Department for
Business, Energy
& Industrial Strategy

Warm Home Discount Scotland

The government response to the consultation

June 2022

Acknowledgements

BEIS would like to thank all stakeholders who took part in the Warm Home Discount Scotland 2022 consultation and provided their views on the proposals.

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

Contents

General information

Purpose of this consultation

This document sets out the UK government response to the consultation on the Warm Home Discount Scotland scheme, which ran in May 2022. The consultation sought views on the future of the scheme in Scotland.

Enquiries

Email to: enquiries@beis.gov.uk

Please do not send enquiries by post to the department at the moment as we may not be able to access them.

Quality assurance

This consultation was carried out in accordance with the government's consultation principles.

If you have any complaints about the way this consultation has been conducted, please email: beis.bru@beis.gov.uk.

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 £3.3 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. In the 2021/22 scheme year, the scheme was worth £354 million and around 2.2 million households received a rebate worth £140 across Great Britain (GB).

The Warm Home Discount (WHD) Scotland will run alongside the expanded and reformed WHD for England and Wales, the details of which are set out in the government response to consultation, published on 1 April 2022. The reforms that are being implemented in England and Wales cannot be directly replicated in Scotland because the Valuation Office Agency (VOA) data, which we will use to identify homes in Core Group 2 which are high cost to heat, does not apply in Scotland and the Scottish Assessors (the Scottish equivalent of the Valuation Office Agency) do not collect equivalent data in Scotland.

Under the Scotland Act 2016, the Scottish Government has devolved powers to design and implement a Warm Home Discount for Scotland although the exercise of these powers requires the agreement of the Secretary of State, and some powers remain reserved, including determining the overall size of the obligation and the obligated parties. The Scottish Government requested that the UK government make provision for a continuation of the WHD in Scotland, hence the UK government consulted on the WHD for Scotland.

The Scotland WHD will increase proportionately in line with the GB-wide increase to the scheme: from £350m to £475m in 2020 prices. Based on the apportionment methodology previously consulted on, the Scottish scheme will be 9.4% or £44.65m (in 2020 prices) of the overall scheme value.

The consultation covered proposals for implementing the Warm Home Discount scheme in Scotland from 2022 to winter 2025/26. The proposals focused on maintaining the previous structure of the WHD in place across GB in 2021/22 (the Core Group; the Broader Group and Industry Initiatives) and maintaining consistency with the England and Wales scheme as much as possible. A key change would be a roughly 50% increase to non-core spending due to the increase in overall spending. We also proposed to: set the obligation levels in Scotland on the basis of energy suppliers' GB-wide domestic market shares; allow greater flexibility between Broader Group and Industry Initiatives spending, subject to Ofgem approval and based on suppliers' market shares in Scotland; increase the rebate value to £150 as per the England and Wales scheme; lower the supplier participation thresholds so that more energy suppliers are obligated under the scheme, particularly from 2023/24 onwards, mirror changes to Industry

Initiatives introduced in the England and Wales scheme, but not introduce a minimum or maximum cap for financial assistance provided through Industry Initiatives.

Consultation responses

We received 35 responses from a broad range of respondents, including energy suppliers, Energy UK and key charities in Scotland.

The key points from responses to the consultation were:

- Most respondents agreed with the proposed extension of the current scheme to 2026, but there were calls for an earlier review of the scheme, and for all rebates to be provided via data matching, as will be the case in England and Wales.
- Most respondents agreed with the main proposals, namely to i) set the obligation levels in Scotland on the basis of energy suppliers' GB-wide domestic market shares and ii) to allow greater flexibility between Broader Group and Industry Initiatives spending, subject to Ofgem approval and based on suppliers' market shares in Scotland. However, there were some concerns around Broader Group customers of oversubscribed suppliers missing out, while others may struggle to get support. Many respondents asked for more clarity on the criteria for that flexibility, in order to ensure it is not misused by suppliers and many asked for an earlier deadline for applications. Our expectation is that only suppliers with a substantially lower market share in Scotland than in GB would be able to use the flexibility, and those suppliers will need to clearly demonstrate they cannot reach their obligations. We will also bring forward the deadline for applications to 15 November, rather than 15 December, to provide earlier certainty.
- Responses were evenly balanced on the debt-write off caps proposals, with many respondents asking for an increase or removal of the caps. Government will proceed with the caps, so as to maintain a broader range of help to more households.
- Many respondents asked for the value of the rebates to be increased, however government will maintain the WHD rebate at the level proposed for consistency with the England and Wales scheme. Following this consultation, a comprehensive package of help with energy bills and the wider cost of living worth £15bn was announced by the UK government on 26 May.

Conclusion and next steps

The decisions set out in this government response are subject to Parliamentary approval of the implementing Regulations. We intend to lay Regulations in Parliament shortly after publication of this government response.

Consultation questions and government responses

Timing

1. Do you agree that the WHD Scotland should be extended as proposed until March 2026?

Responses

Yes: 85%
No: 15%
Don't know: 0%

Summary of responses

The vast majority (85%) of respondents agreed with the proposal to extend the scheme until March 2026. Those that supported the proposal recognised the essential need to extend the scheme due to increasing fuel poverty in Scotland caused by both rising energy prices and cost-of-living. Respondents raised other benefits of an extension until 2026, such as providing consumers with stability and certainty, as well as suppliers with an opportunity to innovate and provide long-lasting Industry Initiatives. Some respondents also pointed out that aligning the extension period with England and Wales allows joint reviews where necessary.

However, a number of respondents in favour expressed concerns that the scheme will need to be reviewed much sooner to match volatile circumstances. Multiple respondents highlighted that fuel poverty is expected to drastically increase in Scotland over the next few years, which would require higher levels of support and a matching process like the one in England and Wales to prevent most vulnerable households missing out on the rebate. Charities and local authorities also expressed the need for an interim review to align the scheme with the Scottish Government's Fuel Poverty Strategy, which currently does not correlate with the WHD proposals. One respondent also suggested that the government should make a long-term commitment to decarbonise homes by introducing retrofit strategies as a key infrastructure policy to reduce fuel poverty in Scotland.

Among the very few who disagreed, the concerns were similar to the ones outlined above. Several respondents argued that the current scheme needs to end in March 2023 to introduce an upgraded version that reflects the volatile situation. Some respondents disagreed with the current metric of allocating 9.4% of funding to Scotland as it will not be enough to address rising energy costs.

Government response

The government acknowledges the majority support for the proposal. The intention behind the proposal to extend the scheme to March 2026 is to provide households with long-term support during a period of fluctuating energy prices and rising living costs. As outlined in several of the responses, it is essential to offer consistent support to ease stress levels and offer as much stability as possible to consumers. A long-term extension will allow suppliers to innovate delivery, e.g. through Industry Initiatives, without expecting immediate disruptions. By extending the WHD Scotland to March 2026 it also aligns with England and Wales and eases administration.

We acknowledge that circumstances may change within the next few years due to price volatility. As outlined in the consultation, the Scottish and UK governments will be able to carry out a review and consult on amendments if appropriate.

Setting the obligation

2. Do you agree with the methodology for setting the obligation threshold and the level of individual obligations?

Responses

Yes: 67%
No: 30%
Don't know: 3%

Summary of responses

A strong majority (67%) of respondents agreed with the methodology for setting the obligation threshold and the level of individual obligations. Respondents pointed out that basing the obligation threshold and level of obligation on suppliers' GB-wide market share provides a standardised system and avoids disadvantaging any part of the UK. They supported the consistency this approach will bring, avoiding distorting levels of supplier obligations.

Among the respondents that disagreed, the main concern was using GB market share figures to determine obligation thresholds and levels in Scotland. Respondents outlined that the different market share levels between GB and Scotland could lead to suppliers with a large proportion of customers in Scotland being oversubscribed for Broader Group rebates. They pointed out the risk that such suppliers would have to re-direct customers to Industry Initiatives schemes to receive the rebate. Some respondents were also concerned that this approach could further increase the "lottery" problem of the Broader Group, with vulnerable households missing out. Respondents suggested the allocation of the WHD could instead be based on customer need and not market share of the GB energy market in Scotland.

Government response

The government acknowledges the positive response to this proposal, and therefore we intend to proceed with using the GB-wide market share for setting the obligation threshold and level of individual obligations to ensure consistency across the Scotland and England and Wales schemes.

We note the concerns about the potential for energy suppliers Broader Groups to be oversubscribed. However, as outlined in our response to Question 9, we are planning to allow £150 financial assistance payments to be made uncapped. This will mean that oversubscribed energy suppliers will be able to offer low-income and vulnerable households who miss out on a rebate support to an equal value through the financial assistance route, likely funded by suppliers which cannot meet their Broader Group targets.

Scheme structure

3. Do you agree that the WHD Scotland should continue with the Core Group, Broader Group and Industry Initiatives?

Responses

Yes: 72%
No: 28%
Don't know: 0%

Summary of responses

A majority (72%) of respondents agreed that the WHD Scotland should continue with the Core Group, Broader Group and Industry Initiatives. Respondents outlined that consumers will appreciate consistency during a period of rising energy prices, and therefore agree that the current scheme structure should remain the same.

Several supporters urged that the changes made to the England and Wales scheme structure (i.e. transition from Broader Group to Core Group 2) should be applied to WHD Scotland as soon as data matching processes are available, to avoid customer confusion and extra administration burden. Until then, respondents stressed that the UK and Scottish Governments should launch clear communication campaigns to ensure households know whether they will receive the rebate. Some respondents also stressed the importance of Industry Initiatives, which government should further incentivise to support specific demographics.

Among the respondents that disagreed, their main concern was the disparate nature of the WHD scheme structure between Scotland and England and Wales. They pointed towards several disadvantages that could arise consequently, such as increased administrative burden for suppliers and confusion for consumers. They would also like Industry Initiatives to become mandatory as they bring a significant benefit to fuel poor households that do not receive the rebate.

Government response

The government has considered the responses and, in view of the supportive feedback, has decided to continue with the Core Group, Broader Group and Industry Initiatives for the WHD Scotland scheme.

Maintaining the same scheme structure will ensure suppliers and consumers will not have to adjust to a new system and can continue to operate under current rules. This will avoid extra administrative burden for suppliers and bring stability to consumers that already experience high levels of uncertainty due to rising energy prices. It will also allow existing providers of Industry Initiatives to continue operating in a stable environment. We acknowledge that structural changes to the WHD for England and Wales may cause some confusion for consumers, however, the government will ensure that we implement clear communications around the WHD scheme.

4. Do you agree that the Core Group should continue in Scotland?

Responses

Yes: 90%
No: 7%
Don’t know: 3%

Summary of responses

The vast majority (95%) of respondents agreed with the proposal for the Core Group to continue in Scotland. Some respondents who agreed and disagreed expressed a view that the Core Group should be extended to those who also receive Savings Credit. Respondents raised a disparity between the number of pensioners eligible for Pension Credit and those who claim. Some respondents expressed a desire for the eligibility of the Core Group to be widened to include a greater number of fuel poor and vulnerable households. There was also expression of support for data matching as already undertaken by the DWP.

Respondents also expressed a desire for increased awareness of the scheme in order to reach a wider audience.

Among the small number who disagreed, respondents proposed that the Core Group should be related to income regardless of other eligibility criteria.

Government response

Given the significant positive response to this question, we will proceed as proposed with continuing the Core Group in Scotland.

The Core Group consists of low-income pensioners in receipt of Pension Credit Guarantee Credit. Continuing with the Core Group will safeguard the WHD scheme for these recipients targeting a significant proportion of households in Scotland who are fuel poor and vulnerable. For those pensioners who are in receipt of Pension Credit Guarantee Credit and do not receive a rebate automatically because they are not named on the electricity account, are not with a participating supplier or are not identified through data matching, the government will send letters advising they contact the WHD Helpline to verify eligibility.

Pensioners on Savings Credit only will not be added to the Core Group, though in the past suppliers have tended to add that cohort to their Broader Group.

5. Do you agree that the Broader Group should continue in Scotland, with the addition of the Housing Benefit to the existing mandatory criteria?

6. Do you agree with the proposed threshold increases for Child Tax Credit and Universal Credit?

Responses

Q5 –

Yes: 73%
No: 23%
Don't know: 3%

Q6 –

Yes: 88%
No: 4%
Don't know: 8%

Summary of responses

The majority of respondents (73%) agreed with the proposal that the Broader Group should continue in Scotland with the addition of Housing Benefit to the existing mandatory criteria, whilst a larger majority (88%) agreed with the proposed threshold increases for Child Tax Credit and Universal Credit.

Respondents argued that the scheme should be extended further, for example to those in receipt of PIP/DLA middle rate care. Respondents also wanted a move to data matching and automation for the Broader Group in Scotland to avoid the need for people to apply.

Some respondents expressed a concern that the Scotland WHD scheme being different to England and Wales causes confusion amongst those eligible and thought that the Broader Group should also be replaced by a Core Group 2.

A majority of respondents agreed with increasing the threshold for Child Tax Credit and Universal Credit, but that this should be kept under review according to wider economic circumstances.

Government response

Given the significant positive response to both of the above questions, we will proceed as proposed in continuing the Broader Group in Scotland, with the addition of Housing Benefit to the existing mandatory criteria and increasing the thresholds for Child Tax Credit and Universal Credit.

Core Group 2, as implemented in the England and Wales scheme, cannot be replicated in Scotland because the Valuation Office Agency, which provides part of the data set, does not have jurisdiction in Scotland.

Whilst the Broader Group continues to apply in Scotland, the UK government will set an overall non-core spending obligation, based on the overall spending envelope for Scotland, minus the expected spending on the Core Group in Scotland. Thereafter, Ofgem will use this to set a Scotland-specific non-core spending obligation for each supplier as well as a Broader Group spending target and an Industry Initiatives spending cap, both of which will have to be met through provision to Scottish households.

In line with the threshold for Child Tax Credit (CTC)1 awards, the income threshold will increase from £16,190 to £17,005 in 2022/23, automatically increasing every year thereafter in line with CPI (to the end of September previous to the start of the scheme). Similarly, we will increase the Universal Credit (UC) earnings threshold to mirror the CTC threshold on a monthly basis (CTC income threshold divided by 12) and this will also be updated every year in line with inflation as above.

Energy suppliers will be able to have wider criteria, subject to approval from Ofgem, and could, for example, add low income households with disabilities and vulnerable to cold not already included in the mandatory criteria.

Flexibility in non-core spending

7. Do you agree that suppliers should be able to transfer up to 100% of their Broader Group target to Industry Initiatives subject to Ofgem approval based on market share in Scotland?

Responses

Yes: 64%
No: 29%
Don't know: 7%

Summary of responses

Most respondents agreed with the proposal in question 7. The majority of respondents who agreed recognised that flexibility was needed to allow suppliers with a low or zero market share to transfer their Broader Group obligations into Industry Initiatives. Some said they would welcome the flexibility to decide how to attribute the non-core spend in a way that they considered to be better targeted, using financial assistance to target customers they know to be vulnerable. Whilst in agreement with the proposal, one respondent expressed concern that suppliers may prefer to use this route for lower administrative costs compared with administering Broader Group applications and asked that government set clear criteria for this proposal to avoid any ambiguity around Ofgem's approach to this flexibility. Others noted that suppliers should prioritise delivery of Broader Group rebates first and that clear criteria should be set out so that this flexibility was only allowed on the basis of an energy supplier having a low to zero market share in Scotland. Many energy suppliers and charities asked that applications to Ofgem for using this route should be encouraged to be as early as possible within the scheme year, to allow time for delivery through Industry Initiatives.

Those who disagreed focused on concerns that suppliers could abuse this flexibility when no threshold is provided and noted it was important suppliers attempted to deliver through the Broader Group before using funds for Industry Initiatives. There were concerns with Broader Group customers of oversubscribed suppliers missing out, and Industry Initiatives funding being reduced as a result of oversubscribed suppliers maximising their Broader Group. Alternatives suggested included trading between suppliers, or a centralised buy-out scheme to provide financial assistance, which was said would be a better outcome for vulnerable customers. However, some also recognised that this was not practicable within current timescales and some suggested a mid-scheme review.

Government response

In light of responses, we intend to implement the proposals that will allow suppliers to transfer part or all of their Broader Group target into Industry Initiatives, subject to approval from Ofgem. As Broader Group spending will increase by around 50%, if suppliers have a much smaller, or even zero, market share in Scotland than in GB delivering rebates to Broader Group customers will be impossible or very challenging. Suppliers should prioritise delivery of

Broader Group rebates and we would expect applications only from suppliers who have no or disproportionately low market share in Scotland. We make the following clarifications:

- We do not expect suppliers with a market share in Scotland higher than in GB to apply for this flexibility, nor we expect suppliers to apply for this flexibility unless they have substantially lower market share in Scotland than GB.
- We expect suppliers to prioritise Broader Group rebates where possible, so the transfer can only be allowed where they have made sufficient efforts to try that route.
- The main criterion used to approve transfers will be whether suppliers have enough customers eligible for their Broader Group to satisfy their obligations.
- As per the current scheme, suppliers will be able to expand their eligibility criteria, as long as they can prove these include ‘wholly or mainly persons in fuel poverty’ or ‘in a fuel poverty risk group’, and this provision already affords some flexibility in delivering the Broader Group target. This could include: low income households in groups that are at risk of fuel poverty, including living in off-gas grid homes; living in a household with a person who has significant health problems or a disability; living in communities where residents are wholly or mainly in fuel poverty; supplied with gas or electricity through a pre-payment meter; or in emergency situations such as households in one of the risk groups described above who don’t have sufficient credit or where a heating system is broken and households are forced to use more expensive temporary heating.

In addition, we will move the deadline for supplier applications to 15 November. We believe this will provide sufficient time to deliver through Industry Initiatives, while at the same time giving some time for suppliers to demonstrate they have insufficient Broader Group applicants. We expect suppliers will start preparations early and publicise their Broader Group in good time. Equally, we believe that the current prominence of energy prices in people’s lives and the news agenda as well as the greater media focus on Warm Home Discount will increase demand for Broader Group rebates.

Industry Initiatives

8. Do you agree with the Industry Initiatives spending cap proposals?

Responses

Yes: 75%
No: 18%
Don’t know: 7%

Summary of responses

Most respondents agreed with the proposal to set a spending cap of £7 million for Industry Initiatives throughout the four-year period of the scheme, with obligations distributed according to suppliers’ market shares. Those who agreed recognised the value of Industry Initiatives for supporting customers, agreed with the need for a cap, and supported the flexibility of exceeding the cap (as per question 7). Two energy suppliers supported setting obligations according to market shares.

One local government representative supported the proposal and the need for a cap, albeit they thought the £7 million cap might be insufficient with the increasing cost of living. Another respondent proposed that the spending cap be linked to inflation, since inflationary pressures impact on their ability to provide services.

Two organisations queried how additional funding beyond the £7 million cap (as per question 7) would contribute to the Industry Initiatives activity caps, with one proposing that the additional funding should fall outside of the caps.

Two energy suppliers supported the proposals but asked for clarity about notifying and reporting Industry Initiatives spending in Scotland when delivered across GB. While one supplier asked whether existing Industry Initiatives spending in GB that supports customers in Scotland could be attributed to the scheme, another recommended a mechanism so that a GB-wide activity could be notified as one and apportioned to the Scotland and the England and Wales schemes, so that an activity can support consumers in Scotland, England, and Wales regardless of where they live.

Three organisations raised concerns about a potential reduction in funding for those Industry Initiatives activities they consider having greater value and impact on vulnerable consumers. In this context, one of the respondents expressed regret that there would be no minimum spend requirement in Scotland and asked that the Industry Initiatives activities caps be less prescriptive, to enable suppliers to decide which activities to pursue. One energy supplier, which disagreed with the proposal, similarly proposed that suppliers should have maximum flexibility in meeting their non-core obligation and supporting their customers. Meanwhile, two other respondents, who disagreed with the overall proposal, raised the lack of a cap on financial assistance as a concern. These organisations reported high demand for energy advice and wider support for households struggling with supplier failures, energy debt, and general cost of living. One organisation therefore called for additional investment in these services, while another called for the UK and Scottish governments to underwrite WHD grants issued by industry.

Government response

In light of the support for this proposal, the government will proceed with a £7 million cap on Industry Initiatives spending per year and setting obligations according to suppliers' market shares. The setting of a £7 million cap will provide greater certainty to energy suppliers and industry partners about the level of funding each year.

Where a supplier transfers all or part of its Broader Group obligation into additional Industry Initiatives spending, the aggregate caps on debt write-off and mains-gas boiler and central heating installations will not be increased and their share of the caps will not be increased either. It is not our intention that additional Industry Initiatives spending transferred from the Broader Group be used for debt write-off or for the installation of mains-gas boilers and central heating systems. Consistent with the Warm Home Discount scheme in England and Wales, these caps are designed to limit the amount of spending on these activities. Where a supplier transfers Broader Group spending into Industry Initiatives, the supplier may use this funding for financial assistance payments for their customers or the customers of oversubscribed suppliers, or they may use this additional funding on other Industry Initiatives that offer better and longer-term value, such as energy efficiency measures, energy advice, or benefit entitlement checks.

As the WHD scheme in Scotland is separate from the WHD scheme in England and Wales and will have its own set of regulations, suppliers will have to submit to Ofgem separate notifications for Industry Initiatives in Scotland compared to England and Wales. Where an activity is delivered across Great Britain, the supplier will have to report separately the amount that is delivered to households in Scotland and the amount that is delivered in England and Wales.

The government acknowledges the concerns that financial assistance may increase at the expense of other activities. The rationale for not setting caps for financial assistance is explained further in question 9. We believe this approach allows suppliers to fund the activities they prefer and support vulnerable customers in the way they choose.

9. Do you agree with the proposals for financial assistance?

Responses

Yes: 71%
No: 25%
Don't know: 4%

Summary of responses

The majority of respondents were in favour of the proposed approach to financial assistance payments. There was recognition of the importance of financial assistance as a measure, particularly in the current context of high energy prices, and a positive reception to it being continued and expanded. One respondent noted that this provided an important alternative route to the £150, given the changes to moving funding between the Broader Group and Industry Initiatives, and a few energy suppliers welcomed the increased flexibility it would provide them to better support their customer base. Particular elements of the proposal that were highlighted as beneficial were the removal of caps and the targeting of eligibility criteria towards vulnerable groups, including PPM customers and off-gas grid properties.

Of those who disagreed with the proposal, the main concern raised was around the potential for the changes to mean financial assistance is prioritised over other Industry Initiatives activity types which may provide more longer-term benefits. These respondents suggested that there should be a maximum cap for financial assistance spend to ensure that funding is more evenly distributed across Industry Initiatives activity types. Two respondents also suggested that better targeting and greater automatic payment of rebates would be a better approach than using financial assistance to provide rebates to those who miss out on them through oversubscribed Broader Group schemes. Only one respondent proposed having a minimum level of spend.

A few respondents who agreed with and disagreed with the proposal suggested reconsidering the individual financial assistance payment cap of £150. They suggested that this amount was too low given current energy prices.

There were a few requests for further clarity on the proposals. One energy supplier requested clear guidance on how they could evidence households with a disability for the financial assistance eligibility criteria, given the sensitivity of the data involved. Another supplier asked whether eligibility could be expanded to include all mandatory Broader Group criteria; whether households in emergency situations would still be eligible; and whether a customer would need to meet all the criteria, or just one of the elements to be eligible. Lastly, one respondent asked what metric was used to identify communities to be wholly or mainly in fuel poverty, and what health problems would be classified as ‘significant’.

Government response

We note the positive response to the proposals around financial assistance and intend to proceed with the proposals around eligibility for financial assistance payments. We will not introduce a minimum or maximum total spend, but we will proceed with introducing the £150 individual household payment cap, in line with the England and Wales scheme.

We expect that some energy suppliers with a proportionally high number of customers in Scotland are likely to meet their non-core spending obligation entirely through the Broader Group. Given the context of high energy prices and the value that the rebate provides to low-income and vulnerable households who receive it, we are keen to ensure that eligible households do not miss out where an energy supplier’s Broader Group is oversubscribed. Allowing financial assistance to be uncapped will ensure that as many households as possible will be able to access the £150, either through a Broader Group rebate or through a financial assistance payment. We recognise the concerns that this may impact on other Industry Initiative activity types. However, this approach does provide energy suppliers with greater flexibility to target their customers how they feel best. As discussed in our response to question 7, energy suppliers who receive approval to transfer part or all of their Broader Group obligation into Industry Initiatives will have proportionally more to spend on Industry Initiatives, which should provide opportunities for other activities to continue to receive funding. To date, the GB-wide WHD has had a financial assistance payment cap, but actual spend has been much lower than that cap – in the 2020/21 scheme year, which is the latest for which we have data, £800,000 was spent on financial assistance but the cap on payments was £5 million. While we expect that some suppliers will make greater use of financial assistance payments, we do not expect that this will be to the detriment of other activities given that others will have more to spend on Industry Initiatives overall, and that actual spend on financial assistance has not tended to dominate Industry Initiatives spend historically.

Regarding the individual cap, this balances providing meaningful support, at a level matching the rebate, with ensuring that as many households as possible can access this support. We discuss wider support available to households in our response to Question 13 on the rebate amount.

Further guidance on how energy suppliers should administer financial assistance payments, including evidence required, will be provided as part of Ofgem's guidance for suppliers. As in the scheme to date, households in, or at risk of, fuel poverty who meet one, or more, of the criteria listed in the legislation will be considered eligible for financial assistance payments. As proposed in the consultation, we will be expanding the criteria to include the mandatory Broader Group eligibility criteria. Households in emergency situations who meet the criteria would also be considered eligible.

10. Do you agree with the caps for debt write-off?

11. Do you agree that a £300,000 portion of the energy debt write-off cap should be reserved for customers with pre-payment meters (PPMs)?

Responses

Q10 –

Yes: 58%
No: 35%
Don't know: 8%

Q11 –

Yes: 46%
No: 46%
Don't know: 7%

Summary of responses

Under both questions respondents acknowledged that debt write-off under Industry Initiatives cannot be used to solve the high cost of energy and there needs to be greater action from the UK and Scottish governments. Respondents who agreed with the proposals on Q10 recognised that it was convenient and fair for the Scotland scheme to be as consistent as possible with the England and Wales scheme. Some respondents recognised that demand for all energy related assistance is and will continue to be higher, with one respondent noting that whilst requests for debt write-off have risen dramatically, the demand to energy advice has risen much faster.

Respondents who opposed the caps proposed under Q10 did so for several key reasons. The main argument centred on Scotland having more off-grid customers and that therefore the overall cap should be higher and that there should be more flexibility for off-grid customers. Several respondents argued that the individual household cap would be insufficient to clear debt for some households. Finally, some energy suppliers argued that mandatory caps should be removed providing them with maximum flexibility to help their customers.

Respondents who agreed with Q11 did so on the basis that PPM customers are more likely to be in fuel poverty, more likely to ration their energy and more likely to disconnect. Respondents who opposed the proposal once again argued for greater flexibility in how debt write-off is used whilst others variously argued for ringfencing of funding for credit, off-grid, and electricity only customers. There were also calls for a higher proportion to be reserved for PPM customers. Finally, some respondents asked BEIS to clarify what was meant by PPM debt.

Government response

The government will proceed as per the proposals in the consultation. We acknowledge that demand for debt-write off will increase, however, that cannot be solved solely through this mechanism. Ultimately, allowing more spending on debt write-off overall and per household would reduce the spending on other forms of assistance and concentrate that help on fewer households.

Specifically addressing the off-grid argument, Scotland does not, in fact, have a greater share of households off the gas grid. Based on data from 2020 it had the same proportion (14%) as England, with Wales having 19%[1].Therefore, it would not be consistent to have a specific provision for Scottish off-grid customers given one does not exist for England and Wales. Of course, as long as energy suppliers comply with the caps, they can be selective in which consumers they help and could choose to prioritise based on heating fuel.

We will reserve £300,000 for PPM customers, given that they are most likely to be in fuel poverty and struggle to pay their energy bills. We acknowledge that amount will be insufficient to help all PPM customers and that households with other payment types may also accumulate debt. However, introducing further ringfencing would make the scheme more complex whilst under these rules all payment types can benefit from debt write-off outside of the PPM reserve.

A fuller explanation of what is meant by PPM debt will be included in Ofgem guidance.

[1] www.gov.uk/government/statistics/sub-national-estimates-of-households-not-connected-to-the-gas-network

12. Do you agree with the proposed restrictions and cap for boiler and central heating installations?

Responses

Yes: 61%
No: 29%
Don't know: 11%

Summary of responses

The majority of respondents to this question were in favour of the proposed restrictions and cap on boiler and central heating replacements through Industry Initiatives. Some recognised that the approach balanced supporting net zero ambitions with providing support in emergency situations to households with a particular vulnerability to the cold. One respondent highlighted the alignment with Scottish Government commitments, such as phasing out of funding for fossil fuel heating systems by 2024 and phasing out installations of fossil fuel boilers from 2025 in off-gas grid properties, and from 2030 in on-gas grid properties. It was also noted that the approach aligned with the England and Wales scheme, and that this would rebalance spend to other Industry Initiatives.

Respondents who disagreed with the proposal generally expressed concern with either the cap or with the eligibility restrictions. Some respondents suggested that there should not be a cap, citing the longer-term benefits that replacement boilers and central heating systems can provide, and that this should therefore not be capped. The success of the Energy Company Obligation (ECO) was highlighted as an example of the value of replacing boilers and central heating systems. Some suggested that by targeting emergency situations, the WHD Industry Initiatives activity type enabled suppliers to reach households that may not otherwise receive support. There were a few suggestions by those who disagreed with the eligibility restrictions, including not restricting support to just those with a vulnerability to the cold, enabling support to be provided in non-emergency situations, or targeting support towards groups identified in the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019.

There were two key areas suggested by multiple respondents who agreed with, disagreed with and were unsure of the proposal for further exploration. The first was around support for off-gas grid properties. Some respondents called for greater clarity on whether other fuel types, particularly LPG, oil and solid fuels, would be allowed under the restrictions. It was suggested by some that support should be provided to these properties, particularly given the high proportion of off-gas grid properties in Scotland and that alternative technologies like heat pumps may not be appropriate for these properties. It was also suggested by some respondents that a greater focus should be given to heat pumps and other renewable and more energy efficient technologies, both through WHD and more widely by government.

The second key area was around TrustMark and PAS standard requirements. There was general support for having these requirements in place, with one respondent suggesting that all installations should be installed under PAS standards. However, some respondents noted that the requirements do create additional time and cost challenges, particularly in rural and remote areas of Scotland where the number of accredited installers may be limited. One respondent suggested increasing support to the supply chain to prevent delivery risks both for WHD Industry Initiatives and wider government schemes using these requirements.

Government response

The government recognises the positive response to the proposed cap and restrictions on boiler and central heating system installations under the scheme. Given this, we will proceed with introducing the proposed limits on fossil fuel boilers and central heating systems, as well as the cap on replacements. This is in line with the changes introduced in the England and Wales scheme. These changes will enable support to continue to be provided while contributing to government's net zero targets.

We note that some respondents called for other fossil fuel heating systems, including oil, LPG and solid fuels, to continue to be permitted under the scheme. In its Heat in Buildings strategy[2], the Scottish Government set out that it is committed to phasing out the need to install new or replacement fossil fuel boilers in off gas properties from 2025, and in on-gas areas from 2030. The Scottish Government also announced in its 2021 Fuel Poverty Strategy[3] that it would be phasing out funding for fossil fuel heating systems, where this is not to the detriment of fuel poverty objectives, as part of its zero emissions first approach to delivery programmes. As well as the GB-wide ECO scheme, the Scottish Government operates a number of schemes in Scotland, including the Warmer Homes Scotland and Home Energy Scotland Loan schemes[4], to support energy efficiency, including the installation of cleaner heat technologies. We will therefore be proceeding with only allowing installations of mains gas, wholly or mainly renewable, or mains gas hybrid boiler and central heating installations under the WHD.

Regarding TrustMark and PAS requirements, we note the positive reaction from respondents to continuing to include these requirements in the WHD Scotland scheme. These requirements are important for ensuring greater consumer protection and quality assurance, and align with the approach taken for other government schemes, including ECO.

Lastly, the government has recently published its response to the consultation on the ECO 4 scheme[5], in which we confirmed our commitment to continuing to focus support towards low-income and vulnerable or fuel poor households in EPC band D-G homes.

[2] Heat in Buildings Strategy – achieving net zero emissions in Scotland's buildings - www.gov.scot/publications/heat-buildings-strategy-achieving-net-zero-emissions-scotlands-buildings/
[3] Tackling fuel poverty in Scotland: a strategic approach - www.gov.scot/publications/tackling-fuel-poverty-scotland-strategic-approach/
[4] www.gov.scot/policies/home-energy-and-fuel-poverty/energy-saving-home-improvements/
[5] Design of the Energy Company Obligation ECO4: 2022-2026 - www.gov.uk/government/consultations/design-of-the-energy-company-obligation-eco4-2022-2026

Rebate value

13. Do you agree that the rebate value should be set at £150?

Responses

Yes: 55%
No: 41%
Don't know: 3%

Summary of responses

The majority of respondents to this question agreed with setting the rebate value at £150. The main reason for those who agreed was to provide consistency in the rebate value across Great Britain, which was identified as being important for preventing confusion and ensuring parity for customers across Scotland, England and Wales. While being supportive of a consistent rebate value, some respondents suggested that the rebate amount should be reviewed at the earliest opportunity, with one respondent suggesting future changes should remain consistent across both schemes.

The main reason for those who disagreed with the proposed amount was the recent increase in gas prices and cost of living, which meant that the real value of the rebate had decreased over recent years. There were suggestions that the rebate should be set generally higher, including using £150 as a minimum value, setting it at £250, £250-300, or £500. Multiple respondents suggested that the rebate value should be flexible and regularly reviewed so that it can be adjusted across scheme years, most commonly to match increases in the price cap. One supplier proposed that the value of the rebate should be consistent with the fuel poverty gap, which was highlighted by a charity as being £580 for urban areas and £1,100 for rural areas in Scotland. Two respondents suggested that the rebate value should be flexible based on household makeup and property types, suggesting that those with families or households in rural communities benefit less from the rebate value in real terms.

A few respondents who disagreed with or were unsure of the proposal suggested that there needed to be increased wider support for the recent increase in gas prices and the cost of living beyond WHD. One of these respondents suggested that this should include increased energy advice. One respondent suggested that fuel poor customers should be exempt from paying for social schemes such as WHD through their energy bills.

Government response

We acknowledge the mixed response to this question. Setting the rebate value at £150 balances providing meaningful support to households and ensuring as many households as possible can access the support, as well as keeping the impact of policy costs on customer bills to a minimum. In addition, the £150 rebate amount is consistent with the rebate amount under the England and Wales scheme. For these reasons, and noting that a greater number of respondents agreed with the proposal, we will set the rebate amount at £150.

The Warm Home Discount is funded by energy suppliers, who generally recoup the costs through energy bills. We estimate that the policy cost of the increased scheme value will be £19 per dual fuel customer bill. Any increase in the rebate amount, either to cover the four years of the scheme or changes year on year, would either lead to fewer rebates being provided to eligible households or require an increase in the spending envelope, which would then impact the amount on customer bills. It would be administratively complex, and therefore costly, to introduce a variable rebate amount depending on household size or location.

The government recognises that some households may need additional support given the recent increase in energy prices. That is why on 26 May the UK government announced a large package of measures worth £15bn to help all households with their energy bills this winter with extra help provided to those on low incomes and the vulnerable. This package builds on the over £22bn announced previously, with government support for the cost of living now totalling over £37bn this year. This includes: help to all domestic electricity customers in Great Britain to cope with the impact of higher energy bills, with £400 off their bills from October through the expansion of the Energy Bills Support Scheme (EBSS); a one-off Cost of Living Payment of £650 to over 8 million households across the UK in receipt of means tested benefits; additional UK-wide support to help 6 million people who receive non-means tested disability benefits receiving a one-off disability Cost of Living Payment of £150; an extra one-off £300 alongside the Winter Fuel Payment to help over eight million pensioner households cover the rising cost of energy this winter. For households that are not eligible for Cost of Living Payments or for families that still need additional support; the government is providing an extra £500 million of local support, via the Household Support Fund.

Scheme administration

14. Do you agree that Ofgem should continue to run the reconciliation process in Scotland?

Responses

Yes: 90%
No: 3%
Don't know: 7%

Summary of responses

The vast majority of respondents were in favour of Ofgem continuing to run the reconciliation process in Scotland. It was noted that Ofgem has extensive experience having run the reconciliation in previous WHD scheme years as well as regulating the energy market more widely, and that it was beneficial to maintain consistency across the Scotland and England and Wales schemes.

Some respondents took the opportunity to request further clarity on some aspects of the scheme in their response to this question, namely how GB-wide Industry Initiatives would work and how apportionment of spend between England and Wales and Scotland would impact on these; the approach to reporting and reconciliation across both schemes; what happens when a customer moves from Scotland to England or Wales, or vice versa; and confirmation about backdating of Industry Initiatives to April.

Government response

Given the significant positive response to this question, we will proceed as proposed with Ofgem running the reconciliation process in Scotland.

As the Scotland scheme is separate to the England and Wales scheme, energy suppliers will be required to report separately on each scheme and the reconciliation would also be operated separately. Ofgem will provide further details to energy suppliers about reporting and reconciliation requirements as part of their guidance on the scheme.

As the qualifying date for the Core Group in Scotland and Core Group 1 and Core Group 2 in England and Wales is intended to be the same, the risk of any double payments of rebates where a customer moves from Scotland to England or Wales is limited.

Further details about the Industry Initiatives in the Scotland scheme, including how GB-wide Industry Initiatives would work and backdating of spend, are provided in the response to Question 8.

Next steps

The UK government will shortly lay affirmative Regulations to implement the policy set out in this document. Subject to UK Parliamentary approval and the approval of the Regulations by Scottish Ministers, we expect rebates to be provided to eligible households from November onwards. Some Industry Initiatives support is likely under way already given the consultation proposals.

Annex: List of respondents

We additionally received responses from four members of public.

1. Advice Direct Scotland
2. Age Scotland
3. Association for Decentralised Energy
4. BRB Ltd
5. Bridge Community Project, Livingston
6. Bulb
7. Centrica
8. Changeworks
9. Charis Grants
10. Child Poverty Action Group in Scotland
11. Christians Against Poverty
12. CIOB
13. Citizens Advice Scotland
14. E.ON UK
15. EDF Energy
16. Elevator UK
17. Energy Action Scotland
18. Energy UK
19. Fuel Bank Foundation
20. Glasgow City Council
21. Hamilton CAB
22. Ofgem
23. Ombudsmen Services
24. OVO Energy
25. Poppyscotland
26. Scottish Federation of Housing Associations
27. Scottish Power
28. Shell Energy Retail Ltd
29. The Wise Group
30. Utilita Energy Ltd
31. West of Scotland Housing Association

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