changes to certain Industry Initiatives measures in the form of budget caps, minimum obligations, and eligibility restrictions.
- **Supplier of Last Resort arrangements**. A large number of respondents argued that it should be mandatory for Suppliers of Last Resort to take on the Warm Home Discount rebates and Industry Initiatives obligations of failed suppliers.

Conclusion and next steps

The Government has reviewed the consultation feedback and responded to each question. Given the broad support for the proposals, the Government intends to proceed with the fundamental aspects of the proposals. We have adopted some suggestions following feedback from stakeholders through the consultation responses and made changes to the policy and the design of the scheme; these are noted by each relevant consultation question.

The Government will lay regulations for the scheme to be extended, expanded, and reformed in England and Wales. These reforms will take place from the 2022/23 scheme year onwards, so that households will receive their rebates over the winter.

The Government will consult on introducing a separate scheme in Scotland.

Consultation questions and government responses

Improving the targeting of the scheme

Consultation questions	
1	Do you agree with the proposal to keep the eligibility for the current Core Group (Pension Credit Guarantee Credit recipients) unchanged, becoming Core Group 1?

Responses: Yes: 85%	No: 13%	Not sure: 3%

Summary of responses

A large majority (85%) of respondents agreed with the proposal to maintain the Core Group unchanged from the current scheme. Furthermore, of the nine respondents who disagreed, six did not challenge the eligibility based on the Pension Credit Guarantee Credit (PCGC), and instead only argued for including other demographics in Core Group 1. Therefore, 93% of respondents agreed that PCGC recipients should continue to receive rebates automatically under this part of the scheme.

Responses agreeing with the continued eligibility of PCGC under Core Group 1 focused on the low incomes of these households and that pensioners as a group are more susceptible to the impacts of a cold home, for instance due to mobility issues and cardiovascular and respiratory health conditions. A few respondents noted that these pensioners have fixed incomes and have come to rely on the WHD, having received the rebate automatically over the years. One charity argued that those on Pension Credit Savings Credit (PCSC) also have low incomes and similar heating requirements as those on PCGC and should therefore be eligible under Core Group 1.

Only three organisations argued that BEIS should restrict or at least reassess the automatic eligibility of PCGC recipients on the basis that this group does not have a high fuel poverty rate compared to other demographics. One charity argued that the energy expenditure of Core Group 1 should be assessed and taken into account to redirect funding to groups more at risk of fuel poverty and therefore improve the targeting of the scheme overall.

Government response

The Government acknowledges the almost universal agreement from stakeholders that the Core Group should be maintained as Core Group 1. We will therefore continue to provide eligible PCGC recipients with a WHD rebate from 2022 onwards, identifying the vast majority through data matching and enabling suppliers to provide the rebates automatically

Concerning PCSC, those who also receive the PCGC would be eligible under the Core Group 1. The Government proposed to include PCSC (where not also in receipt of PCGC) as one of the qualifying benefits for Core Group 2, on the basis that it is a means-tested benefit but the incomes of those who are only in receipt of the PCSC are generally higher than those who are in receipt of PCGC.

Consultation questions			
2	Do you agree with the proposal to replace the Broader Group with a new Core Group 2 who receive the rebates automatically, rather than having to apply?		
Responses:	Yes: 83%	No: 6%	Not sure: 10%
3	Do you agree with the proposed methodology to determine the Core Group 2 and the proposed eligibility criteria, which we estimate would increase the number of fuel poor households receiving the rebate from 47% under the Broader Group to 59% under the Core Group 2?		
Responses:	Yes: 46%	No: 35%	Not sure: 19%

Summary of responses

The vast majority (83%) of respondents, including all energy suppliers, agreed with our proposal to replace the Broader Group with the Core Group 2. Responses recognised that identifying eligible households and awarding rebates automatically would remove the barriers to application-based schemes, such as low awareness of the scheme and rebates being awarded on a first-come first-served basis. Responses also favoured standardising the criteria across energy suppliers to ensure that consumers would have the same access to rebates regardless of which participating supplier they are a customer of. A couple of charities raised that they would no longer need to support individuals with their Broader Group applications, and therefore they could prioritise the other forms of support they provide. A couple of energy suppliers welcomed that these changes would reduce their administrative costs, particularly if the Core Group 1 and Core Group 2 processes were combined.

Even some respondents who supported the change noted a few drawbacks to replacing the Broader Group, however. Several respondents recognised that some households who are currently eligible under the Broader Group would lose out, although a couple of respondents envisaged a role for Industry Initiatives spending, such as financial assistance, to tailor support to individual cases and help those who are losing out from the changes. A few energy suppliers pointed out that they would be unable to advise their customers about their eligibility under a new Core Group 2, compared to the current Broader Group, and advised that the Government must communicate the changes to the scheme clearly and provide energy suppliers with the information to redirect their customers' queries. A couple of responses also pointed out that the application-based nature of the Broader Group creates touchpoints where suppliers are in direct contact with their low-income and vulnerable customers to provide them with support, and that these touchpoints would be lost with these changes.

Concerning the eligibility criteria for the new Core Group 2, around half supported the proposals. Many of those who agreed cited the improvements to the fuel poverty targeting rate, the move to automated payments, and focusing support to those with the greatest need as reasons for supporting the proposal. Some respondents stated that the proposals would make the best possible use of existing data for now and suggested that, when designing the future of the WHD scheme, additional housing stock and energy efficiency data would be available and could be integrated into the scheme. A few respondents asked that the Government should keep the eligibility criteria under review to assess the annual impacts of the proposals.

Among the third of respondents who disagreed with the proposal, or the remainder who were not sure, they were mostly concerned about either the proposed low-income benefits or the high-energy cost criteria. A few responses highlighted that these changes would occur during challenging circumstances, with households' incomes affected by COVID-19 and expected rising energy prices.

Regarding the low-income criteria, most responses who disagreed called for wider criteria, albeit still mostly linked to benefits. Several charities raised that some people may require more heating as a result of a disability or health condition, but that this would not be considered in the eligibility criteria. One charity called for a comprehensive formula to identify those disabled people who most require the support. Among these responses, some called for disability benefits (Disability Living Allowance, Personal Independence Payments, and Attendance Allowance) to be included in the criteria, while others agreed that the proposed Industry Initiative measure to support low-income disabled people (question four) would be needed as a result. A couple of charities also called for people with terminal illnesses to be automatically eligible for a rebate.

However, a few responses focused on the limitations of circumscribing eligibility to those on means-tested benefits. One organisation opposed the use of benefits as the sole proxy for low income, as fuel poor households not in receipt of benefits would end up paying for the costs of the rebates through their energy bills. Several responses pointed out that households may not be aware of their entitlement to benefits or may just miss out and yet struggle with their energy bills.

Regarding the high-energy cost criteria, responses tended to highlight that other factors contribute to households' energy costs and yet would not be taken into account under the energy cost calculations. These factors include fuel types, insulation levels and other energy efficiency measures, occupancy rates in the property, and the age and health conditions of occupants. Meanwhile, several responses questioned the reliability and consistency of

Valuation Office Agency (VOA) data on property characteristics and the ability to estimate property energy costs from these, either pointing to the accuracy rates outlined in the consultation document or arguing that the data was collected for the purpose of determining Council Tax bandings and not for assessing energy expenditure. A few responses argued that Energy Performance Certificates (EPCs) should be incorporated into the process in order to prioritise rebates to the least efficient properties, although a couple of organisations acknowledged that EPCs are not available for all properties in England and Wales.

Several responses highlighted that the proposed approach would likely favour larger properties and therefore fuel poor households in smaller properties would be at a disadvantage. One supplier noted that customers with pre-payment meters (PPMs), among whom fuel poverty rates are high, tend to live in smaller properties and therefore there would be fewer rebate recipients with PPMs. A few organisations noted that the proposed changes would mean single working-age households would be less likely to be eligible than other demographics, and therefore there should be a role for Industry Initiatives in supporting those ineligible households who are struggling; one charity explained that during the COVID-19 pandemic they have seen an increase in the demand for advice services from single men without children.

Government response

The Government has considered the responses and, in view of the feedback, objectives behind these reforms, and available data, has decided to proceed with replacing the Broader Group with the Core Group 2 as consulted upon, albeit with one addition: including Housing Benefit among the qualifying low-income benefits.

The fuel poverty targeting rate for the Core Group 2 will be 56%, an increase from 48% of the Broader Group. This will increase the fuel poverty targeting rate of the WHD scheme overall to 47% compared to 39% of the current, unreformed scheme.[2]

By replacing the Broader Group with Core Group 2, comprising households identified through data matching, most households would be identified and awarded rebates automatically. This removes some of the barriers the Broader Group has posed to customers, particularly vulnerable customers, who may not be aware of the support available and may not be in a position to apply. The changes remove the first-come, first-served nature of the Broader Group application processes and give greater certainty to eligible households that they will, in the vast majority of cases, receive the rebates each scheme year if they remain in the same property and continue to receive one of the qualifying benefits. Alongside lowering the supplier thresholds in 2022/23 and further in 2023/24, standardising Core Group 2 eligibility across all participating suppliers will mean that customers can change suppliers to find the best tariff for them without the risk of losing their entitlement to a WHD rebate.

The proposed Core Group 2 would prioritise rebates to those on low incomes with the highest energy costs. As per the latest analysis in the accompanying Impact Assessment, 1.9 million

[2] The variation in these numbers from those in the original consultation document are due to: updated inflation forecasts; the inclusion of Housing Benefit among the low-income qualifying benefits; and randomness and uncertainty in the model used to calculate the fuel poverty rates.

households would receive a Core Group 2 rebate every year. The Impact Assessment demonstrates that more recipients would receive rebates in the lowest income decile compared to the current, unreformed scheme.[3] The qualifying low-income benefits have been selected as they are means-tested benefits, while households in receipt of Tax Credits must have a household income below a threshold. Five of these have also been part of the mandatory Broader Group criteria, as set out in the regulations.[4]

The Government's objective is to focus the support towards those on the lowest incomes and in or at greatest risk of fuel poverty. To include non-means-tested benefits would mean that higher income households would become eligible for rebates and lower income households would lose out. For instance, including the non-means-tested disability benefits: Disability Living Allowance (DLA), Personal Independence Payments (PIP), and Attendance Allowance (AA), would mean that higher income DLA, PIP, and AA households would displace lower income households, including lower income DLA, PIP, and AA recipients. Based on the Fuel Poverty Statistics 2020 (2018 data), the income threshold for being considered fuel poor was £13,533, while the median income for fuel poor households was £10,184.[5] Our calculations using the underlying English Housing Survey (EHS) data show that the median income of those eligible under the Core Group 2 low-income criteria was around £11,510. This compares to a median income for DLA and PIP recipients of around £14,434.[6]

Our analysis using EHS data shows that 62% of DLA and PIP recipients are also in receipt of one of the listed low-income means-tested benefits, and so would be considered low income under the Core Group 2 criteria.[7] The majority of DLA and PIP households who are not in receipt of a means-tested benefit are in higher income deciles and are therefore less at risk of fuel poverty, if at all. The fuel poverty rates for DLA and PIP recipients in receipt of one of the qualifying means-tested benefits is 41%, compared to 14% for DLA and PIP recipients who are not eligible – lower than the fuel poverty rate of 16% for the overall population.[8]

As per the final stage Impact Assessment, our latest modelling estimates that there will be a reduction in the number of rebate recipients who receive DLA or PIP by 290,000 or 35%. However, looking wider than the receipt of specific disability benefits, more people with disabilities and health conditions, not fewer, will receive a rebate; our analysis models an increase in the number of recipients who declare they have a long-term illness or disability by 160,000, an increase of 12% compared to the current scheme. Furthermore, the proportion of

[3] Warm Home Discount (WHD) - Better target support from 2022 Final stage impact assessment, BEIS040(F)-21-EEL

[4] These benefits and tax credits under the Broader Group mandatory criteria are: Income Support; income-related Employment and Support Allowance; income-based Job Seeker's Allowance; Universal Credit; and Child Tax Credit. Receipt of one of these benefits and tax credits must also be paired with another element from the eligibility criteria, such as parental responsibility for a child under the age of 5 or receipt of a disability or pensioner premium to the benefit. Energy suppliers can apply additional criteria for their Broader Group schemes, subject to Ofgem's approval, with the aim of supporting those in or at risk of fuel poverty.

[5] https://www.gov.uk/government/collections/fuel-poverty-statistics#2018-statistics

[6] Estimated from English Housing Survey 2017/18

[7] Meanwhile the majority of those eligible for a rebate who receive Attendance Allowance (AA), a pension-age benefit, would be in receipt of PCGC Credit and receive a rebate under Core Group 1, rather than Core Group 2.

[8] Analysis of English Housing Survey 2017/18.

rebates received by households with a disability or long-term illness will still be higher than the proportion of the fuel poor population or overall population with a disability.[9]

The Government has decided to keep the Core Group 2 low-income eligibility criteria limited to receipt of one of the specified means-tested benefits or income-capped Tax Credits, rather than other factors which have an impact on households' incomes. This means that the rebates can be focused to those likely to be on the lowest incomes and households can be identified through data matching with DWP benefits and HMRC Tax Credit data.

Universal Credit is replacing three of the proposed low-income qualifying benefits: income-related Employment and Support Allowance, income-based Jobseeker's Allowance, and Income Support. Housing Benefit is also a means-tested legacy benefit that is being replaced by Universal Credit and yet has not been part of the mandatory Broader Group criteria and was not included in the proposals. Housing Benefit was also proposed to be included as one of the qualifying benefits for the future of ECO in the period 2022-2026, which the Government consulted on between July and September 2021.[10]

Therefore, in the interests of treating these legacy means-tested benefits fairly and equally, the Government has decided to include Housing Benefit among the Core Group 2 qualifying low-income benefits. The figures in this Government response and in the accompanying final Impact Assessment reflect, among other factors, the impact of the addition of Housing Benefit to the Core Group 2 eligibility criteria. The final qualifying low-income benefits under Core Group 2 are outlined below; households in receipt of one of these benefits and with high energy costs would be eligible for a rebate.

WHD Core Group 2 low-income eligibility criteria

Income related Employment and Support Allowance

Income based Jobseeker's Allowance

Income Support

Housing Benefit

Universal Credit

Child Tax Credits [11]

Working Tax Credits [12]

[9] Warm Home Discount (WHD) - Better target support from 2022 Final stage impact assessment, BEIS040(F)-21-EEL,
[10] Design of the Energy Company Obligation ECO4: 2022-2026 consultation, https://www.gov.uk/government/consultations/design-of-the-energy-company-obligation-eco4-2022-2026
[11] Households in receipt of Child Tax Credit or Working Tax Credit must be below a household income threshold, adjusted according to household composition ('equivalisation'). The detail of these thresholds will be outlined in a statement of eligibility.
[12] As per footnote 11.

Pension Credit Savings Credit (PCSC) [13]

By combining receipt of a means-tested benefit with the highest energy costs, recipients of the rebate will more likely be fuel poor compared to the current scheme. We note the concerns raised by some respondents about the approach of predicting energy costs based upon property characteristics and using Valuation Office Agency (VOA) data in the first instance. The Government has developed and refined the regression model for predicting household energy costs over the last few years, working with University College London in 2018 and the Office for National Statistics in 2019 to provide quality assurance and improve the methodology. The model assigns a predicted annual energy cost for each domestic property based on the property's type, age, and floor area. In designing this model and selecting VOA data as the primary source for the data, the Government has been guided by the following principles:

- Accuracy: The approach must predict costs which are sufficiently accurate for households. Through testing the model and comparing to the derived energy costs in the English Housing Survey, we have determined that the model predicts fuel expenditure which is accurate to within 10% in nearly half of all cases, 20% in over 80% of cases, and 50% in almost all cases. This provides a good basis for comparing the energy costs between properties and determining those which are above the high-energy-cost threshold.
- Transparency: The approach must be relatively straightforward, so that members of the public seeking to determine their eligibility can understand and engage in the process. Predicting energy costs purely on the basis of three property characteristics ensures the process is as simple as possible.
- Coverage: The approach and data used must cover all residential properties to determine households' eligibility. The VOA dataset covers the vast majority of properties in England and Wales and has all three of the property characteristics for 98% of residential properties in the dataset. The use of alternative data, primarily from Energy Performance Certificates (EPCs) and the Ordnance Survey, to impute the characteristics where it is missing in the VOA ensures an even wider coverage (see question six).
- Robustness: The data must be as accurate and up to date as possible to enable meaningful calculations of energy costs and fair comparisons between households. As outlined in the consultation document, there is a statutory requirement on the VOA to maintain accurate valuation lists for the purposes of determining Council Tax obligations, and the VOA data is more robust than alternative, comparable sources of data like EPCs.
- Consistency and fairness: The approach must predict energy costs which are comparable by being calculated in the same way or similar ways across all properties. This approach ensures that the energy costs for most properties have been derived from VOA data in the vast majority of cases, supplemented only in a smaller number of

[13] However, those in receipt of both PCGC and PCSC will be eligible under the Core Group 1.

cases by EPCs and Ordnance Survey data where available. This ensures that the costs can be compared between properties and determine those with high energy costs.

As raised by respondents to the consultation, factors other than the characteristics of the property also determine heating costs. The Government's view is that the more factors introduced and the more data points included, the weaker the integrity of the model becomes. In particular, while incorporating other data and assumptions reflecting fuel type and individual needs may improve the accuracy of the energy cost calculations and reflect more closely some households' actual expenditure, the other principles may be compromised:

- Transparency: Increasing the complexity of the approach would make it more opaque and difficult for households to provide alternative data where this is missing or effectively challenge our decisions on whether they are eligible for an automatic rebate. This is a crucial element of the scheme; many responses to the proposals argued that this 'sweep-up' process must be as accessible as possible (see question 8).
- Coverage: Incorporating data which does not have sufficient coverage risks penalising or benefiting those missing the data. In addition, there must be alternatives for those households where the primary source of data is missing or incorrect.
- Robustness: In designing this approach, the Government has considered how reliable the data is for individual households. Introducing other factors where there is considerable uncertainty in the data risks falsely awarding or denying rebates to fuel poor households in need of the support.
- Consistency and fairness: The corollary of using data with insufficient coverage is that energy cost scores are not comparable, as different factors and assumptions have been made to calculate them. The Core Group 2 spending envelope is limited and the high-energy-cost threshold set to ensure 1.9 million households receive a rebate each year. It would therefore be unfair to rank households' incomparable energy costs.

One of the most cited factors for higher energy cost was fuel type. The latest fuel poverty stats indicate that fuel costs as well as fuel poverty rates and average fuel poverty gaps are lower among households where gas is the primary source of heating compared to those reliant on electricity or other forms of fuel for heating.[14] The Government considered whether to include household fuel type into the model; this exists in EHS and EPC data, for instance However, it was determined that no dataset exists which is both reliable enough to incorporate into the calculation of individual properties' energy costs with any certainty and sufficiently covers properties in England and Wales such that comparisons can be made.

Another common argument was to incorporate EPCs into the process, where they are available, for instance by excluding properties with high energy efficiency ratings or incorporating energy efficiency measures into the calculations. Valid EPCs are only available for around 50-60% of properties in England and Wales,[15] compared to for the very high

[14] Fuel poverty supplementary tables 2021, https://www.gov.uk/government/statistics/fuel-poverty-supplementary-tables-2021

[15] Energy efficiency of housing in England and Wales, Office of National Statistics, 23 September 2020, https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/energyefficiencyofhousinginenglandandwales/2020-09-23#coverage-of-energy-performance-certificate-data

coverage of VOA data.[16] Whilst we have determined that EPCs can be used in the imputation and sweep-up processes to provide alternative property age, type, and floor area data where it is missing in the VOA dataset, the EPCs do not have the coverage sufficient for incorporating its other data into the model for predicting energy costs. Concerning energy efficiency ratings, as per the accompanying Impact Assessment, an estimated 74% of rebate recipients would be in households with energy efficiency bands D-G, an increase from the current 61%. In particular, 78% of the Core Group 2 recipients would be D-G compared to 57% for the Broader Group. Meanwhile, the vast majority of the remaining households would be in band C rather than A or B.[17] On this basis, the Government does not believe there is a need to filter out properties in the higher energy efficiency bands, and doing so might disincentivise households from applying for an EPC or installing energy efficiency measures, for fear of losing their eligibility for a rebate.

On this basis, the Government has decided to proceed with its proposal to prioritise rebates to low-income households with high predicted residential property energy costs calculated using property age, type, and floor area. The proposals make the best possible use of the data available to better target fuel poor households and enable many more automatic rebates.

Consultation questions			
4	Do you agree with our approach that Government should work with energy suppliers and third-party organisations to ensure there is dedicated support for households with a disability at risk of fuel poverty as part of an Industry Initiative? Please give views on the design and administration of such an Initiative, including the amount of overall funding, the amount of funding available to households, and eligibility.		
Responses:	Yes: 78%	No: 12%	Not sure: 10%

Summary of responses

The vast majority (78%) of respondents supported the proposal to work with energy suppliers and other organisations to provide dedicated support for disabled people under the Industry Initiatives. Support was higher among local government, housing associations, and charities, and lower among energy suppliers. Despite this, a number of respondents had reservations

[16] ONS research linked 96% of the 2011 Census records to VOA data. https://www.ons.gov.uk/peoplepopulationandcommunity/housing/methodologies/valuationofficeagencypropertyattributedataqualityassuranceofadministrativedatausedincensus2021

[17] These energy efficiency bands are FPEER bands (Fuel Poverty Energy Efficiency Rating), which normally incorporate receipt of WHD rebates. These stats exclude WHD rebate receipt from the bands. Warm Home Discount (WHD) - Better target support from 2022 Final stage, BEIS040(F)-21-EEL

and disagreed with elements of the proposal, while a small number of respondents (12%) opposed the proposal outright.

Those who supported the proposal recognised that some people may require more heating as a result of their disability or health condition, and therefore may face additional costs. Several respondents who agreed stated that disability benefits should be included in the Core Group 2 eligibility criteria, in preference to Industry Initiatives support; one charity describe this measure as only a ‘safeguard of sorts’ and argued that it should be mandatory for energy suppliers to contribute and the budget set at £5 million at a minimum. A few respondents who supported the proposal argued that applying for this measure should be as simple as possible and widely promoted. Several respondents stated that the arrangements would have to be closely monitored to ensure disabled peoples’ needs are met.

While a number of respondents agreed that the support should be limited to those on means-tested benefits, a few respondents argued that eligibility should be determined by having a disability and not to the receipt of certain benefits. One charity stated that those with terminal illnesses should also be able to access support through this measure. A couple of respondents argued that this measure should support a wider group of people, including those no longer eligible from the replacement of the Broader Group with the Core Group 2.

Several respondents – both those in agreement and those in disagreement – acknowledged that the limit of support to up to £5 million per year and the requirement to apply would create access barriers for vulnerable individuals. The result would be that support would be awarded on a first-come, first-served basis, which is one of the reasons for replacing the Broader Group. One Industry Initiatives provider argued that tapping into existing civil society networks to deliver these services would be more effective and reduce duplication, while one trade association argued it could be combined with initiatives under the ECO.

While a couple of respondents agreed that the level of support should match that of the Core Groups at £150, a few argued that the level of support should be linked to individuals’ needs or that flexibility should be allowed in exceptional cases. Several respondents argued that other measures such as energy advice and energy efficiency measures should be available as these provide longer-term reductions in energy costs and can be tailored to individual needs.

Although around two-thirds of the energy suppliers who responded agreed with the proposal, they raised a number of fundamental issues. Many suppliers stated that it should not be mandatory for suppliers to participate in the scheme. These suppliers argued that suppliers would be better placed to support their customers with disabilities and other vulnerabilities, including by working with referral partners to identify those in most need. A few suppliers questioned the need for this measure at all, as suppliers can direct their own tailored and holistic support to their disabled customers, both in the form of financial assistance and other measures; one supplier opposed the measure and argued that the proposed cap on financial assistance should be raised to allow them to support their disabled customers through financial assistance. Suppliers also pointed out that ringfencing Industry Initiatives spend, such as on financial assistance and debt write-off, restricts the ability of suppliers to deliver the Industry Initiatives they believe have the most value for their customers. Meanwhile, one supplier explained that a measure run by a third-party organisation would mean that their customers would still not necessarily benefit.

Government response

The Government acknowledges the majority support for the proposal. The intention behind the proposal is to ensure that fuel poor disabled customers, particularly those who may have been eligible under the Broader Group but may not be eligible for a rebate under the Core Groups, could access support when it is needed. As outlined in the response to questions two and three, disabled consumers in receipt of one of the qualifying means-tested benefits have a higher fuel poverty rate than those that do not, and they would be considered low income under Core Group 2.

This consultation question was intended to determine the best possible way to support those who may not be eligible for a rebate and yet, as a result of their disability, are struggling with the costs of heating their home. We recognise the limitations that respondents highlighted of an Industry Initiatives measure providing financial assistance to disabled people. These include:

- Limited funding: The combination of a maximum of £5 million and voluntary participation from energy suppliers would mean that the funding level would not be guaranteed each year and could be oversubscribed. As stated in the responses, suppliers may prefer to support their own customers rather than contribute to a fund administered by a third-party organisation.
- Application based: There may be low awareness that such a scheme existed and may create barriers to some vulnerable people, preventing them from applying. It would also likely mean that financial assistance would be awarded on a first-come, first-served basis.
- Eligibility restrictions: There would be a need to set eligibility criteria to focus the support to fuel poor disabled people. This would reduce its flexibility to support people based on their individual needs.
- Financial assistance: As proposed and modelled on the Park Homes Warm Home Discount scheme, the measure would only provide financial assistance to disabled people.

The Government has reviewed the concerns respondents raised about the risks of duplication with support measures energy suppliers can already provide, including under existing Industry Initiatives. For this reason, we are not in favour of creating a mandatory Industry Initiatives measure into which all energy suppliers must contribute. We will continue to work with interested industry partners and third-party organisations to develop an Industry Initiatives measure providing direct support for people with disabilities and significant health conditions, subject to sufficient interest from energy suppliers.

That said, we agree that other Industry Initiative measures that energy suppliers can already provide, such as energy advice, energy efficiency measures, benefit entitlement checks, and debt write-off, in conjunction with financial assistance, provide a broader range of support with greater benefits over the longer term compared to financial assistance alone. Suppliers are also well placed to provide support to customers who have disabilities or are vulnerable; they are required under their supply licence conditions to achieve the Standards of Conduct, which includes identifying their vulnerable customers, and maintain a Priority Services Register of those customers in vulnerable situations who may require additional support.

The Government has therefore decided that the best approach is for energy suppliers to support their disabled and vulnerable customers through Industry Initiatives. At this time, we are not proposing to introduce quotas for directing Industry Initiatives support towards people with disabilities and health conditions. We do not have evidence about whether fuel poor disabled people are being sufficiently supported by suppliers through Industry Initiatives and the types of Industry Initiative measures that provide the most appropriate support. We have therefore decided that it would be premature to introduce quotas across the measures under Industry Initiatives. However, energy suppliers will be obliged to report to Ofgem the estimated value and proportion of their Industry Initiatives spending that supports fuel poor households where someone has a disability or significant health problems. In order to monitor the amount and types of measures that energy suppliers provide to disabled people, energy suppliers will be required to submit as part of their annual reporting to Ofgem information on the value and proportion of Industry Initiative measures to fuel poor disabled customers.

If the reporting demonstrates that energy suppliers are not sufficiently identifying and supporting fuel poor disabled customers, as evidenced through this data, then Government will review and revisit whether to mandate support to fuel poor disabled customers, for instance through Industry Initiatives quotas or mandatory participation in dedicated Industry Initiatives measures.

Data matching and sweep-up

Consultation questions	
5	Do you agree with the proposed data-matching process, including the data-matching process with energy suppliers, to identify households eligible for the rebate under the Core Group 2 and provide rebates automatically on bills?

Responses: Yes: 69%	No: 12%	Not sure: 18%

Summary of responses

A significant majority (69%) of respondents agreed with the proposed data-matching process to identify households eligible for a rebate under Core Group 2. Those that supported the proposal welcomed that most households would receive their rebate automatically as a result. Respondents raised other benefits, such as reaching consumers not engaged in the energy market, reducing barriers to switching energy suppliers, and reducing the administrative costs to suppliers. One energy supplier explicitly welcomed that the Government would write to eligible households and provide a central helpline service. A few respondents supported the proposal so long as it does not infringe on individuals' right to privacy, the data being shared is kept to the minimum, and that individuals could opt out.

One respondent argued that data-matching rates would have to be sufficiently high to ensure this process was worthwhile. One energy supplier who responded 'not sure' asked for BEIS and DWP to test the Core Group 2 data-matching processes with energy suppliers prior to lowering the supplier participation thresholds, to be assured that the process will work with smaller suppliers. Meanwhile, one respondent asked that Ofgem work with energy suppliers to standardise data formats to improve the data-matching success rates.

Among those who disagreed, the main reasons concerned the eligibility criteria and use of VOA and EPC data, as per questions two and three. One respondent argued that there must be support for those who qualify after the data matching has taken place, the subject of question seven. A few respondents stated that the data-matching was complex and that it needed to be understandable and transparent, while one respondent asked that Industry Initiatives should continue to refer customers into the scheme, as with the current Broader Group.

Government response

The Government acknowledges the support for the proposed data-matching process. Through learning from the high data-matching rates under the current Core Group and testing these Core Group 2 processes between government departments in 2021 and 2019, the Government has achieved high matching success rates, meaning that the majority of eligible households will receive their rebates automatically. Every scheme year, DWP tests the sharing of data with energy suppliers under the current Core Group prior to the final process, and this shall continue with the Core Groups under the reformed WHD scheme. The Government shall therefore proceed with the data-matching process as outlined.

We have considered the comments concerning data protection and privacy. The process has been designed to only share the minimum amount of data necessary for identifying eligible households. Data protection by design and default has been built into the process, and the Government will maintain a data protection impact assessment and data-sharing agreements between partners. The Government intends to include explanatory text about the process in letters to households and on gov.uk and linked to from the webpage hosting the online tool for checking eligibility for a rebate under Core Group 2 (as per questions eight and nine). We will also publish a Privacy Notice on the BEIS website, with a link on the Personal Information Charter page, outlining the processing, the rights of data subjects, and how to exercise these rights, in compliance with the UK General Data Protection Regulation (UK GDPR).

Consultation questions	
6	Do you agree with Government's proposed use of an imputation methodology to fill in missing data or non-matched data to enable rebates to be delivered automatically to a greater number of people?

Responses:	Yes: 69%	No: 10%	Not sure: 21%

Summary of responses

As with the proposal on the Core Group 2 data-matching process (question five), a significant percentage (69%) of respondents agreed with the proposed approach to imputing missing data. These respondents recognised that imputation in the small percentage of cases where data is missing enables as many rebates to be awarded automatically as possible and reduces the need for customers to contact the helpline. Respondents welcomed the sweep-up process as a means of allowing people to challenge the decisions (questions eight and nine).

A few respondents focused on the potential for imputation to lead to inaccurate data, and one respondent highlighted that rebates could be wrongly awarded as a result. A couple of respondents argued that actual data, such as from EPCs, rather than statistically derived data should be used where possible, while another respondent asked that BEIS cross-check data with local authorities, housing associations, and Industry Initiatives providers. One organisation argued that data derived from nearest neighbours may be more inaccurate for rural properties. Meanwhile, one respondent highlighted that imputation would help where property characteristic data was missing, but not where it was available but incorrect, and asked BEIS to investigate how to identify fuel poor households whose property characteristics data is incorrect.

Lastly, a few respondents argued that the imputation should be monitored on a regular basis in order to improve the process each year. One respondent viewed the process as opaque and difficult for consumers to understand.

Government response

The Government has reviewed the responses to this proposal, and given the positive feedback, has decided to adopt the proposed imputation methodology. The imputation process allows us to derive property characteristics data to a high degree of accuracy where this is not fully available in the VOA datasets and allows more eligible households to be identified and receive rebates automatically. The Government has been working with the Office for National Statistics to review the methodology of the imputation process and will consider how to apply any recommended changes to the scheme.

This imputation allows BEIS to adopt a standardised approach to households where the VOA property characteristics data is missing, ensuring that the outcomes and energy cost calculations are fair and comparable to those derived wholly from VOA data. The use of other, actual data could introduce inconsistencies, for instance using different definitions of property floor area, which could favour some households while discriminating against others.

Several respondents raised concerns about the potential for inaccurate data and for rebates to be awarded on the basis of wrong information. The Government considers the sweep up process to be an effective remedy against these risks, allowing households to provide alternative data which is more accurate and up to date compared to the VOA data. Households whose property characteristics have been imputed, whether wholly or partially, will be sent a letter. A low-income household whose energy costs are below the threshold and whose costs have been calculated on the basis of imputed characteristics will therefore be contacted and directed to the helpline should they wish to challenge the decision.

Consultation questions			
7	Do you agree with the proposed approach to setting a qualifying date?		
Responses:	Yes: 79%	No: 8%	Not sure: 13%

Summary of responses

The vast majority of respondents (79%) agreed with the proposed approach to setting a qualifying date for the low-income criteria, recognising that the approach is similar to the current Core Group. Two respondents suggested introducing another fixed date for awarding the rebates, whether in December or January, while two other respondents suggested maintaining an application process for those who may meet the eligibility criteria only after the qualifying date has passed.

There were differing views about the exact date. One respondent suggested the date should stay the same each scheme year while another proposed that the date be reviewed after the first year. Two energy suppliers proposed dates at very different points in the scheme year: one at the start of the scheme year to aid financial forecasting, and the other as late in the year as possible to reduce the risk of households' circumstances changing in between identifying the eligible households and awarding the rebates. Under the current Core Group, when customers eligible for a rebate switch to another participating supplier after the qualification date, the former supplier is responsible for making efforts to provide that customer with the rebate. One respondent asked for clarification on whether this would apply to the Core Group 2.

Among the very few who disagreed, respondents proposed having a rolling process so that households could become eligible at any time throughout the scheme year. This would ensure that individuals who start receiving one of the low-income benefits after the qualifying benefit would not miss out.

Government response

As a large majority of the respondents supported the proposal and given the similarities with the current Core Group, the Government will proceed with the use of a qualifying date as proposed. This qualifying date will apply to the receipt of benefit and residency at an address; a person's eligibility will be assessed according to whether they were in receipt of one of the qualifying benefits on the qualifying date and which property they were living in at the time. The Government will set the qualifying date as close as possible to the data matching commencing each scheme year, in order to reduce the gap between identifying eligible households, matching customers with energy suppliers, and awarding the rebates.

This approach will ensure consistency between Core Group 1 and Core Group 2 customers; households must meet the criteria on a certain date each scheme year to be eligible. The use of a rolling period or a window would complicate the administration of a scheme, as the data matching works by effectively taking a snapshot of benefits receipt on a certain date and the details of which supplier households are customers of. Households whose benefits claim is awarded later in the year but backdated to before the qualifying date and are now eligible are picked up as part of a 'mop up' process, ensuring they can receive a rebate. The use of a qualifying date also makes the process clearer and more accountable for determining which supplier is responsible for ensuring their eligible customers, as of the qualifying date, receive the rebate. If an eligible customer switches supplier after the qualifying date, their former supplier is responsible for contacting their new supplier and ensuring the customer receives the rebate.

Consultation questions			
8	Do you agree with the proposed sweep-up and high-energy-cost verification and challenge process?		
Responses:	Yes: 67%	No: 19%	Not sure: 14%
9	Do you agree with the proposed permitted alternative data sources for proving eligibility for the rebate?		
Responses:	Yes: 54%	No: 26%	Not sure: 19%

Summary of responses

Two thirds (67%) of respondents agreed with the proposed sweep-up and high-energy-cost verification and challenge process. There was a positive response to providing a challenge process for customers and for Core Group 1 and Core Group 2 customers accessing the same central helpline. Most of those who agreed with the proposal emphasised the importance of ensuring that the challenge process is transparent, accessible, and well communicated so that it is as simple as possible for customers to use. There was support across multiple respondents for establishing a clear timetable for the process, providing plenty of time for customers to provide information, and ensuring that rebates are paid as quickly as possible.

Respondents in favour also identified engaging with energy suppliers and third-sector organisations as being key in the first years of the reformed scheme. It was suggested that clear guidance should be provided to energy suppliers on managing customer expectations and directing queries. Multiple energy suppliers highlighted that they expected a high volume of calls, both to their own helplines and the government helpline, in the first year of the scheme. As well as calls from those challenging the rebate decisions, these energy suppliers expected high call volumes from two groups in particular: customers identified as Low Income Low Cost who will not receive a letter from Government; and current Broader Group customers who will not be eligible under Core Group 2. Two charities also noted that, while vulnerable customers and households in need are generally encouraged to contact their energy supplier for support, for the Warm Home Discount they would now need to be encouraged to contact a government helpline. These charities suggested that this could create confusion, resulting in energy suppliers receiving more unhelpful calls and that the process for customers would be slowed down. Two suppliers said they would welcome assurances from the Government that appropriate resources would be in place to manage the potential volume of queries.

A number of respondents expressed concern about the burden that providing evidence would place on potentially vulnerable customers. Respondents proposed a variety of approaches that the Government could take to raise awareness of the sweep-up process, including: utilising a range of communication channels, such as print, telephone, and online; contacting customers more than once as part of any outreach; and working with energy suppliers, charities, local authorities, and housing associations to promote the helpline and challenge process.

Among those who disagreed with the proposal, the accessibility of the sweep-up was a particular concern. Some respondents suggested that the process was too complex to be communicated clearly or, conversely, risks being oversimplified on being explained to customers. These respondents suggested that this could lead some eligible households to not apply, with the scheme being seen as unfair, or too complicated or time-consuming to be worth applying for. Some respondents recommended that inclusive design should be incorporated into the helpline, online tool, and communication methods. Some respondents suggested that vulnerable customers with language difficulties, mental health conditions, and disabilities may struggle to access telephone channels, while others may be 'digitally excluded' and therefore unable to access the online tool.

Both those who agreed and those who disagreed with the sweep-up proposal offered suggestions on changes to the process. The most common was that Government should engage with current rebate recipients and third-party organisations to understand and develop the 'customer journey'; that is, the process and experience of using the helpline. Two other respondents advocated designing the process in accordance with ALGO-CARE, a framework for using algorithms in matters of public policy.

Over half (54%) of respondents were in support of the proposal for permitted alternatives to provide evidence of eligibility, with some welcoming the range of alternatives presented. Like with the responses to the sweep-up process, a key message was that the permitted alternatives needed to be clearly communicated to consumers, energy suppliers and advice organisations.

The main concern raised by respondents was around the cost of EPCs. While several recognised the value of allowing EPCs as an alternative data source, many respondents suggested that the cost of purchasing an EPC was prohibitive, particularly as the customer may then not be eligible for a rebate. Even if an applicant were successful, if it cost £60 to arrange for an EPC, it would be equivalent to 40% of the rebate value in that year. Some respondents noted that vulnerable households were unlikely to already have an EPC, and some may not know what an EPC is. It was suggested that this cost and complexity could discourage potentially eligible customers from applying, despite it likely not being their fault that the data is missing their floor area.

Most respondents who raised this concern provided one of two alternative approaches. The first was that the Government should cover the cost of sourcing an EPC if it was needed, which it was suggested would be beneficial both for the scheme targeting and for wider fuel poverty and greenhouse gas emission reduction targets. The second alternative was that a wider range of alternative sources should be considered, such as allowing customers to provide energy bills or asking energy suppliers to provide annual consumption data to demonstrate actual energy costs. One respondent also suggested that the Government should explore whether there are providers who hold aggregated EPC data.

The accuracy and coverage of EPCs was also a concern expressed by some respondents, with one energy supplier stating that they are not often updated following the installation of energy efficiency measures. Two respondents suggested that expired certificates should be acceptable if the property characteristics were unlikely to have changed. Other respondents also highlighted that EPCs were not available for every property, covering only around 50-60% of households.

There were fewer concerns expressed about the other proposed alternative data sources. Two energy suppliers suggested that Google Street View was also limited, with one of these raising a concern about the difficulties and resource requirements needed to verify evidence through it. Two respondents also questioned the inclusion of Land Registry information, with one suggesting it would be too limited and the other suggesting it would be too complex.

Government response

The Government recognises the positive responses and overall agreement to the proposed sweep-up and challenge process, and the permitted alternative data sources for proving eligibility for a rebate. We will therefore proceed with implementing the sweep-up and challenge process as proposed. As outlined in the consultation, we intend to conduct a range of outreach approaches in advance of the scheme commencement to improve awareness and access to the scheme.

We note that some respondents suggested engagement with energy suppliers to share information on the helpline and how to redirect customer queries. Currently, each scheme year BEIS, DWP and Ofgem work together to provide training materials to energy suppliers covering all aspects of the scheme. DWP have also run induction sessions with newly obligated energy suppliers and arrange a general call with participating suppliers with updates on the scheme year. We intend to follow a similar process in future scheme years, ensuring that energy suppliers receive information on the sweep-up process, and the teams at BEIS, DWP, and Ofgem will be on hand through the scheme year to answer any questions that energy suppliers may have.

The Government also notes the concerns that some respondents expressed about EPC certificates, in particular the cost of the certificates for customers. As outlined in the consultation, EPCs are available for around 50-60% of residential properties. Customers would only need to purchase an EPC in order to demonstrate eligibility where VOA data on the property floor area or property age is not available, where data on property type cannot be derived from Land Registry, or they wish to challenge the VOA data. Following the feedback and having reassessed its appropriateness, the helpline will not use Google Street View to try to determine a property's type; the type can be found in an EPC or in Land Registry data.

Energy bills would not be accepted as part of the permitted evidence, as the bills reflect other factors including the customer's tariff, individual needs, and behaviours around heating, and are therefore not comparable with the energy scores calculated based on property characteristics. In addition, some fuel poor households will underheat their homes by self-rationing their energy usage, so their current usage and bills will not reflect a sufficient heating regime. Allowing energy bills as alternative evidence would therefore introduce other, uncontrolled factors and treat households differently and unfairly.

The Government acknowledges the concerns about the accessibility of the challenge process and the helpline, particularly for vulnerable customers. We have proposed to develop an online tool on gov.uk, to give customers an indicative view of whether their challenge is likely to be successful or not. The tool will include information on how eligibility is determined, the process for challenging this, and what information they will need, such as their address and information about their account with their energy supplier. We have undertaken a discovery phase to investigate the design and accessibility of the challenge process, and we are considering the most appropriate and accessible options as part of procuring the helpline.

Customers will not be expected to provide the helpline with the property characteristic data from the alternative evidence. The helpline will have access to the VOA, EPC, and Land Registry data. Customers may direct the helpline to access this data on their behalf, to calculate the energy costs from the property characteristic data to determine whether the customer is eligible for a rebate. We are exploring ways to protect access to this data in order to improve the data protection and privacy in the process; for instance, through Application Programming Interfaces so that the helpline can access only the minimum amount of data needed. Across 2021 and early 2022, BEIS and DWP conducted an exercise to test the data matching and improve the data-sharing and imputation processes. As a result of these tests, we have refined the cohorts of households under Core Group 2 and will write to the households as per the table below. The Government shall continue to write to Core Group 1 households as under the current scheme.

Core Group 2 household cohorts contacted by letter

Household cohort	Explanation of contact
Low-income households with high energy costs matched with a participating energy supplier. 'Low-income high cost – matched'	The letter will inform these households that they are eligible to receive an automatic rebate and do not need to take any action.
Low-income households with high energy costs not matched with a supplier. 'Low-income high cost – unmatched'	The letter will inform these households that they may be eligible for a rebate and that they may call up the helpline to provide additional details about their energy account. Some may then be matched with a participating supplier and receive a rebate, while others may not be eligible, whether because they are not a customer of a participating supplier or for other reasons.

Low-income households not linked to VOA data. 'Low-income non-matched'	As the Government has not been able to match a DWP benefits record with a VOA record, the letter will inform these households that they may call the helpline to use alternative evidence, in the form of an EPC.
Low-income households with a missing property type. 'Low-income missing variable'	A very small number of properties will not have a property type recorded in the VOA or OS data or will have an inconclusive 'residential' type recorded in the OS data. As a result, we will not be able to determine if they are of an eligible type through the data matching. The letter will inform these low-income households, if there are any, that they may call the helpline to provide the missing property type from an EPC or Land Registry data. Where other property characteristic data is also missing, the household will need to have an EPC to provide this alternative evidence.
Low-income households with low energy costs calculated based on imputed characteristics. 'Low-income low cost (imputed)'	The energy costs of these households will have been estimated based on property characteristics that were not in the VOA data and have therefore been imputed. Although according to the estimated energy costs they would not be eligible for an automatic rebate, the letter will inform these households that they may call the helpline to use alternative evidence in the form of an EPC or Land Registry data.

Overall spending targets

Consultation questions			
10	Do you agree with the proposed overall spending targets for Great Britain?		
Responses:	Yes: 57%	No: 16%	Not sure: 28%

Summary of responses

Over half (57%) of respondents were in favour of the proposed overall spending targets for Great Britain, while only a small minority disagreed. The increase in the spending envelope compared to the current scheme, as well as the annual increases with inflation, was welcomed, particularly to expand the number of fuel poor households the scheme can reach. Respondents highlighted this as especially important given the continuing impacts of COVID-19 for low-income and vulnerable households.

Some respondents proposed that the scheme should be funded through general taxation, instead of through energy bills. It was noted that, although the changes proposed for the Warm Home Discount would only add £5 to dual fuel energy bills, environmental and social policies accounted for up to 23% of the average electricity bill, based on data from Ofgem available at the time. These respondents suggested that funding schemes through energy bills would be particularly detrimental to low-income and vulnerable households. It was also suggested that primarily incorporating these costs onto electricity bills would disincentivise switching to low carbon heating alternatives, particularly as this approach has meant that gas bills have tended to be lower than electricity bills.

Some charities noted that, while the reformed scheme would reach around 3 million households, this would not include all fuel poor households. While recognising the reasons for not increasing the scheme budget further, these respondents called for the Spending Review to focus on funding for energy efficiency improvements for fuel poor households, including guarantees for the Home Upgrades Grant (HUG) and Social Housing Decarbonisation Fund (SHDF).

Other suggestions included: regional spending targets to ensure fair geographic distribution of funds; preventing enforcement action from being taken if energy suppliers fail to meet spending targets; and allowing for flexibility in the spending envelope in the event of unexpected increases in the uptake of PCGC and therefore size of Core Group 1. One respondent called for further analysis of the ‘winners’ and ‘losers’ from the proposed changes.

Of those who disagreed with the proposed overall spending targets, the majority were in favour of increasing the budget further. Some respondents suggested that the COVID-19 pandemic meant that more households need support, with one respondent suggesting a mid-scheme review of the spending envelope to ensure it is sufficient. Two other respondents also proposed increasing the overall spending envelope to allow for a higher rebate amount.

A number of respondents also raised concerns about having a separate scheme in Scotland and requested urgent clarity and collaboration on the scheme given the potential complexities and resulting costs.

Respondents also asked that the Government clearly communicates the increased costs on consumers' bills and the potential for eligibility under the Core Group 2 to change across the scheme years, if the high-energy-cost threshold is moved. Two respondents suggested that the Government should look across other schemes, such as the ECO, HUG and SHDF, to see where overlap of funding may help to reduce fuel poverty further.

Government response

The Government welcomes the positive response to the proposed overall spending targets for Great Britain. We estimate that the expanded spending envelope will enable a further 750,000 households per year to benefit from the invaluable support provided through the WHD scheme, compared to the households receiving a rebate in 2021/22. This will ensure that there is a minimal increase in the costs of the policy on consumers' energy bills. We will therefore proceed with the approach to the overall spending targets, calculating the targets using the latest inflation forecasts prior to setting them in the regulations.

We note that some respondents suggested that the scheme should be funded through general taxation, rather than through energy bills. The WHD scheme has taken this approach since it began in 2011 and has proved to be a successful and cost-effective way of delivering direct assistance to fuel poor households. Our aim is that households use the rebates to either heat their homes in winter to more adequate levels, avoiding self-rationing or self-disconnecting entirely, or to reduce the amount they spend on energy. Reducing consumers' energy bills is therefore a more appropriate means of achieving this, rather than just increasing incomes. The same amount of money reduces energy bills by a greater proportion than it increases income, thereby having a greater impact on fuel poverty. We estimate that the policy costs of the expanded scheme will contribute around £19 to the energy bills of a dual fuel customer account (where the customer provided with electricity and gas from the same supplier), an increase of £5 compared to the current scheme. The Government considers this proportionate, especially with the increase to the size of the rebates, as outlined in response to question 14.

We also acknowledge that some respondents raised questions about a future scheme in Scotland. The Government will consult on introducing a separate scheme in Scotland for the same period at the England and Wales scheme.

We continue to align the WHD with other government schemes, such as ECO, HUG and SHDF. While we support signposting households and referrals to other government support, we do not permit spend to be shared between the schemes, as this would be complex to administer and would risk duplication of funding.

Lastly, we note that there was a suggestion about the flexibility within the overall spending envelope for Core Group 1 customers, particularly in the event that PCGC uptake increases during the scheme years. While the overall spending envelopes will be fixed, as with the current scheme, we will work with DWP to calculate the number of PCGC customers on each scheme year's qualifying date. This figure will be used to decide the Core Group 1 budget size for each scheme year. Once this is allocated, the remainder of the spending envelope will be available for Core Group 2 and Industry Initiatives. At present, DWP also run a mop-up process in the autumn which will capture any PCGC claims that are backdated to the qualifying date, which we will continue to do under the reformed scheme. This ensures that enough funding is available for all Core Group 1 rebates in any scheme year.

Consultation questions

11 Do you agree with the proposed approach to apportionment of the total spending targets to Scotland from April 2022, currently equivalent to around 9.4%?

Responses:	Yes: 48%	No: 16%	Not sure: 36%

Summary of responses

Around half of respondents (48%) of respondents agreed with the proposed approach to apportioning funding between a WHD scheme in England and Wales and a WHD scheme in Scotland. Those in agreement recognised that the approach was proportionate and practical, particularly as it would mean that the cost of delivering both schemes, estimated at £19 per dual fuel customer, would be the same for consumers across Great Britain. One respondent also suggested that this may be the only practical option, given the differing definitions of fuel poverty used in England, Wales, and Scotland.

A key area of concern raised by respondents was around the arrangements for a separate scheme in Scotland. Many respondents, particularly energy suppliers, requested clarity on the WHD scheme in Scotland as soon as possible to allow industry time to plan, given the potential for increased complexity and costs for energy suppliers and consumers. A few respondents expressed disappointment that there had not been a consultation on the WHD scheme in Scotland being run in parallel. Respondents also asked for urgent clarification on the reconciliation processes, including on how this would be incorporated into Default Tariff Cap and price cap calculations, and there were calls for differences between the schemes in England and Wales and Scotland to be minimised. Two energy suppliers agreed that obligations should be calculated on Great Britain-wide market shares. One respondent said that they would be better placed to assess the proposed apportionment once details of the scheme in Scotland are available.

Disagreement with the proposal largely came from third-sector organisations, especially those focussed on Scotland, who suggested that Scotland should be apportioned a higher amount than the proposed 9.4%. These respondents noted that Scotland has higher levels of fuel poverty than England and Wales. Others also noted that Scotland has a colder and wetter climate, and a higher proportion of properties off the gas grid, on prepayment meters, and in remote and rural areas. These respondents suggested that these factors should be considered when apportioning funding. One respondent additionally noted that, in the 2019/20 scheme year, Scotland received 10.11% of WHD rebates. Two respondents also requested consideration of ways to overcome the differences in fuel poverty definitions and data.

Government response

We have taken respondents’ views on the proposed apportionment of the total spending targets to Scotland into consideration. As outlined in the consultation, we estimate that the policy costs for the scheme is £19 per dual fuel customer account, following the increase in the spending envelope. Apportioning spending based on the number of domestic gas and electricity meters therefore enables the costs of the policy to be equally shared across customer bills, regardless of where in Great Britain they live. By contrast, distributing spend based on another metric, such as rates of fuel poverty or current WHD rebate distribution in England, Wales, and Scotland, would lead to a mismatch in the distribution of costs and benefits for customers. It is also in line with our proposal to obligate suppliers under WHD based on their GB customer numbers.

As noted by some respondents, fuel poverty is defined differently in England, Wales and Scotland. Due to this, it is not possible to directly compare fuel poverty rates across Great Britain, and using differing fuel poverty metrics would be an inconsistent basis for apportioning spend as compared to using the standardised metric of domestic gas and electricity meters. We have considered the proposal to use current rebate spend as the apportionment amount. However, we are reforming the WHD scheme in England and Wales to better target fuel poverty and identify those most in need, so it would not be appropriate to base the apportionment on how WHD rebates have been distributed in the past.] In particular, we would note that each energy supplier decides how to administer their Broader Group rebates, usually on a first-come, first-served basis, which means that the distribution of current WHD rebates may not reflect the regional distribution of fuel poverty either between or within England, Wales, and Scotland.

Having considered these alternative approaches and the comparative level of support for the proposal, the Government therefore intends to proceed with apportioning the total spending targets proportionate to the number of domestic gas and electricity meters in Scotland, compared to England and Wales.

We note that a number of respondents requested further details on the future WHD scheme in Scotland. The Government will consult on introducing a separate scheme in Scotland for 2022/23 onwards.

Consultation questions	
12	Do you agree with the proposal to make Industry Initiatives spending mandatory rather than optional?

Responses:	Yes: 92%	No: 2%	Not sure: 6%

Summary of responses

The vast majority (92%) of those who responded to this question were in favour of the proposal to make Industry Initiatives spending mandatory. Many respondents praised the range and value of support that Industry Initiatives provide for low-income and vulnerable households, including those at risk of self-disconnection, beyond rebates. The flexibility of Industry Initiatives was also recognised as enabling suppliers and Industry Initiatives providers to target households in need and adopt a more holistic approach to tackling fuel poverty, as well as meeting greenhouse gas emissions reduction targets. Some noted that this would provide greater consistency for customers and energy suppliers, while others highlighted that the current process has led to innovation, which would be driven further by mandating participation. There was also recognition of the benefits for energy suppliers, including providing energy suppliers with a better understanding of vulnerable households, encouraging better partnerships between industry and the third sector, and providing more accountability for energy suppliers to support vulnerable customers. It was also noted that mandating Industry Initiatives could help those households who may no longer be eligible for a rebate as a result of replacing the Broader Group with Core Group 2, including those not on means-tested benefits.

A few energy suppliers participating in the current WHD scheme noted that newly obligated energy suppliers, particularly smaller ones, may find setting up their own Industry Initiatives challenging. However, they highlighted that there were a range of multi-supplier schemes currently run by third-party organisations, such as AgilityEco and Charis Grants, which would provide an easy and valuable alternative route to setting up their own.

Some respondents caveated their support for the proposal. Some energy suppliers opposed the maximum and minimum spending caps on certain activities, suggesting that this restricts their flexibility to target support. One energy supplier suggested that the Government considers if there was enough industry capacity to reach the new higher total Industry Initiatives spending targets. However, another suggested that the total targets may not be enough, given the potential for immediate demand, and recommended flexibility in the eligibility criteria or spending caps on individual activities.

A few charities recommended reviewing current Industry Initiatives, particularly to focus on what they called a ‘postcode lottery’ for where support was geographically distributed. There were also suggestions of allowing crossover of spend on energy efficiency measures with

ECO, and providing incentives, such as optional Industry Initiatives participation, for energy suppliers who are investing in green technology.

Several respondents additionally referenced the important role that Ofgem should play in inducting newly obligated energy suppliers and particularly for introducing new suppliers to third-party delivery partners. One respondent proposed that a list of 'trusted' partners could be created, which energy suppliers could use instead of having to procure providers for specific projects. There was also a suggestion of expanding the audit process to ensure that Industry Initiatives were providing value compared to spending the equivalent amount on rebates.

Of those who were uncertain, concerns were raised about Industry Initiatives that could run beyond the end of the scheme year, ensuring access to Industry Initiatives regardless of a customer's energy supplier, and whether costs for employing staff to run Industry Initiatives could be counted.

Government response

The Government welcomes the recognition of the valuable support that Industry Initiatives provide, and notes the positive response to this proposal. We will take forward the requirement to make Industry Initiatives spending mandatory from 2022/23.

We acknowledge that some respondents expressed disagreement with minimum and maximum caps on certain activities. The Government believes that minimum spending obligations are proportionate for ensuring that support is available for at-risk groups, such as those with PPMs at risk of self-rationing or self-disconnecting. Meanwhile, maximum spending targets ensure that Industry Initiatives as a whole can continue to provide a range of support both short- and long-term, and to avoid certain measures being disproportionately favoured as they are easier to deliver. We address these concerns for specific Industry Initiatives measures in further detail in the questions below.

The Government welcomes the recognition of the importance of Ofgem in onboarding newly obligated suppliers. Under the current scheme, DWP, Ofgem, and BEIS work together to create training materials, and deliver individual and group sessions for all participating energy suppliers, including those who are new to the scheme. This includes information about Industry Initiatives and the multi-supplier schemes that are available. We will continue to provide support to newly obligated and returning energy suppliers, particularly to ensure that they are aware of the changes to the scheme.

Consultation questions

13 Do you agree with the proposed approach to use Industry Initiatives targets to balance the spending uncertainties created by the two Core Groups, through an adjustment before the start of the scheme year and a further, more limited adjustment in year,

which are capped at £10 million from the Industry Initiatives' base spending obligation each scheme year?

Responses:	Yes: 29%	No: 40%	Not sure: 31%

Summary of responses

The response to the proposed adjustments to Industry Initiatives to balance out over- or underspend from the Core Groups was mixed but negative overall, with less than a third (29%) of respondents agreeing with the proposal. Those in favour suggested that the proposal seemed practical and offered flexibility for spend on rebates. However, a few respondents who supported the proposal also emphasised the need to avoid volatility, for instance by adjusting the high-energy-cost threshold to provide more accurate forecasts at the start of the year, or by giving energy suppliers greater flexibility to over- or underspend on Industry Initiatives by 10%.

The majority of respondents raised concerns about the level of uncertainty that the adjustments could cause for planning and delivering Industry Initiatives, which some argued could reduce their innovation and effectiveness. This uncertainty was identified as being particularly problematic for Industry Initiatives delivery partners, but also for energy suppliers and multi-year Industry Initiatives.

The mid-scheme year adjustment was identified as a key concern, with respondents suggesting it could lead to sudden and short-lived increases or decreases in funding for programmes, which could require delivery partners to scale up or scale down delivery at short notice. Given that a significant portion of delivery partners are charities, it was suggested that they may not have the resources to be able to do this. It was also noted that in-year changes could prevent energy suppliers from committing to funding at the start of the scheme year, which would increase risks for delivery partners and add costs for delivering schemes if these risks were then incorporated into delivery contracts. A few charities also noted that delivery partners are currently not allowed to begin work on Industry Initiatives before a contract is in place, meaning that charities must already take on some risk to reserve additional capacity in case of changes in demand, which they suggested would be exacerbated by the proposal.

The size of the potential Industry Initiatives adjustment, at £10 million per scheme year, was also questioned by some respondents, who suggested it was too high. Many delivery partners, as well as some energy suppliers, noted that this cap was a quarter of the proposed Industry Initiatives budget for 2022/23. Some respondents added that the caps on specific activity types, such as for financial assistance and debt write-off, could mean that any adjustments would be unevenly distributed across activity types. They stated that these capped activities could use up to £20 million of the Industry Initiatives funding, which would mean that, if a £10 million reduction were to take place in the 2022/23 scheme year, only £10 million would be left available for other activities such as energy advice and energy efficiency measures.

Some alternatives were proposed. The most common suggestion was to fix the Industry Initiatives budget at £40 million per year and offset any rebate overspends or underspends against the future years' budgets, which are increasing with inflation. Some of these respondents also called for adjustments to only be made in advance of each scheme year, rather than during it, suggesting that this would provide greater certainty by having a minimum funding amount for each scheme year. Multiple respondents also suggested capping the potential adjustment at £4 million or £5 million instead. One organisation proposed maintaining the current rebate value of £140 and adding the resulting £30 million to Industry Initiatives. Only one respondent called for the adjustment cap to be increased.

Government response

The Government notes the mixed response to this proposal and alternative approaches. We particularly note the concerns raised about the proposed in-year adjustment and recognise that having a single pre-year adjustment would provide much greater certainty for delivery partners and energy suppliers, without the need for adjusting the delivering of Industry Initiatives in year. The range of measures delivered through Industry Initiatives provides valuable support for low-income and vulnerable households, and we are keen to ensure that this element of the scheme continues to run effectively and delivers for customers. The Government will therefore not proceed with the proposed £5 million in-year adjustment of Industry Initiatives funding.

As noted by some respondents, an adjustment to the Industry Initiatives budgets can help cater for variations in the number of rebates each scheme year. We will proceed with the proposed £10 million adjustment in funding as proposed, functioning as a buffer against under- or overspend in the Core Groups. Without the in-year adjustment, this will provide greater certainty for energy suppliers and delivery partners in advance of the scheme year. Under the current scheme, the Government adjusts the non-core obligation – comprising the Broader Group and Industry Initiatives – to account for variations in the Core Group rebate spending. This proposal follows the same principle, but introduces the £10 million cap to protect the Industry Initiatives budget from exceptionally large overspends or underspends in the Core Group 1 and 2 budgets. If a pattern of considerable underspending or overspending develops and the adjustments to the Industry Initiatives budget proves inadequate to offset these, as outlined in the consultation document, the Government will consider whether to adjust the high-energy-cost threshold to manage the number of rebates awarded under Core Group 2.

Consultation questions			
14	Do you agree that the value of the rebate should be set at £150 for the duration of the scheme and that payment of the rebate should be as per current rules?		
Responses:	Yes: 44%	No: 33%	Not sure: 23%

Summary of responses

More respondents (44%) agreed with the proposal to increase the value of the WHD rebate to £150 than disagreed. Those in favour recognised the real terms increase in value this would bring to low-income and vulnerable households. Some respondents noted that the £150 value balanced providing significant support to households with expanding the scheme to more households. Other respondents suggested that the proposal was sensible given the expanded overall scheme spending envelope and the proposed increase in delivery costs, estimated at £5 per dual fuel energy bill.

Although in favour, respondents provided further suggestions, such as retaining the ability to review and amend the rebate amount over the four years of the scheme, and having an additional uplift for certain households, such as those that are remote or not on the gas grid. Two respondents also proposed prioritising increasing the scheme’s fuel poverty targeting rate.

The majority of those who disagreed with the proposal, and some of those who were not sure, proposed retaining the WHD rebates at £140. These respondents suggested that the additional number of households who could benefit from the scheme outweighed the benefit of an additional £10 for those households who would be eligible for a £150 rebate, with the resulting savings either being used for more Core Group 2 rebates or increasing the funding for Industry Initiatives. Two respondents suggested a phased increase from £140 to £150 from 2022 to 2026.

Some other respondents suggested that an increase of the WHD rebates to £150 was not enough, with four specifically calling for a higher increase. Several noted that £150 towards energy costs could quickly be used up, particularly following the increase in energy bills following the changes to tariff caps and the end of the COVID-19 Universal Credit uplift. While not calling for a further increase, other respondents requested evidence on why the £150 amount for the WHD rebate had been chosen.

There were also suggestions that flexibility should be built into the rebate amount. Most respondents who suggested this called for regular review of the rebate amount across the four years. It was proposed that the rebate amount could be linked to average bill increases or to the Retail Prices Index. Other respondents also proposed that, instead of being a fixed £150 per household, the rebate amount itself should vary according to household need, taking into account household size and energy use.

A few respondents proposed that the changes should be clearly communicated, including about the proposed £5 increase on energy bills and informing energy suppliers of any future planned increases.

Government response

The Government acknowledges respondents’ views on the rebate amount. While we recognise that some respondents were in favour of maintaining the current £140 WHD rebate value and others were in favour of a rebate value higher than £150, we note that a greater number of respondents were in favour of the proposal and we will therefore proceed with setting the rebate value at £150. This will balance providing meaningful support to households with ensuring that as many households as possible will be able to benefit from the scheme. Combined with the increase in the scheme spending envelope, we estimate that an additional 750,000 households will be able to receive a £150 rebate on their energy bills.

Regarding the suggestion for varying the level of the rebate for households not on the gas grid, in rural areas, or according to individual need, there are numerous factors which have an impact on household heating costs. In abiding by the principles outlined for the use of property characteristic data to estimate energy costs in the response to question 3 above, we consider it fairer to set the level of the rebate at the same amount for all households.

Consultation questions			
15	Do you agree with the proposal to keep the scheme year as now, running from April to March?		
Responses: Yes: 93%	No: 3%	Not sure: 3%	

Summary of responses

Almost all (93%) of respondents who provided an answer to this question were in favour of maintaining the current scheme year dates of April to March. There was recognition that this timeline enables payment of rebates during the winter, when support is needed most, and runs in parallel with the financial year and other schemes and obligations. Some respondents also highlighted that maintaining current dates was administratively simpler and less confusing for customers.

Some respondents requested urgent clarity on the timings of a separate WHD scheme in Scotland. Others focussed on payment dates and suggested that energy suppliers should be required to complete rebate payments earlier, aided by the proposed data matching. One consumer advice organisation called for multi-year Industry Initiatives funding to be prioritised by Ofgem fast-tracking the approval of long-standing activities and partnerships. Meanwhile, two organisations called for Government to confirm the dates and other details of the scheme as early as possible with suppliers and third-party organisations.

One respondent who answered ‘not sure’ suggested moving the eligibility dates earlier to the autumn. There were only two respondents opposed to the proposal. One suggested that the rebates should be paid earlier, while the other proposed that the WHD should be a continuous rolling scheme, with a discount of a fixed percentage for households as long as they qualify.

Government response

The Government welcomes the positive response to this proposal and will therefore proceed with keeping the scheme year as it runs now, from April to March.

We note that some respondents proposed earlier payment dates of the rebates. Administering the scheme is a large undertaking, with long lead times to complete the data matching. As with the current Core Group, the Government works with energy suppliers during the summer to match data and identify eligible households. Energy suppliers will then be responsible for issuing rebates to eligible households. While we encourage energy suppliers to make the payments as early as possible in the winter, suppliers generally credit the rebates to customers between October and March according to their processes, payment arrangements with their customers, and the number of rebates to be issued. The Government believes that this delivery timetable works well in enabling energy suppliers to provide a significant volume of rebates to customers around wintertime, while taking these lead times into account.

We also acknowledge that some respondents asked further questions about the separate WHD in Scotland from 2022. We have provided a more detailed response to this in question 11.

Industry Initiatives

Consultation questions			
16	Do you agree that spending on the provision of financial assistance with energy bills to households particularly at risk of fuel poverty should have a minimum spend of £5 million overall, with an overall cap of £10 million? If you think an alternative minimum and/or maximum spend should be set, please provide your reasons.		
Responses:	Yes: 28%	No: 44%	Not sure: 28%
17	Do you agree that such financial assistance should continue to be capped per household per scheme year? If so, should this be capped at £150, or at a higher level?		
Responses:	Yes: 48%	No: 31%	Not sure: 21%

Summary of responses

Almost half (44%) of respondents disagreed with the proposal to introduce a minimum overall spend of £5 million on financial assistance and a maximum overall cap of £10 million.

Those who agreed recognised that financial assistance will be particularly important to help households recover from the COVID-19 pandemic. Two respondents suggested the minimum and maximum caps could provide stability, give industry an incentive, and ensure fair spending across the country. The emphasis on customers with prepayment meters and those at risk of self-disconnection was welcomed, though two respondents in favour called for targeting of other groups, namely any Broader Group customers who are no longer eligible under Core Group 2 and households awaiting installation of heating measures through Industry Initiatives, due to the time needed for whole house assessments under PAS2035:2019 standards.

Some further suggestions were given, including increasing the caps in line with the Retail Price Index; reviewing spending either annually or in-year and adjusting the caps if needed; and requiring energy advice tailored to households with prepayment meters to be delivered alongside. One respondent also suggested that the Industry Initiatives overall cap for the 2021/22 scheme year should be increased, due to the potential demand related to COVID-19, and that this could be funded out of overall cap reductions in subsequent scheme years.

The most common reason given by those who disagreed was that the caps would restrict the ability of energy suppliers to tailor their Industry Initiatives support to their customer base. These respondents noted that the numbers of vulnerable customers varied significantly between energy suppliers and that financial assistance may not be the best solution in each individual circumstance. Other respondents highlighted that this would impact on the amount of funding available for other measures, particularly when combined with other caps, like those proposed on debt write-off. Some respondents argued that financial assistance should not be prioritised over other measures that may provide longer-term solutions to fuel poverty.

A number of respondents opposed to the proposal, and one in favour, expressed concern about the administrative burden the minimum cap could create, particularly for smaller energy suppliers when participation thresholds are reduced to 1,000 customer accounts from 2023/24. These energy suppliers will not necessarily have participated in the scheme before, with one respondent urging caution as the cost of delivery for these smaller suppliers to meet the minimum cap may be larger than their financial assistance obligation. Other respondents noted the similarities between the proposed minimum spend and the current Broader Group minimum, which they suggested could lead to energy suppliers having to search for enough eligible customers to support. Two respondents also suggested that financial assistance was just a duplication of the rebates provided through Core Group 1 and Core Group 2 and questioned why it was necessary.

The level of the cap was discussed by some respondents. Some argued that the number of households that could be supported under a £10 million cap seemed to be quite low, particularly as they expected demand would be high from current Broader Group recipients no longer eligible under Core Group 2. There was a range of options proposed as alternative solutions, the most common of which was removing the minimum cap. For the maximum, respondents proposed that it should be reduced to as low as £1 million; maintained at current levels; set at a higher level with suggestions of £15 million, £20 million, or £250 million; or removed entirely. Some also called for the cap level to be flexible, with the potential for it to be increased if necessary.

There were also suggestions that financial assistance should be integrated into wider holistic support, and that the financial assistance application process should be clearly communicated.

Around half (48%) of respondents agreed that individual financial assistance payments should be capped at £150, the same level as rebates. Respondents commented that they want to see financial support provided to as many households as possible within a limited budget. Some charities pointed to other grants and support, such as energy efficiency measures, available and suggested that vulnerable households should be signposted to those services in addition to receiving up to £150 of financial support.

Of the 31% of respondents who disagreed, the majority suggested that financial assistance should either be capped at a much higher level, or not capped at all, in order to provide energy suppliers with greater flexibility to support vulnerable consumers. Several respondents said £150 may not be enough to provide the necessary support in every situation. Suggestions included having a flexible approach that allowed for payments over the cap amount in exceptional circumstances, or that the maximum amount available should depend on households' energy bills or incomes, rather than having a flat cap. Some respondents noted that the maximum level of debt write-off is £2,000, thirteen times higher than the maximum amount of financial assistance for households not currently in debt, and suggested that preventing households from getting into debt in the first place is a more effective strategy for supporting vulnerable consumers. These respondents suggested that third-sector partners could be used to approve certain households to receive more than £150 in assistance.

Two respondents suggested that recipients of rebates through Core Group 1 or Core Group 2 should also be able to receive an additional £150 of assistance.

Government response

Financial assistance is a valuable and flexible means of reaching households in need, and in particular those households in, or at risk of, self-disconnection, which particularly affects households on PPMs. As outlined in the consultation, we do not intend to change the eligibility criteria for financial assistance payments. In order to be eligible for financial assistance payments, households must be wholly or mainly in fuel poverty and be:

- living in homes off the gas grid;
- living in a household with a person who has significant health problems or a disability;
- living in communities wholly or mainly in fuel poverty; or
- supplied with gas or electricity through a prepayment meter.

Within these groups, we encourage suppliers to focus support on households in emergency situations, such as a household which does not have sufficient credit or has a broken heating system which is forcing them to use more expensive temporary heating.[18] Given the current situation in the energy market and high energy prices, the increase in disconnections over previous years, and the continuing impacts of COVID-19 on low-income and vulnerable households, we are keen to ensure that support is available to these households. Financial assistance offers a flexible and immediate means of doing this.

We acknowledge the concerns about the levels of financial assistance permitted, particularly the £5 million minimum obligation, impacting on energy suppliers' ability to deliver Industry Initiatives flexibly and tailored to their customer base, especially given that there is variation in the numbers of vulnerable customers between energy suppliers. However, £5 million represents just one-eighth of the proposed Industry Initiatives budget for 2022/23. As Industry Initiatives are to be made mandatory with spending obligations for each participating supplier and more energy suppliers will be participating in the scheme, we are confident that there will be enough demand to meet this level. We would also emphasise that the £10 million cap is a maximum and not a target, so energy suppliers may choose to meet their minimum financial assistance obligation and use the remainder on other activities.

We note the concerns raised about the administrative burden that the caps could place on energy suppliers, particularly smaller and newly obligated energy suppliers. The relative administrative simplicity of financial assistance compared to other Industry Initiatives means financial assistance represents a valuable route for smaller and newly obligated energy suppliers to meet their wider Industry Initiatives obligation. Energy suppliers can choose to

[18] Warm Home Discount Scheme 2021/22 consultation, https://www.gov.uk/government/consultations/warm-home-discount-scheme-2021-to-2022

deliver financial assistance through third parties, such as charities, which provides a useful avenue where a supplier may have difficulty identifying their own eligible customers. As with other Industry Initiatives activities, administrative costs can be attributed to the Industry Initiatives obligation; energy suppliers should include details of administrative costs being attributed, as well as confirmation of any costs that are not being attributed, in their Industry Initiatives notification to Ofgem.

We will therefore proceed with the proposed minimum obligation of £5 million and the maximum cap of £10 million for financial assistance from 2022/23.

We note the support for the value for the cap on individual financial assistance payments to match the rebate amount, and we therefore intend to proceed with capping the financial assistance payments at £150 to maximise the number of households that are able to access this valuable support.

For the 2021/22 one-year scheme extension, we removed the restriction on providing financial assistance payments to rebate recipients. This was due to concerns that eligible vulnerable households were refusing financial assistance payments in the hope that they would later receive a rebate. We are not reintroducing this restriction, which means that eligible households in receipt of Core Group 1 or Core Group 2 payments can also receive financial assistance payments .

Consultation questions			
18	Do you agree that a £3 million portion of the energy debt write-off cap should be reserved for customers with pre-payment meters (PPMs) who are self-disconnecting or are at risk of self-disconnecting?		
Responses:	Yes: 40%	No: 42%	Not sure: 18%

Summary of responses

There was a nearly even split in responses to this proposal, with 40% of respondents agreeing with reserving £3 million of the energy debt write-off cap for prepayment meter (PPM) customers who are self-disconnecting or at risk of self-disconnecting. Those who were supportive of the proposal reiterated the need to support customers in, or at risk of, debt due to its cyclical nature and noted that PPM customers as a group are specifically in need of protection, particularly given price cap changes. One respondent, who was supportive of this proposal, suggested that long-term affordability issues for PPMs should be addressed beyond the scheme.

A variety of reasons were given by the 42% of respondents who disagreed with the proposal. Multiple energy suppliers expressed concern that this proposal would create an additional administrative burden, with associated costs, and make it harder for energy suppliers to target their customers most in need. One respondent suggested that some of the data used to identify these customers could be seen as intrusive. Respondents proposed that support should be based on individual circumstances and that this restriction would not enable the flexibility required to identify and support those most vulnerable.

A few respondents suggested that support should not be based on payment method, with one respondent stating that being on a PPM should not be used as a proxy for vulnerability. There was also some discussion of the proposed amount. A few respondents said that £3 million was too much and not reflective of the proportion of customers using PPMs compared to other payment methods. By contrast, one respondent stated that £3 million was not enough. Separately, another respondent stated that they supported having a write-off fund for customers with PPMs as a distinct Industry Initiatives fund, separate to the debt write-off cap.

Some respondents expressed concern that this proposal could create an unintended incentive for energy suppliers to move more customers onto PPMs as a means of reclaiming debt owed by customers through debt write-off under the industry Initiatives, and therefore more customers could end up on higher energy tariffs.

Several respondents asked for further clarification on the proposal, including how the proposal would work in practice. Respondents suggested that energy supplier portfolios vary and asked whether suppliers would have an individual debt write-off obligation, and what would happen if the supplier had few, or no, PPM customers. Multiple respondents additionally asked for clarification around what debt types would be included under this proposal, noting that some were not eligible for write-off under the current licence conditions wording. A couple of respondents asked for confirmation of which households would be eligible and how they would be identified. A few respondents who responded 'not sure' asked for more evidence that this was the most effective way of supporting vulnerable households, with evidence on the impact on customers on different payment methods and to demonstrate that the caps would not result in unmet need.

There were also suggestions that the fund should not be limited solely to debt write-off. These respondents proposed allowing funding of alternative measures for PPM customers including: energy advice and support, with debt repayment options as part of this; financial assistance payments; and energy efficiency measures.

Government response

The Government acknowledges the mixed response to this proposal. The Sustainable Warmth strategy identified PPM customers as being particularly at risk of living in a cold home after self-rationing or self-disconnecting from their PPM.[19] Ofgem have consulted extensively on self-disconnections among PPM consumers.[20] PPM customers are also generally more likely to be in fuel poverty than those on other payment methods; 29.1% of households with PPMs as their electricity payment method were identified as fuel poor, compared to 18.0% of those

[19] Sustainable Warmth strategy, p.41.
[20] Ofgem, 'Self-disconnection and self-rationing: decision', https://www.ofgem.gov.uk/publications/self-disconnection-and-self-rationing-decision

on standard credit and 10.2% of those on direct debit. For gas payment methods, a similarly higher proportion of households with PPMs as their payment method (27.7%) were identified as being fuel poor compared to those on standard credit (17.1%) and direct debit (10.0%).[21] As outlined in the consultation, debt write-off can be a particularly valuable means of supporting customers who are self-disconnecting or at risk of self-disconnection, which particularly affects customers with debts on PPMs. To ensure that there is meaningful support for PPM customers, we intend to proceed with the proposed ringfencing within the maximum £6 million of debt write-off of £3 million for PPM customers. This £3 million ringfencing is not a minimum obligation on suppliers; it simply limits the amount of debt write-off to customers who are not on PPMs to £3 million of the £6 million cap.

In response to the clarification on how this will work in practice, Ofgem will notify energy suppliers of their share of the overall £6 million debt write-off cap. The ringfence effectively means that there will be an overall cap of £3 million debt write-off to customers who are not on PPMs. Suppliers will therefore receive a notification of their share of the £3 million cap for non-PPM customers. A supplier may choose to spend their entire amount of their share of the £6m debt write-off cap on PPM customers. Alternatively, a supplier may spend all of their debt write-off on non-PPM customers, up to their share of £3m, and none on PPM customers. As there is no minimum obligation on debt write-off, energy suppliers are not obliged to deliver any debt write-off through the WHD and can choose to deliver their Industry Initiatives obligation through other measures.

We note the concerns around creating an unintended incentive for energy suppliers to move customers onto PPMs for the purposes of reclaiming debt. This incentive does unfortunately already exist beyond the WHD, as moving customers onto PPMs is used in some situations to reclaim debt from customers. However, the updated Ability to Pay principles in energy suppliers' licence conditions require energy suppliers to determine customers' ability to pay and to have affordable repayment plans for these customers. Ofgem monitors consumer outcomes in this area, through a PPM request for information (RFI) and regular Social Obligations Reporting data from energy suppliers relating to vulnerable consumers. Ofgem also monitors sector performance on identifying and supporting vulnerable consumers, including those who are self-disconnecting.

Consultation questions			
19	Do you think that the cap on debt write-off should be reduced from £6 million to £5 million overall, and from which scheme year should this take place?		
Responses:	Yes: 15%	No: 65%	Not sure: 20%

[21] Fuel poverty detailed tables under the Low Income Low Energy Efficiency (LILEE) and the Low Income High Costs (LIHC) indicators (2019 data), tables 31 and 32: https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2021

20 Do you agree that the individual debt-write off cap should continue to be capped at £2,000? If you think an alternative cap should be set, for instance more in line with average energy debt levels, please provide your reasons.

Responses: Yes: 54%	No: 32%	Not sure: 14%

Summary of responses

The majority (65%) of respondents disagreed with reducing the overall debt write-off cap from £6 million to £5 million, largely noting that the current cap enabled more support to be given to vulnerable customers. Many of these respondents referred to COVID-19 and its impact on households. Some noted that a number of other Government COVID-19 support schemes were ending and suggested that this was therefore not the time to reduce the cap, with one respondent suggesting it should not be reduced before 2026. A few respondents proposed that the cap should be increased instead, especially in light of increasing fuel prices, with one suggestion for £10 million for 2022/23.

Among those who disagreed, only one respondent suggested that the cap should be set lower, at around £3 million, with a focus on prepayment meter customers at risk of self-disconnection. Meanwhile, other respondents provided further suggestions. One consumer advice organisation called for debt advice to be provided where debt is being written off, to provide a longer-term and tailored approach to each customer’s situation. Other suggestions included allowing charities to decide who needs the support rather than energy suppliers and undertaking further analysis of the impact that reducing the cap would have on people with disabilities.

The most common reason given by those who supported a reduction in the cap to £5 million was that there were other support options, such as financial assistance payments, that were available to customers and that the lower cap would increase the flexibility of support options to customers. One respondent suggested that debt write-offs should be limited to one per household.

The majority (54%) of respondents agreed with the proposal to continue the individual debt write-off cap of £2,000. Most of those in favour said that this would allow for meaningful assistance to be provided while maximising the number of households supported. One charity noted that the cap should not be based on average energy debt, and that this £2,000 value should enable more significant support to those who need it. Some also noted that there were alternative methods that could be taken to remove the debt where it was higher than the cap amount, such as energy suppliers funding a write-off themselves or supporting the customer in getting a charitable grant to do so.

Some of those in favour provided other suggestions, including: reviewing the cap annually; introducing a 5% headroom where that amount could clear a customer’s total debt; requiring the provision of smart meter advice, energy advice, and income maximisation support to enable a long-term solution; and aligning WHD and ECO more closely.

Several respondents who disagreed with the proposal were in favour of an individual cap but questioned the proposed cap amount. Some suggested that £2,000 was not enough, noting that in some cases, such as a long-term illness, debt can be considerably more. Contrastingly, some respondents also suggested that this cap is too high compared to the average debt of around £400. One respondent proposed a £1,000 cap instead. A few other respondents suggested that the individual cap was an unnecessary restriction.

Several respondents agreed with the capping approach but expressed a preference for having flexibility for payments over the £2,000 cap in exceptional circumstances. Examples of potential exceptional circumstances proposed included terminal illness, risk of suicide, and a disability that requires energy to run equipment.

Government response

The Government acknowledges the views provided by respondents on whether to maintain the current debt write-off cap of £6 million or to reduce it to £5 million. Given the majority of respondents were opposed to reducing the cap, and the value that debt write-off can provide for vulnerable households, we will maintain the current £6 million cap for debt write-off. This will ensure that low-income and vulnerable households, particularly those who are at risk of self-disconnecting and self-rationing, are able to access this support.

We will proceed with maintaining the current individual debt write-off cap of £2,000 per household. We note most respondents were in favour of this cap being maintained. £2,000 strikes a balance between providing valuable support for households and reducing the risk of write-off of historic or 'bad' debt. As emphasised in the 2020/21 extension consultation when the cap was initially introduced, where an individual debt is greater than £2,000, energy suppliers can still count up to £2,000 of write-off towards their Industry Initiatives spending obligation.

We note the calls for additional flexibility in the £2,000 cap limit in exceptional circumstances. However, as outlined when the cap was first introduced, an individual debt is likely to be the result of wider financial challenges that require a solution beyond the Warm Home Discount. Under their licence conditions, energy suppliers are required to check customers' ability to pay and have affordable repayment plans available. We would therefore expect that energy suppliers would provide holistic assistance in line with these requirements.

The Government has also considered the suggestion of requiring debt advice to be offered alongside any debt write-off measure. We recognise that this would provide value for customers and energy suppliers and would ensure that customers are provided with longer-term support. It has been a requirement under the current scheme that any debt write-off is part of a package of measures aimed at providing long-term relief from fuel poverty. We therefore expect any provision of debt write-off to be accompanied by wider debt and energy advice.

Consultation questions			
21	Do you agree that the installation of mains gas boilers to replace existing boilers that have ceased to function properly should only be permitted in households with a specific vulnerability to cold, as outlined?		
Responses:	Yes: 58%	No: 32%	Not sure: 9%
22	Do you agree that boiler replacements should be limited to £8 million per scheme year from 2022/23?		
Responses:	Yes: 42%	No: 28%	Not sure: 30%

Summary of responses

Over half of respondents (58%) to question 21 were in favour of the Government's proposal to only allow mains gas boilers and central heating systems that have ceased to function properly to be replaced in households with a specific vulnerability to the cold, under half of respondents (42%) to question 22 were in favour of the proposed £8 million cap on boiler replacements.

The most common reason for supporting limiting mains gas boiler and central heating system installations was the recognition that decarbonising heating is necessary for achieving net zero targets, and therefore such installations should only be permitted in very limited circumstances. Respondents argued, however, that repairs of fossil fuel boilers or central heating systems should be able to continue and should be prioritised over replacements where possible, so that no one is left behind in the transition to net zero. These proposals were mainly supported in the short term, as respondents acknowledged the currently limited options for low-cost, low-carbon alternatives to gas boilers and central heating systems. However, these respondents suggested that mains gas boiler replacements should be kept under review as technology improves.

The main concerns among those opposed centred on the affordability and running costs of low-carbon heating systems, particularly for households experiencing financial hardship who may not be deemed vulnerable to the cold. This was also a short-term view, as most respondents saw the value in low-carbon heating systems, but only once they are established and cost effective. Some current delivery partners suggested that limiting instances where households under immediate and significant stress can be offered a heating solution would not be beneficial. These respondents suggested that alternatives may not always be suitable, and that gas boilers were still a viable low-carbon option, given the possibility to make them hydrogen-ready.

Some respondents also suggested that, if a mains gas boiler is permitted to be replaced, that oil and LPG boilers should also be permitted to ensure that off-gas grid communities are not disproportionately impacted.

Those in favour of the £8 million cap on replacements also cited the need to align with the transition to net zero as their primary rationale. Respondents in favour also suggested that the cap cohered with other schemes, such as ECO4, LAD and HUG. Some respondents suggested that Government should prioritise measures, either repairs over replacements or renewable heating systems over mains gas, within the cap.

The majority suggested that the £8 million cap level was appropriate, with one respondent noting that it struck a balance between providing support and ensuring funding was available for other Industry Initiatives. There were, however, some alternative suggestions provided by both those in favour of and opposed to the proposal, including: a phased reduction in the cap amount over the four years; having a cap at a different amount; having a target or guide figure instead of a cap; and having no cap at all.

Opposition to the cap amount mainly focussed on concerns that the cap could lead to some households not being able to get a boiler replaced if they needed one, particularly as alternative schemes such as ECO focus on longer-term installations rather than emergency ones. Two respondents saw the £8 million cap as precipitating too sharp a drop in the number of installations, suggesting it would be equivalent to 4,000 installations. Some respondents also suggested the timing was challenging, given the cap on boiler installations proposed under ECO4.

Three respondents were opposed to the proposed cap amount as being too high and suggested that the funding may be better used to promote decarbonisation efforts. Two of these respondents suggested the funding should instead be used on a fabric efficiency programme to provide a longer-term solution for reducing energy bills, while the other recommended focussing on transitioning to low carbon alternative heating sources, ensuring this was delivered in a fair and just way.

Government response

The Government acknowledges respondents' views, in particular the recognition of the importance of balancing funding for boiler replacements in emergency situations with decarbonising domestic heating systems. The Government intends to proceed with limiting replacements of mains gas boilers and central heating to those households with a specific vulnerability to the cold, and the introduction of an £8 million cap on all replacements. Mains gas boilers and central heating installations (including mains gas hybrids) can only replace a previous mains gas boiler or central heating system that has broken down. We recognise respondents' calls for repairs to be prioritised, and we therefore emphasise that the £8 million cap will only apply to replacements, not repairs.

We note that some respondents called for LPG and oil boilers replacements to be permitted under the scheme and included under the £8 million cap. The Government set out in the Sustainable Warmth strategy that it is committed to phasing out the installation of high carbon fossil fuel heating in homes off the gas grid, and that we would remove support for new LPG and oil heating systems from 2022.[22] The Home Upgrade Grant is due to be launched in early 2022, providing £150 million of support to upgrade the worst-performing homes in England that are off the gas grid. Meanwhile, a range of support and advice is available to customers in Wales through the Warm Homes Programme Nest scheme.[23] As announced in the Heat and Buildings Strategy, the £450 million Boiler Upgrade Scheme will be launched in spring 2022 to provide £5,000 grants to help install low-carbon heating systems in England and Wales.[24] In line with this, no new LPG or oil boilers and central heating systems will be allowed to be installed under the WHD from 2022. This commitment was set out with a view to supporting fuel poor households to transition to alternative heating sources. Repairs of existing boilers and central heating systems running on LPG, oil, and other fuels would continue to be permitted under WHD.

We have considered the alternative suggestions to the £8 million cap amount and the concerns about a decrease in the number of installations. In the 2019/20 scheme year, 3,441 boilers of all fuel types were installed under Industry Initiatives, either as a repair or a replacement. The Government estimates that a boiler costs approximately £3,000 to install. This means that the £8 million cap would enable around 2,500 boilers to be replaced annually. Given the 2019/20 figures include repairs, we are confident that the £8 million figure balances the need to provide support to vulnerable households with ensuring that Industry Initiatives funding is distributed across the range of support.

The primary intent of permitting replacements of boiler and central heating system under the WHD has been to support households in, or at risk of, fuel poverty who are in emergency situations. Other Government schemes, such as ECO, provide longer-term and more holistic support for households, which includes installations in other non-emergency situations.

As with ECO4, repair and replacement installations to bring domestic households onto heat networks would continue to be permitted under WHD. However, although subject to the £8 million cap, we are not introducing any further restrictions on installations of mains-gas-fuelled hybrid boilers or biofuels systems, as is the case under ECO4. This approach is in line with the Heat and Buildings Strategy and takes into account the smaller scale of heating system installations under WHD compared to under ECO. We will keep this under review in line with wider Government strategy.

In the 2021/22 scheme year, we introduced a requirement that boilers in high-risk properties and central heating systems in all properties must be installed in accordance with PAS 2030:2019 and PAS 2035:2019.[25] As outlined in the consultation, these TrustMark and PAS requirements on boiler and central heating system installations currently required under WHD would continue to be in place. We encourage installers to consult TrustMark's Framework

[22] *Sustainable Warmth: protecting vulnerable households in England*, https://www.gov.uk/government/publications/sustainable-warmth-protecting-vulnerable-households-in-england, p.35
[23] https://nest.gov.wales/en/
[24] Heat and Buildings Strategy, https://www.gov.uk/government/publications/heat-and-buildings-strategy.
[25] Warm Home Discount Scheme 2021/22 Government Response, https://www.gov.uk/government/consultations/warm-home-discount-scheme-2021-to-2022

Operating Requirements for further guidance on the registration and measure lodgement processes.[26]

[26] https://www.trustmark.org.uk/tradespeople/government-grants-schemes-and-subsidies

Supplier participation

Consultation questions			
23	Do you agree that the obligation threshold for the whole scheme should be reduced from April 2022 to 50,000 domestic customer accounts? If not, what would you suggest is a more appropriate threshold and why?		
Responses:	Yes: 70%	No: 15%	Not sure: 15%
24	Do you agree that from April 2023 the supplier threshold should be reduced to 1,000 domestic customer accounts?		
Responses:	Yes: 70%	No: 17%	Not sure: 13%

Summary of responses

The majority of respondents (70%) were in favour of the proposed reduction in energy supplier participation thresholds to 50,000 domestic customer accounts in 2022/23, and 70% were also in favour of the reduction to 1,000 domestic customer accounts from 2023/24.

A significant number of respondents recognised that these reductions would enable most households who are eligible for a rebate to benefit from the scheme, regardless of which energy supplier they were with. Respondents also highlighted other benefits, including: the removal of the market distortion resulting from smaller energy suppliers not being required to take part; fairer distribution of delivery costs across customers; and enabling easier switching, with the inclusion of more energy suppliers being seen as a way for customers to switch to better tariffs more easily without the risk of losing their rebate entitlement.

Some respondents supported the staged approach to reducing the threshold for allowing smaller energy suppliers to prepare. Some respondents suggested that the 1,000 customer account threshold from 2023/24 struck a balance between expanding access to the scheme and preventing disproportionate costs for smaller energy suppliers. Some energy suppliers, however, did suggest that the administrative costs of delivery would not be disproportionately burdensome, particularly with the administrative simplifications resulting from replacing the Broader Group with the Core Group 2. Nonetheless, some stated that the administration costs could outweigh the benefits for those energy suppliers with fewer than 1,000 accounts, with one respondent suggesting that the costs could exceed the amount that smaller energy suppliers would be obligated to deliver in rebates and Industry Initiatives.

Those in favour suggested alternative approaches, including other thresholds or removing the thresholds entirely. Multiple respondents recommended improving communication and consumer awareness of the scheme, for instance making clear when a customer switches if their new energy supplier does not participate in the WHD. These respondents suggested this should be communicated by a variety of organisations, including Government, energy suppliers (both participating and non-participating), Industry Initiatives delivery partners, and price comparison websites. One organisation also suggested strengthening the communication around energy bill pricing and discounts available to consumers, so that consumers can make appropriate decisions when switching suppliers. Some respondents also suggested that the Government should offer smaller, newly obligated energy suppliers additional support, such as allowing them to combine their funding or to discharge their Industry Initiatives obligations through third-party organisations rather than to their own customers. One respondent in favour asked about the impact on the plans under consideration for opt-in and opt-out switching between tariffs.

Among those opposed to the proposals, the most common recommendation was for the immediate removal of any thresholds, on the basis that all energy suppliers should have measures in place to support their vulnerable customers and that the expanded automatic data matching meant there was little reason to not make participation mandatory. Only one respondent opposed to the proposal called for the current participation thresholds to be maintained for 2022/23, though they agreed with reducing to 1,000 domestic customer accounts in 2023/24.

Government response

The Government acknowledges the generally positive response to the proposed approach to reduce energy supplier participation thresholds. We will proceed with reducing the threshold as proposed, to 50,000 domestic customer accounts for the 2022/23 scheme year and to 1,000 domestic customer accounts from 2023/24. This will enable the scheme to reach 99.99% of the energy supply market and balances the benefits for switching and market competition with avoiding the disproportionate costs and risks that complete removal of the thresholds would bring to new market entrants. When designing the opt-in switching scheme, it will be important to ensure that WHD eligibility is not a barrier to switching.

The Government has long been committed to reducing the energy supplier participation threshold, and the staged reduction from 2022/23 follows reductions in the participation threshold over previous WHD scheme years. As highlighted by respondents, the expansion of automatic data matching to Core Group 2 will reduce the administrative burden for energy suppliers, and the staged reduction to the 1,000 accounts threshold gives the smallest energy suppliers time to prepare. Concerning Industry Initiatives, smaller suppliers may find it easier and less administratively burdensome to discharge their obligation through activities run by third-party organisations, some of which are funded by multiple suppliers.

Under the current scheme, BEIS, DWP, and Ofgem work closely together to support suppliers through the scheme year as well as provide briefing sessions and documents, including Ofgem's guidance for suppliers.[27] These help ensure that energy suppliers are prepared to

[27] Ofgem, Warm Homes Discount (WHD) guidance for suppliers – version 7.2, https://www.ofgem.gov.uk/publications/warm-homes-discount-whd-guidance-suppliers-version-72

deliver the scheme. The Government will continue to provide support to energy suppliers in delivering the scheme from 2022.

Consultation questions	
25	Please provide evidence of costs of delivering Core Group rebates, your estimated costs of delivering to Core Group 2, and the costs of setting up Industry Initiatives (specifying if this is a multi-supplier scheme), in cost per pound of support delivered.

Summary of responses

Energy suppliers broadly expected that the costs of Core Group 2 would be in line with the costs of Core Group 1, so long as the administrative processes were the same or similar. Several acknowledged that the costs of Core Group 2 would be lower than the costs of the Broader Group. The costs were generally expected to include: performing data matching; administering the rebates; systems and IT changes; responding to customer queries; and reporting. One energy supplier thought the additional costs would be minimal. However, two suppliers expected the costs to be higher than for Core Group 1 due to the increased number of customers: one expected the Core Group 2 costs to be 50% more, while the other explained that the per-rebate administration costs would be double due to the greater proportion of customers on prepayment meters and greater switching within the Core Group 2 cohort, leading to higher costs for providing the rebates and customer engagement.

Two energy suppliers explained that, even though the costs of the rebates would be reconciled according to market share, larger suppliers would expect to have a higher proportion of vulnerable customers, and therefore a higher number of Core Group 2 customers, than smaller suppliers. They suggested this would result in higher associated administration costs. While one was content, the other suggested this burden could create a distortive effect and suggested that the scheme should have a qualifying cost mechanism, similar to the process used for the Feed-In Tariff, to ensure that competition remained strong.

Only a few respondents gave robust information on the costs of setting up Industry Initiatives. One energy supplier explained that the administrative costs of Industry Initiatives were roughly 20% of their supplier obligation. One third-party provider outlined why the costs were variable and suggested they were dependent on the level of funding, and type and duration of the activity.

Government response

The Government acknowledges the data provided by energy suppliers in response to this question, which provides a valuable insight on delivery costs of the scheme. The replacement of the Broader Group, the design of the Core Group 2, and the expansion of government data matching should keep administrative costs to suppliers low. While some of the administrative costs for delivering Industry Initiatives can count towards suppliers' obligations, the Government's view is that it is up to energy suppliers to administer the Core Group rebates efficiently and factor these relatively low administrative costs into their pricing strategies.

Consultation questions			
26	Do you agree with the proposed continuation of the arrangements for the reconciliation mechanism, extending to cover both Core Group 1 and Core Group 2, and that this should similarly continue in Scotland, in the event that the current WHD scheme continues in Scotland?		
Responses:	Yes: 73%	No: 5%	Not sure: 23%

Summary of responses

The majority (73%) of respondents were in favour of the current reconciliation mechanism continuing and covering both Core Group 1 and Core Group 2. These respondents recognised that the current reconciliation mechanism works well in ensuring that spend is proportionate across energy suppliers, and that it was crucial for this to be in place for both Core Groups.

On applying the same reconciliation process in Scotland, most respondents noted that having the same process would be beneficial. However, views centred on the implications of a separate WHD scheme in Scotland and the impact on reconciliation processes. A number of respondents noted that separate schemes would create additional administrative complexity and costs. Some noted that two reconciliation mechanisms would be required, while others commented that the reconciliation mechanism in Scotland might be more complex, given the likely variation in market shares between England and Wales and Scotland, and the potential for some energy suppliers to have a very small Scottish customer base. Respondents suggested that consideration needed to be given to the impact of separate schemes for energy suppliers, varying market shares, and how the reconciliation processes would operate with a large number of energy suppliers participating in the schemes.

Government response

The Government acknowledges respondents' positive response to continuing the reconciliation process. We will therefore proceed with extending the reconciliation mechanism as proposed to cover both Core Group 1 and Core Group 2, including the introduction of a second reporting deadline from 2023/24 onwards to use more up-to-date customer numbers closer to the qualifying date each scheme year for the purposes of reconciling suppliers' costs, as per question 29 below. We will also use the same reconciliation mechanism in Scotland for Core Group 1 should the current WHD scheme continue in Scotland from 2022/23.

We note respondents' comments on the reconciliation mechanism for a separate WHD scheme in Scotland and the complexities this may cause. The Government will continue to work with the Scottish Government on arrangements for a WHD scheme in Scotland, and this will be reflected in the arrangements for the related reconciliation process.

Consultation questions	
27	Do you agree that we should continue with the current Supplier of Last Resort (SoLR) arrangements and not introduce a mandatory requirement for an SoLR to take on the WHD obligations of a failing supplier? What alternative arrangements could be put in place that may encourage the SoLR to take on those obligations, including in relation to Industry Initiatives?

Responses:	Yes: 35%	No: 43%	Not sure: 20%

Summary of responses

There was a mixed and overall negative response to this proposal. Of the 35% who agreed with the proposal, the majority suggested that energy suppliers who are able to cover a failing supplier's WHD rebates will likely already volunteer to do so. Some respondents also noted that the lowering of the energy supplier participation thresholds meant that most energy suppliers that are likely to be large enough to volunteer to become a SoLR would already be scheme participants. Meanwhile, making it mandatory to take on payments could discourage other energy suppliers from bidding to be appointed the SoLR, which would impact on the wider SoLR process and all customers of the failing supplier. It was also suggested that introducing a mandatory requirement could increase the risk of the SoLR not having time to comply with their obligations, particularly if the failing supplier failed late in the scheme year.

Respondents highlighted accurate customer and financial data as a key barrier for taking on failing suppliers' rebates and Industry Initiative commitments. Some respondents suggested that, if a mandatory requirement were introduced, measures should be put in place to ensure that accurate data from failed suppliers would be available, ideally in advance of the SoLR Request for Information submission deadline. Two energy suppliers suggested changes to Ofgem guidance: one that Ofgem should make it explicit that WHD rebates and Industry Initiatives commitments could be categories for considering SoLR bids; and the other that costs can be claimed through the industry levy.

The majority of the respondents who disagreed (43%) with the proposal expressed concerns about the risks that rebates and Industry Initiatives commitments could go unfulfilled if a SoLR did not take on the obligations of a failing energy supplier. These respondents highlighted the impact this could have on both vulnerable households, who may have adjusted their spending on heating under the assumption they would receive a rebate, and Industry Initiatives providers, who may ultimately not be paid for contracted work even if it has already been completed. The reduction of the supplier participation threshold was also highlighted as increasing the risk and frequency of energy supplier failures.

The most common suggestion from those who disagreed was to make the WHD a mandatory condition of the SoLR process to ensure maximum consumer protection for vulnerable customers. Three respondents suggested that the mutualisation process could be used to recover extra costs, though one energy supplier cautioned against using mutualisation due to the impact it would have on other energy suppliers.

Alternative suggestions included creating a fund at the start of the scheme year, with two respondents proposing this be used primarily for Industry Initiatives, to mitigate against any supplier failures later in the year. Two other respondents suggested that the Government should underwrite the costs of WHD payments where an energy supplier fails. It was also suggested that customers should be given time to switch energy suppliers before their rebate is withdrawn, in the event that a failing energy supplier’s obligations are not covered by a SoLR.

Government response

The Government acknowledges that more respondents disagreed with maintaining the current SoLR process, with the most common preference being to make it a mandatory requirement for a SoLR to take on WHD rebate and Industry Initiatives obligations in the event of a supplier failure. However, the primary purpose of the SoLR process is to ensure continuity of supply through the quick transfer of customers. When triggering the SoLR process, in the first instance Ofgem invites energy suppliers to bid to be the SoLR and chooses the energy supplier that will offer the best value for customers. Mandating that the failing supplier’s WHD obligations be taken on by the SoLR would likely reduce the number of SoLR bids and slow down the SoLR process, which could reduce the quality of service that all customers receive.

The Government is confident that existing processes will ensure customers are protected and costs minimised. Ofgem have successfully used the SoLR process for multiple supplier insolvencies, particularly in the last year. Any customer going through the SoLR process will not go off supply and will have their credit balances protected.

While a SoLR is not obliged to provide the WHD rebates to transferred customers, all SoLRs have done so in the past, and we would expect that any SoLR appointed in the future would continue to honour these obligations. This is especially the case as the change from Broader Group to Core Group 2 will make the provision of rebates easier.

We recognise that there may be instances in which suppliers fail and their Industry Initiatives remain undelivered. However, we consider that introducing protection through the SoLR process would be disproportionately complex for the relatively low level of negative impact.

Regarding the suggested changes to the Ofgem guidance for the SoLR process, Ofgem already takes into account whether a supplier intends to take on the WHD obligations of the failed supplier when appointing a SoLR. Ofgem will consider whether to include an explicit section on WHD and other social schemes in the SoLR guidance.

Consultation questions	
28	Do you agree with the proposal that Ofgem should assess and approve applications from suppliers seeking to participate voluntarily in the scheme?

Responses:	Yes: 87%	No: 4%	Not sure: 9%

Summary of responses

The vast majority (87%) of respondents were in support of Ofgem reviewing applications from smaller energy suppliers seeking to voluntarily participate in the scheme. Respondents recognised that the process would ensure that these energy suppliers would have the financial stability and ability to deliver the scheme, pay rebates, and contribute to the reconciliation process. Some respondents viewed this as a means of encouraging smaller energy suppliers to participate, though one respondent noted that the proposed lowering of the energy supplier participating thresholds to 1,000 domestic customer accounts would likely mean this process would not often be used. Multiple respondents recognised Ofgem as being best placed to undertake these reviews.

Two respondents in favour, and one who disagreed with the proposal, expressed a preference for energy supplier participation thresholds to be removed entirely to mandate that all energy suppliers participate in the scheme. Other respondents also suggested that suppliers participating voluntarily should have the same responsibilities and expectations as those participating mandatorily, while one respondent stated that the criteria for approving voluntary participation should be consulted on.

Government response

The Government notes the positive response to this proposal and intends to proceed with Ofgem assessing applications from potential voluntary participants in the scheme.

We note that some respondents expressed a preference for the removal of energy supplier participation thresholds. We have addressed this in our response to questions 23 and 24.

Consultation questions

29 Do you agree that from 2023 we introduce a second customer number reporting date?

Responses:	Yes: 70%	No: 9%	Not sure: 22%

Summary of responses

The large majority (70%) of respondents were in favour of introducing a second customer number reporting date. This was seen as a way of ensuring that energy supplier obligations reflect more recent data and taking into account fluctuations in customer numbers from customers switching energy suppliers. This was seen as particularly sensible with the reduction of supplier participation thresholds and the higher potential for changes in customer numbers for smaller energy suppliers. The proposal was also recognised as a way to ensure a fair and equitable reconciliation process.

Views were divided on whether this would create an administrative burdensome for energy suppliers. Some alternative suggestions were provided, including introducing the second reporting date solely for smaller energy suppliers or using alternative data sources, such as the quarterly Social Obligations Reporting (SOR) or a third-party source.

One energy supplier supported the proposed second reporting date but disagreed with keeping the current date of 14th March for when Ofgem informs energy suppliers of their respective Industry Initiative obligations. They cited the increased complexity resulting from making Industry Initiatives mandatory, the increased number of participating energy suppliers, and noted that there are only 17 days between 14th March and the start of each scheme year on 1st April. Another energy supplier disagreed with using the second reporting date to adjust obligations for energy suppliers every six months, as this could add uncertainty for planning.

Government response

The Government notes the positive responses to this proposal, particularly the recognition of the benefits that a second reporting deadline will bring. We intend to proceed with introducing a second customer number reporting deadline closer to the qualifying date. This second reporting information would be used for the Core Groups' reconciliation process, as it will enable the reconciliation of energy supplier spending on Core Group rebates to be based on more recent market share data. This information would not be used for revising suppliers' Industry Initiatives obligations, as mid-year adjustments to scale up or down Industry Initiatives spending would create uncertainty, particularly for measures run by third parties.

We note that some respondents suggested this would create an additional reporting burden on energy suppliers. We have considered the alternative suggestions proposed by some respondents. However, only requiring some suppliers to report their customer numbers would lead to inaccuracies in the calculation of the relative market share of each energy supplier, particularly given the regularity of customers switching supplier and the current volatility in the energy market. We have explored the option of using alternative sources, particularly the SOR reporting, but these are unlikely to cover the necessary information at the right time for adjusting energy supplier obligations for the WHD.

Administration of the scheme

Consultation questions			
30	Do you agree that Ofgem should continue to act as the operator of the reconciliation mechanism for the scheme?		
Responses:	Yes: 92%	No: 4%	Not sure: 4%

Summary of responses

Nearly all (92%) respondents agreed with Ofgem continuing in their role as operator of the scheme reconciliation system. Respondents noted that Ofgem was well placed to do this as they manage the licencing and regulating of energy suppliers and have successfully delivered the reconciliation processes in previous scheme years. Two respondents highlighted that the continuation of current processes through Ofgem would minimise any disruption, particularly with other proposed reforms and increased numbers of participating energy suppliers.

Government response

Given the positive response to the proposal and Ofgem's previous experience, we intend to proceed with keeping Ofgem as the operator of the reconciliation mechanism for the scheme.

Consultation questions			
31	Do you agree that energy suppliers with multiple licences should be permitted to consolidate under one licence?		
Responses:	Yes: 82%	No: 4%	Not sure: 14%

Summary of responses

The vast majority (82%) of respondents were in favour of the proposal to permit energy suppliers with multiple licences to consolidate under one licence. The main reason cited was that it could avoid duplication and reduce the administrative burden, leading to simpler scheme administration. This simplification was seen as particularly beneficial for energy suppliers, but also for Ofgem, the Government, and Industry Initiatives delivery partners. It was noted that the proposal aligns with the trading arrangements already in place under ECO.

Some respondents suggested that customers should be made aware through clear communication from their energy supplier. Others emphasised that this arrangement must not reduce the number of rebate recipients or lead to customers losing out. One respondent recommended this proposal was delivered in line with merger rules to avoid monopolisation.

No respondents opposed to the proposal provided further comment.

Government response

We welcome the positive response to this proposal, and we will proceed with permitting energy suppliers with multiple licences to consolidate under one licence for the purpose of reporting. Trading of obligations themselves between licences and energy suppliers would continue to not be permitted, as this would only be for reporting purposes. Therefore, this should not have any negative impact on consumers or reduce the number of rebates that an energy supplier is obligated to deliver.

Conclusion and next steps

The Government appreciates the responses to this consultation and discussions with stakeholders. In light of the general support for the proposals to reform the WHD scheme, the Government will proceed with the fundamental aspects of the proposals and has adopted some suggestions from stakeholders.

At a time of rising energy prices, now more than ever the expansion and reform to the Warm Home Discount scheme is vital for tackling fuel poverty by supporting and protecting low-income and vulnerable households directly with the costs of heating. The scheme complements the Government's other fuel poverty schemes, such as ECO focusing on energy efficiency improvements to drive down energy costs in the long term, and other measures to support households with the costs of living.[28]

The Government will lay regulations for the scheme to be extended, expanded, and reformed in England and Wales. The reformed scheme will be in place for the 2022/23 scheme year, so that households will receive their rebates over the winter. The scheme will continue until 2025/26.

The Government will consult on introducing a separate scheme in Scotland from 2022 onwards. .

[28] 'Government support for energy bills and the cost of living', 3 Feb 2022, https://www.gov.uk/government/publications/government-support-for-energy-bills-and-the-cost-of-living-factsheets

Annex: List of respondents

There were also responses from 7 members of the public.

1. Act on Energy
2. Action with Communities in Rural England (ACRE)
3. Age UK
4. Agility Eco Services Limited
5. ALIenergy
6. Anchor Hanover Group
7. Association for Decentralised Energy
8. Association of Palliative Care Social Workers
9. Avro Energy
10. Barnsley Metropolitan Borough Council
11. British Gas Energy Trust
12. Bulb
13. Care and Repair Cymru
14. Centre for Sustainable Energy
15. Centrica
16. Charis Grants
17. Christians Against Poverty
18. Citizens Advice
19. Citizens Advice Ceredigion
20. Citizens Advice Scotland
21. Clarion Housing Group
22. Committee on Fuel Poverty
23. Coventry Citizens Advice
24. Croydon Council
25. Cumbria Action for Sustainability (CAfS)

26. E (Gas and Electricity)
27. E.ON
28. EDF Energy
29. Electricity North West
30. Energy Action Scotland
31. Energy Saving Trust
32. Energy UK
33. Fair By Design
34. The Federation of Private Residents Associations
35. Feeding Britain
36. Fuel Bank Foundation
37. Good Energy
38. Groundworks East
39. Hastoe Group on behalf of Rural Housing Alliance
40. Heat Trust
41. Hope 4U Limited
42. Independent Age
43. Information Commissioner's Office
44. Islington Council
45. Local Government Association Social Security Advisers Group
46. Marie Curie
47. MCS Charitable Foundation
48. Midlands ALEO
49. Mineral Wool Insulation Manufacturers Association
50. Money Advice Trust
51. Motor Neurone Disease Association
52. National Energy Action
53. Octopus Energy

54. Ofgem
55. Oil Firing Technical Association (OFTEC)
56. Ombudsman Services
57. Onward Homes
58. Orbit Group
59. OVO Energy
60. Oxford City Council
61. Park Homes Policy Forum
62. Peabody
63. People's Energy
64. Pure Planet
65. Rotherham Federation
66. Royal British Legion
67. Rural Services Network
68. Scope
69. Scottish Federation of Housing Associations
70. ScottishPower
71. Severn Wye Energy Agency
72. Shell Energy Retail Limited
73. StepChange
74. Together Energy
75. Utilita
76. Warm Front UK
77. Wealden District Council
78. The Welsh Government
79. The Wise Group

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