



Department for  
Energy Security  
& Net Zero

# Expanding the Warm Home Discount Scheme 2025/26

Closing date: 24 March 2025

February 2025



© Crown copyright 2025

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at: [whd.consultation@energysecurity.gov.uk](mailto:whd.consultation@energysecurity.gov.uk)

---

# Introduction

In 2022, the UK faced a substantial increase in the cost of living, with CPI inflation peaking at 11.1% in the 12 months to October 2022. A key driver of this was the rise in global energy prices, largely caused by a surge in demand with the Covid 19 recovery and impacts from the conflict in Ukraine and the role of Russia.

Energy prices have fallen since their peak however, affordability remains challenging for many households and expected prices over the next year will mean that households are likely to continue to face energy bills that remain elevated compared to recent years. The government understands how hard it has been for most households, but especially those low-income households in or at risk of fuel poverty, who cannot heat their homes for a reasonable cost, or continue to face serious challenges with the affordability of their energy bills.

The government has statutory duties to address and reduce fuel poverty. In England, the fuel poverty target is to ensure that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band C, by 2030<sup>1</sup>. The 2021 fuel poverty strategy, *Sustainable Warmth*, lays out the plan to meet this target. The government has reviewed this strategy, and the review was published on 7th February alongside a consultation on proposals for a new strategy. The consultation seeks views on stakeholder priorities for an updated policy plan to support fuel poor households and the future of the statutory fuel poverty target and closes on 4th April.

The government is working hard to upgrade Britain's homes and cut fuel poverty. Our Warm Homes Plan will transform homes across the country by making them cleaner and cheaper to run, from installing new insulation to rolling out solar and heat pumps. As the first step towards the Warm Homes Plan, the government has committed an initial £3.4 billion over the next 3 years towards heat decarbonisation and household energy efficiency, with £1 billion of this allocated to next year.

The Warm Home Discount is a key policy in the government's approach to tackling fuel poverty and reducing the energy costs of low-income and vulnerable households in Great Britain. Established in 2011, the scheme obligates participating energy suppliers to provide energy bill rebates to eligible low-income households. It helps households in, or at risk of, fuel poverty with direct energy bill reductions, as well as providing other financial and energy-related support, such as debt support, energy efficiency advice and a scheme that provides support for those who live in park homes, through "Industry Initiatives". In 2022, the rebate level was increased to £150 for each eligible household, alongside scheme reforms in England and Wales that aimed to enhance targeting to those on low incomes living in the hardest to heat homes.

In 2023/24, the Warm Home Discount schemes delivered Core Group rebates<sup>2</sup> to over three million households in Great Britain. This represents an increase of around 650,000 households receiving Core Group rebates and an increase of around £97 million of support, compared to

---

<sup>1</sup> Responsibility for tackling fuel poverty is devolved, although the Warm Home Discount applies across Great Britain, with some differences in how the scheme operates in England and Wales, compared with Scotland.

<sup>2</sup> Core Group 1 where households must have a resident receiving the Guarantee Credit element of Pension Credit applies across Great Britain; Core Group 2 where households must have a resident receiving certain means-tested benefits and live in a property assessed to have a high cost to heat score applies only in England and Wales. In Scotland those on means tested benefits can be eligible through the broader group if they apply to their supplier.

---

2022/23. Since the scheme began in 2011, it has provided up to 3 million low-income households annually with their energy costs. The Warm Home Discount schemes are expected to support over 3 million GB households over winter 2024/25, with rebates funded through a levy on all domestic gas and electricity customers.

This consultation sets out proposals to expand the reach of the Warm Home Discount Scheme by removing the high-cost-to-heat threshold in the current Warm Home Discount (England & Wales) Regulations 2022 (for winter 2025/26) and increasing the level of spend available in Scotland for suppliers to allocate through the Broader Group. All households in receipt of means-tested benefits would then be eligible to receive the £150 rebate.

We estimate that expanding the scheme in this way would offer support to an additional 2.7 million households, so around 6.1 million in total for winter 2025/26. Around one in four households with required energy costs exceeding 10% of their after-housing-cost income currently receive a £150 rebate. By extending the scheme to all households on means-tested-benefits, this figure would rise to around 45% of such households receiving the rebate. Extending the scheme would also almost double the number of households with children that receive the Warm Home Discount, to 1.9m.

The Warm Home Discount scheme currently runs to March 2026 (as set out in the regulations). Looking ahead, beyond the expiration of the current regulations, we want to ensure that the Warm Home Discount scheme is designed in such a way that improves the support provided to fuel poor households.

---

# Contents

Introduction	3
General information	6
Why we are consulting	6
Consultation details	6
How to respond	7
Confidentiality and data protection	7
Quality assurance	8
The proposals	9
Current scheme	9
Proposals for increasing eligibility in England and Wales	12
Scotland – scheme expansion	15
Impacts and Costs	16
Cost-benefit analysis	19
Equalities impact	20
Consultation questions	21
Next steps	22

# General information

## Why we are consulting

The Warm Home Discount has been a key policy in the government's approach to tackling fuel poverty and reducing the energy costs of low-income and fuel poor households since its inception in 2011. Over that period, it has helped up to 3 million low-income households annually with their energy costs. As required by the Regulations governing the Warm Home Discount scheme for E&W and Scotland, we have reviewed the scheme in response to the continued affordability and fuel poverty challenges faced by many households, with a view to achieving greater reductions in fuel poverty. This review considered the legislative requirements and the function of the scheme in practice, as well as the outputs such as the rebates granted and impacts of those on fuel poverty.

We want to ensure that the Warm Home Discount continues to deliver help to those who need it most. This consultation seeks to explore whether an initial step towards greater reduction in fuel poverty can be achieved for winter 2025/26 through changes to the regulations to widen eligibility/increase spending. We are also exploring options to improve support to those who need it beyond winter of 2025/26.

## Consultation details

**Issued:** 25 February 2025

**Respond by:** 23:59 on 24 March 2025

**Enquiries to:**

Warm Home Discount Team  
Department for Energy Security and Net Zero  
3 Floor  
3-8 Whitehall Place  
London  
SW1A 2AW  
Email: [whd.consultation@energysecurity.gov.uk](mailto:whd.consultation@energysecurity.gov.uk)

**Consultation reference:** Expanding the Warm Home Discount Scheme 2025/26.

**Audiences:**

- Obligated electricity suppliers
- Consumers, consumer groups and charities
- Warm Home Discount recipients

### **Territorial extent:**

The Warm Home Discount applies across Great Britain, with some differences in how the scheme operates in England and Wales, compared with Scotland. The proposals set out in this document take account of these differences.

The scheme is not available in Northern Ireland, where separate support is available.

## How to respond

**Respond online at:** <https://energygovuk.citizenspace.com/home-local-energy/expanding-the-warm-home-discount-scheme>

or

**Email to:** [whd.consultation@energysecurity.gov.uk](mailto:whd.consultation@energysecurity.gov.uk)

### **Write to:**

Warm Home Discount Team  
Department for Energy Security and Net Zero  
3 Floor  
3-8 Whitehall Place  
London  
SW1A 2AW

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

## Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004). Consultation responses will be shared with the Scottish Government, where these relate to the delivery of the scheme in Scotland.

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

## Quality assurance

This consultation has been 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: [bru@energysecurity.gov.uk](mailto:bru@energysecurity.gov.uk).



# The proposals

The government has statutory duties to address and reduce fuel poverty<sup>3</sup>. The Warm Home Discount makes a key contribution to that, providing direct energy bill support for households in, and most at risk of falling into, fuel poverty. Under the proposals set out in this document, we would expand this support, reducing energy bills for those newly in receipt of the discount and helping with the cost of living for millions more households.

This consultation proposes the removal of the ‘high cost to heat’ eligibility criteria that is currently applied in England and Wales, which would have the effect of expanding the scheme to provide households in receipt of means-tested benefits (MTBs) with a £150 rebate off a relevant energy bill. There would be a corresponding increase in the funding for the scheme operating in Scotland. Additionally, it proposes to extend the Park Homes Warm Home Discount scheme to include other individuals without a direct relationship with an energy supplier, while maintaining the current overall budget for Industry Initiatives.

Providing the current Warm Home Discount of £150 to over 3 million households in Great Britain<sup>4</sup> costs an average annual dual fuel energy billpayer approximately £19 (excluding industry initiatives). Including Industry Initiatives increases this to £21 (rising to £22<sup>5</sup> in 2025/26).

With energy bills at historic highs, we need to protect all bill payers. Whilst the Warm Home Discount changes proposed here could add £15 to the average annual dual fuel energy bill, there are several other proposals under consultation that would create savings on bills of greater than £15. For example, Ofgem are currently consulting on a review of operational costs in the price cap, which could deliver £7 savings on bills and further price cap savings would be available through better control of new and existing consumer debt. Ofgem are also consulting on a number of measures which could reduce the debt allowance in the bill down to pre-crisis levels. The options under consideration could deliver meaningful savings for all billpayers by 2026/27 which could outweigh the impact of expanding the Warm Home Discount.

## Current scheme

### England and Wales

Following a consultation in 2021, the Warm Home Discount was expanded and extended to 2026, while also reformed in England and Wales to improve fuel poverty targeting. Key elements of these reforms were implemented for the 2022/23 scheme. These included:

- Expanding the overall spending envelope to £475 million (in 2020 prices) each year for Great Britain, increased year-on-year with inflation up to £511 million for winter 2025/26.
- Increasing the value of the rebates from £140 to £150.

---

<sup>3</sup> As set out in the fuel poverty strategy made under the Warm Homes and Energy Conservation Act 2000, fuel poverty is measured using the Low Income Low Energy Efficiency (LILEE) metric. LILEE defines a household as fuel poor if they have a residual income under the poverty line and live in a home with an energy efficiency rating below Band C.

<sup>4</sup> <https://www.gov.uk/government/statistics/warm-home-discount-statistics-2023-to-2024/warm-home-discount-statistics-2023-to-2024>

<sup>5</sup> The estimate of £22 assumes that rebate spending in 2025/26 continues at 2023/24 levels and Industry Initiatives are increased in line with the overall inflation in the spending envelope (with total spend therefore being higher than the 2025/26 spending envelope in regulations).

- Maintaining the Core Group 1, i.e. those in receipt of Pension Credit Guarantee Credit and named on the energy bill, providing rebates to around one million low-income pensioners in Great Britain.
- Creating a new Core Group 2 of around two million households who have both low incomes (approximated by being in receipt of certain means tested benefits) and high energy costs, identified through data matching.
- Making Industry Initiatives (such as debt support, energy efficiency advice and a scheme that provides support for those who live in park homes) mandatory, in recognition of the valuable support these provide to a wider range of households.
- Reducing the customer number threshold so more energy suppliers participate in the scheme.

To be eligible under the Core Group 1, households must have a resident receiving the Guarantee Credit element of Pension Credit and either the benefit recipient, their partner or their legal representative must be named on the electricity bill on the qualifying date for that year.

To be eligible under the Core Group 2, households must have a resident receiving certain means-tested benefits or tax credits; live in a property assessed to have a high cost to heat score; and either the benefit recipient, their partner or their legal representative must be named on the electricity bill, all on the qualifying date for that scheme year.

The qualifying benefits are:

- Housing Benefit
- Income-related Employment and Support Allowance (ESA)
- Income-based Jobseeker's Allowance (JSA)
- Income Support
- The 'Savings Credit' element of Pension Credit
- Universal Credit.

Households could also qualify where the household income falls below a certain threshold and Child Tax Credit or Working Tax Credit is paid.

The qualifying date is set by the Secretary of State and is set to be as close as possible to the date of the data-matching process, to minimise the number of changes in people's circumstances between the qualifying date and awarding the rebates.

Under the current scheme, rebates for Core Group 1 are applied automatically. This is also the case for households in Core Group 2 where the required data is available. Last winter, around 2.9m households (92%) received their rebates automatically, without having to take any action. The remaining 250k (8%) received their rebates after contacting the Warm Home Discount helpline to confirm their eligibility.<sup>6</sup>

---

<sup>6</sup> Department for Energy Security and Net Zero, *Warm Home Discount statistics, 2023 to 2024*, August 2024. Available at: <https://www.gov.uk/government/statistics/warm-home-discount-statistics-2023-to-2024/warm-home-discount-statistics-2023-to-2024>

## Scotland

Whilst Core Group 1 eligibility applies in the same way across Great Britain, the data-based targeting approach of a new Core Group 2, matching households in receipt of means-tested benefits to higher cost to heat homes, was not applied in Scotland. This is because the data on homes that enables this was not available in the required way.

Instead, a Broader Group that previously applied in England and Wales was retained. Participating energy suppliers are set a target for the minimum number of Broader Group customers that they must provide with rebates. The suppliers are then responsible for administering this, including managing the application process and communications with customers. Although the government sets minimum eligibility criteria in regulations, energy suppliers may set additional criteria, subject to approval by the scheme administrator, Ofgem. Funding for rebates under the Broader Group is finite, therefore each supplier decides how they award rebates to eligible households.

### *Devolution Considerations*

On 1 December 2017, many of the powers to make regulations for the Warm Home Discount were transferred to Scottish Ministers by the Scotland Act 2016. These include powers to decide rules about the eligibility criteria for the Warm Home Discount in Scotland and the types of support provided, including the size of individual rebates provided to customers in Scotland.

Some aspects of the Warm Home Discount remain reserved to the Secretary of State for the Department of Energy Security and Net Zero under the Scotland Act 2016, and the Secretary of State must approve any Warm Home Discount scheme in Scotland. We will continue to work closely with the Scottish Government on any updates to the scheme.

### **Other support under the scheme – Industry Initiatives**

Across England, Wales and Scotland, energy suppliers can provide additional support through Industry Initiatives, which are energy-related and financial measures that suppliers can deliver to their own customers or working with industry partners. These measures include energy efficiency measures, energy advice, boiler and central heating replacements, financial assistance payments, debt write-off, and benefit entitlement checks.

It is mandatory for obligated suppliers to fund Industry Initiatives in England and Wales and optional in Scotland; in Scotland, suppliers can decide to deliver Industry Initiatives to offset partially their obligation to deliver Broader Group rebates. In 2022/23, which is the latest annual report that Ofgem have published, participating suppliers delivered £44.3 million across 59 Industry Initiatives (37 in England and Wales, 22 in Scotland).<sup>7</sup>

Households living in Park Homes typically pay for their electricity supply to their site owner and are therefore not eligible under the main Warm Home Discount scheme. As they are not direct customers of a participating electricity supplier, they cannot receive a rebate. Therefore, the government worked with Charis Grants in 2015 to set up a separate scheme, the Park Homes Warm Home Discount Scheme, to support residents in Park Homes at risk of fuel poverty. The Park Homes Warm Home Discount Scheme is run by a third party and is funded by

---

<sup>7</sup> Ofgem, Warm Home Discount Annual Report – SY12, March 2024. Available at: <https://www.ofgem.gov.uk/publications/warm-home-discount-annual-report-sy12>

participating energy suppliers as part of Industry Initiatives funding. Residents need to apply every year, even if they received a payment under the scheme in previous years.<sup>8</sup>

### Proposals for increasing eligibility in England and Wales

We propose to keep the current rules in relation to Core Group 1 unchanged. As a result, around one million Pension Credit Guarantee Credit recipients (named on the electricity bill) would continue to receive the energy bill rebate automatically. This will protect pensioners on the lowest incomes for whom the Warm Home Discount rebates provide a reliable form of support over the winter months.

The proposed changes in England and Wales would focus on Core Group 2 where, currently, eligibility is based on both income (where specified means-tested benefits are received) and how expensive a home is to heat.

The assessment of how expensive a home is to heat is undertaken primarily by using Valuation Office Agency (VOA) data. An algorithm is applied to the type, age and floor area of the property, to predict a home's energy costs. Each property's predicted energy costs are compared to a 'high cost to heat' threshold to determine which low-income households are living in properties with a high energy cost. Broadly speaking, older, larger, and more detached properties have higher heating costs. VOA data is used in preference to Energy Performance Certificates (EPCs) because not all homes have a valid EPC.

The high cost to heat threshold can be amended to make more, or fewer, households eligible, and this provides some budgetary control over the scheme. However, this also means that eligibility can change from year to year, despite a household's circumstances not having changed.

### **Amendment to the spending target**

The overall spending target for each scheme year is set out in schedule 1 of the Regulations. For winter 2025/26 it is currently set at £511 million for England & Wales. For any scheme year, we expect to see fluctuations in the number of Core Group rebates, for instance resulting from variations in the number of households in receipt of a qualifying benefit and from the reduction of the energy supplier participation threshold from 2023/24 onwards, from which point more energy suppliers were obligated to participate in the scheme. The Industry Initiatives element of the scheme allows for a limited variation in the budget to accommodate these minor changes between scheme years.

Any substantial increase to the spending target that we are unable to manage through the Industry Initiatives flexibility would require an amendment to the Regulations to revise the threshold where it is considered appropriate to meet the annual spending targets. For example, if the high-cost threshold was removed, the estimated spending target would need to be revised from £511 million to over £800 million.

If we proceed with any amendment to the spending target, due to procedural requirements, it will not be possible to make the required regulatory changes in time to seamlessly align with the start of the scheme year and existing scheme procedures. Allocation of the spending target will have to proceed as currently set out in regulations, with new regulations expected to be in place by summer 2025 with procedures set out for allocation of the additional requirements. Any proposed expansion in spending target would be for additional rebates only, with no expansion

---

<sup>8</sup> More information available at: <https://charisgrants.com/partners/park-homes/>.

of the spend on Industry Initiatives. We will work with energy suppliers throughout the process, to manage any practical delivery challenges.

### **Proposed change to the High Cost to Heat Threshold**

If we maintain the status quo (the 'do nothing' option) and maintain spending within the current spending target (set at £511 million for England & Wales for winter 2025/26), we will need to consider the impact of any overspend in winter 2024/25, that we are unable to manage through the Industry Initiatives flexibility (see Spending target section above). For example, if there was a significant overspend in winter 2024/25 due to an increase in rebates as a result of increased pension credit applications, we may need to raise the high-cost threshold to stay within the current spending target, meaning fewer households would be eligible for winter 2025/26. We therefore propose not to take this option but instead look to expand the scheme to reach more households rather than fewer.

To expand the scheme, we propose to remove the high cost to heat threshold, which would effectively make all households where the bill payer, or their partner, claims a means-tested benefit, eligible for the Warm Home Discount. This option would expand support to more of the low-income households, reaching more fuel-poor households in total but with less precision (i.e. there would be a greater number of fuel-poor households but they would make up a smaller proportion of all those in receipt of the WHD).

Our initial analysis indicates that if these eligibility criteria were applied, rebates would be provided to around 6.1 million households in Great Britain<sup>9</sup>, an increase of around 2.7 million from the 3.4 million rebates estimated to have been provided in winter 2023/24<sup>10</sup>. The actual number of eligible households would depend on the number of households receiving a relevant means-tested benefit or tax credit at the time (currently estimated to be around 8.5 million for GB), the number of those who are named on the electricity bill, data matching rates and the number of households who come forward to claim the rebate when invited to do so. Therefore, the ultimate number of recipients is somewhat uncertain and estimates in this document are based on the current number of eligible benefit recipients and rebate conversion rates observed in the current WHD scheme.

The annual spending envelope, which determines the amounts suppliers levy from customers, via price cap setting negotiations with Ofgem, is set out in regulations. Any expanded coverage of the Warm Home Discount scheme would require an increase to the levy on domestic gas and electricity bills. All else being equal, removing the high-cost threshold entirely would lead to an increase of approximately £15 on a household dual fuel bill, increasing it from £22 to £37. However, the costs of extending the scheme could be offset as much as possible by other savings on bills as set out in The Proposals.

Alternatively, the threshold can be set at a different level (rather than being completely removed) to reduce the number of excluded dwellings and reach more households. This could aim to capture those eligible households living in properties which typically had middling costs to heat who may be struggling with affordability. However, changing the high-cost threshold rather than removing it altogether would still mean that some on means tested benefits would not receive a rebate.

---

<sup>9</sup> Estimates of benefit recipients here are based on derived benefits flags in the English Housing Survey

<sup>10</sup> The WHD statistics show that there were over 3.1m Core Group rebates provided across England, Wales and Scotland in 2023/24. The number of Broader Group rebates provided in Scotland is not yet available so the 3.4m total for GB includes an estimate based on Scotland's non-core obligation.

Q1. The high cost to heat threshold currently means that the scheme for those on means tested benefits is limited to those with the highest costs of heating. Taking account of the cost to bill payers from expanding the scheme, do you agree that we should remove the high cost to heat threshold, so that as many households on means tested benefits as possible receive the WHD?

Q2. If you think we should keep the high-cost threshold, do you have any evidence to suggest what an appropriate level could be to ensure that households who need support do not miss out on the WHD while managing the cost for other bill payers?

Q3. Specifically for energy suppliers: do you foresee any practical challenges or have any delivery concerns with expanding the spending target in this way, for this group of customers to this timeline?

### **Inclusion of previously excluded groups into the WHD rebate**

To receive the Warm Home Discount, a qualifying household must be a customer of a participating domestic energy supplier. This means that households paying bills via their landlord, on private wire networks or living in ineligible property types (such as park homes) are excluded. There is an existing support route, the Park Homes Warm Home Discount Scheme, which is available by application to provide rebates to residents of Park Homes. This, along with the other industry initiatives as set out above, are funded through an allowance within the Warm Home Discount spending envelope.

We are considering broadening this Industry Initiative to include other currently excluded groups (for example, housing association/private tenants supplied via a landlord, houseboats at residential moorings), although we would propose doing this within the same overall budget envelope, to avoid any further increase in levied costs on energy bills caused by the scheme. This could include budget being used to support this scheme at the expense of other industry initiatives.

Q4. Do you agree that the Park Homes Warm Home Discount Scheme should be broadened to include other household types where bills are not paid directly to an energy supplier?

Q5. Who should this be broadened out to (for example, housing association/private tenants supplied via a landlord, houseboats at residential moorings, travellers on authorised fixed sites)?

Q6. Do you agree that this extension should be done within the existing budget for the Park Homes Warm Home Discount Scheme?

## Scotland – scheme expansion

As in Core Group 1 in England and Wales, no changes are proposed that would impact Core Group eligibility in Scotland. Recipients of the Guarantee Credit element of Pension Credit (named on the electricity bill) will continue to receive the Warm Home Discount automatically and without the additional cost to heat eligibility requirement on their property being applied.

Suppliers in Scotland have scope to set their own criteria for the Broader Group within the parameters of the Warm Home Discount (Scotland) regulations, which may have wider eligibility requirements than means tested benefits, although the relevant means tested benefits must be included in the criteria as per the requirements in the regulations. We therefore do not propose to standardise these requirements without further consideration of the impacts of making this change, for example on individuals who could become ineligible due to not being on means tested benefits. We are currently considering more substantial changes to the Warm Home Discount Scheme to improve the design of the scheme beyond the current regulations which expire in 2026.

In the meantime, we propose for 2025/26 to increase the spending envelope in Scotland by a proportionate amount to that in England and Wales<sup>11</sup>, which would have the effect of increasing suppliers' non-core spending obligations and require that budget to be spent on the broader group. This would mean that more budget is available to provide rebates to those on qualifying benefits in Scotland.

In the Warm Home Discount regulations, the aggregate non-core spending obligation must be determined by the Secretary of State by 14 February in the preceding year. Ofgem must then notify suppliers of their non-core obligation by 14 March. In practice, the timings of this consultation will mean that any change to the regulations will not come into force until after these dates. Recipients of means tested benefits are part of the broader group in Scotland their rebates come from the non-core obligation, and therefore the increase in spending envelope needs to apply to non-core spend. We would therefore propose to add a provision into the Warm Home Discount (Scotland) regulations to require a separate calculation of an additional non-core spending obligation, to allow for the increased budget once these regulations come into force. The regulations will clearly set out that the increased spending obligations is to be used to deliver additional rebates to the broader group. We propose that any notification of a change to non-core obligations would take place within 25 days of the regulations coming into force or by the 31 July 2025 (whichever is earlier).

Q7. Do you agree that we should retain the broader group in Scotland for the time being, and instead ensure that more people become eligible for rebates by increasing suppliers'

---

<sup>11</sup> The apportionment methodology was consulted upon in summer 2021. As set out in the April 2022 response to that consultation, the apportionment to Scotland is 9.4% of the overall scheme. This is based on the number of domestic gas and electricity meters averaged over a three-year period from 2017-2019.

non-core obligations in Scotland in proportion to any expansion of the scheme in England and Wales?

Q8. Specifically for energy suppliers: do you foresee any practical challenges or have any delivery concerns with expanding funding through the broader group in this way? If concerns exist, do you have any suggestions for mitigating actions, such as expanding Industry Initiatives in Scotland?

Q9. Would notification of an addition to the non-core obligation under the Warm Home Discount (Scotland) Regulations within 25 days of the regulations coming into force (or by the 31 July, whichever is earlier) result in any unmitigable adverse impacts for suppliers?

## Impacts and Costs

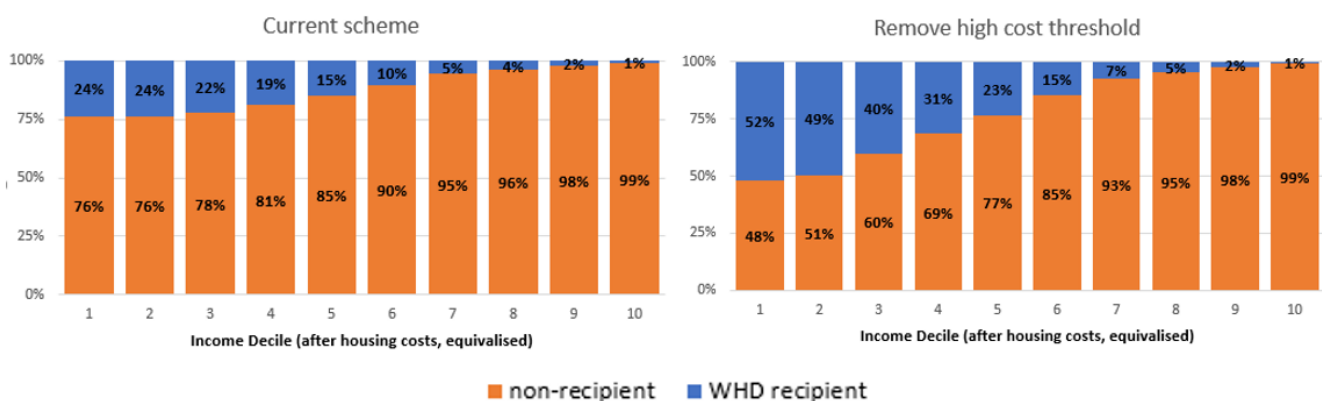
### Impacts on Affordability for low-income households

Households on low income, with required energy costs exceeding 10% of their after-housing-cost income, represent around half of current scheme recipients. Around one in four such households currently receive the WHD. By extending the scheme to all households on means-tested-benefits, around 45% of such households would receive the WHD.

### Income distributions of recipients

Figure 1 shows the estimated distribution<sup>12</sup> of WHD recipients under both options; this shows that expanding the scheme to this larger cohort will increase the number of households in most deciles receiving the scheme, but with the largest increases being in the lowest deciles. This illustrates that a significant share of households in the lowest deciles will remain non-recipients under both options, and so will receive no support but will still pay the (potentially increased) levy cost.

**Figure 1: income decile distributions of recipients and non-recipients**



<sup>12</sup> Income decile distributions estimated based on the English Housing Survey, 2023 Fuel Poverty dataset



The targeting rate of low-income households with unaffordable energy costs remains fairly constant under both options presented above: around 55%.

### Impacts on Fuel Poverty

Removing the high-cost-threshold would increase the overall coverage of fuel poor households from around 30% of total households in fuel poverty to around 45%<sup>13</sup>. This estimate is based on the definition of fuel poverty in England<sup>3</sup>. Further coverage beyond 45% is not achieved because:

- Many households in fuel poverty do not claim a means-tested benefit
- Of those who claim a means-tested benefit, we estimate that around 30% will not go on to receive the Warm Home Discount due to factors like the benefit recipient or their partner not being the named person responsible for paying the energy bill, or not having their energy account successfully matched with their benefits data.

The percentage of Warm Home Discount recipients that are fuel poor by the Low Income Low Energy Efficiency (LILEE) definition<sup>14</sup> would reduce as the number of rebates is increased, since the high-cost threshold serves to focus the rebates towards groups more likely to be fuel-poor by this metric. As the scheme is extended to a larger but less-targeted group, the percentage of recipients that are fuel poor is expected to drop from around 40% to 30%.

### Scheme costs

Increasing the size of the cohort from around 3.4 million recipients to an estimated 6.1 million recipients, while holding the rebate at £150, would cost the average dual fuel billpayer around £37. This is a £15 increase on the current scheme. These additional 2.7 million rebates would increase the total GB spending envelope across by around £400 million, from around £600 million currently to £1 billion.

By extending the same value of rebate to a larger pool of recipients, the levy cost of the scheme would be increased. This means that the net benefit to households already in receipt of the discount could be reduced, because all households pay the levy cost regardless of whether they are recipients of the discount. This means that the net rebate received by these households would be around £15 lower if the high-cost threshold is removed. This effect will be mitigated, as much as possible, by further reductions in the bill through other means such as reductions in operating costs or debt allowances.

---

<sup>13</sup> The coverage refers to the estimated proportion of all fuel poor homes that would receive the discount.

<sup>14</sup> Fuel poverty in England is measured using the Low Income Low Energy Efficiency (LILEE) metric. LILEE defines a household as fuel poor if they have a residual income under the poverty line and live in a home with an energy efficiency rating below Band C.

**Table 1: Costs and targeting rates<sup>15</sup> by total number of Warm Home Discount rebates**

Option	# rebates in GB (millions)	Cost to average dual-fuel billpayer	Total levy cost (GB)	Fuel poverty*		Required energy costs are more than 10% of income (after housing costs)	
		Including Industry Initiatives for 25/26	Hit-rate	Coverage	Hit-rate	Coverage	
Current scheme	3.4	£22	£600m	~40%	~30%	~55%	~25%
Remove high-cost threshold	6.1	£37	£1bn	~30%	~45%	~55%	~45%

\*Note that this table uses the English definition of fuel poverty (Low-Income Low-Energy-Efficiency) but that other definitions are used in Wales and Scotland

Increasing the recipient pool size by 2.7 million additional households will increase the number of fuel-poor households receiving the rebate to around 1.8m (an increase of around 500k), at the cost of an increased number of non-fuel-poor households who also receive the rebate. However, while a significant share of the additional recipients would not be fuel poor by the LILEE legal definition, many of these are low-income households whose required energy costs are more than 10% of their after-housing-cost income. We are separately consulting on the next Fuel Poverty strategy for England. This consultation seeks views on whether the fuel poverty strategy should be broadened to include an additional indicator to monitor the impact of energy prices on energy affordability. This could include whether and how low-income households whose required energy costs are more than 10% of their after-housing-cost income should be covered by future fuel poverty interventions.

### Key analytical assumptions:

- The estimated number of recipients in the current WHD scheme is based on the actual number of Core Group rebates issued in 2023/24 plus an estimate of the Broader Group Scotland rebates, based on the non-core obligation for 2023/24. The total rebate spend for 2025/26 is not known at time of writing and will depend on final 23/24 spend, estimated 24/25 spend and decisions around adjusting for any under/overspend in those years.
- The estimated number of recipients in an expanded scheme (and hence the total cost and billpayer cost) is uncertain and depends on the number of households on a qualifying benefit as well as the proportion of those who ultimately receive a rebate. An estimate of the number of current benefit claimants and rebate conversion rates observed from the current WHD scheme have been used in estimating the ultimate number of rebates issued under an expanded scheme.

<sup>15</sup> The fuel poverty hit-rate is defined as the proportion of recipients who are fuel poor. The affordability hit-rate is defined as the proportion of recipients who spend more than 10% of their after-housing-costs income on energy and are classed as low-income.

- Fuel poverty and affordability rates and income distributions – these are based on DESNZ analysis of the English Housing Survey, 2023 Fuel Poverty dataset<sup>16</sup>.
- Energy Prices – we have based energy bill estimates on mid-2023 prices.

The analysis does not take into account how different economic scenarios may affect the underlying assumptions. For instance, no assumptions have been made about how higher prices or changes to the labour market would impact the fuel poverty rates or eligible cohorts.

### Cost-benefit analysis

The costs and benefits of the scheme were presented in the Final Stage Impact Assessment accompanying the Government Response to the 2021 consultation for the England & Wales scheme<sup>17</sup>. They showed that the policy has a net cost when the monetised costs and benefits are not equity weighted to account for the additional value placed on bill support by lower income households, and a net benefit when equity weighted. This would also be the case for an expanded scheme given recipients would be lower income by definition. The objective of the Warm Home Discount is the redistribution of energy costs, to provide support to households who cannot afford to heat their home sufficiently. By implementing an equity weighting we are applying the principle that relatively lower income households put a greater value on a unit of additional bill saving than higher income households.

The benefits of the rebates delivered to eligible households are split between bill savings and the comfort from heating their homes to a higher temperature. More comfortable indoor temperatures will lower households' susceptibility to cold-related diseases and are therefore likely to improve social outcomes. Additionally, it may reduce cost burdens to the health service. Aside from the cost of the rebate itself, the main costs of the policy are the administrative costs faced by Government and energy suppliers as well as the resource costs of an estimated net increase in energy consumption, plus the associated carbon and air quality costs.

Households in receipt of the Warm Home Discount are expected to increase their energy consumption to keep warmer, leading to a net increase in energy consumption and higher emissions. The emissions and associated costs from additional energy consumption would be expected to increase proportionally with the numbers of additional recipients. The cost of the Warm Home Discount is added to all household energy bills which may slightly reduce household energy demand for those not receiving a rebate, leading to lower energy consumption and subsequent lower emissions.

In an expanded scheme we would not expect administrative costs to increase substantially in proportion, given that this would be building on existing processes and systems. However, some costs would inevitably increase e.g. in writing to the additional eligible and potentially eligible households, handling a greater number of calls to the Warm Home Discount call centre and in making the physical arrangements for payments.

---

<sup>16</sup> <https://www.gov.uk/government/collections/fuel-poverty-statistics#2023-statistics>

<sup>17</sup> <https://www.gov.uk/government/consultations/warm-home-discount-better-targeted-support-from-2022>

## Equalities impact

Overall, Government does not have reason to expect that increasing the size of the scheme cohort will negatively discriminate across protected characteristics.

An analysis of the equalities impact of the current Warm Home Discount scheme was published in the associated Impact Assessment for England & Wales.<sup>18</sup> Expanding Core Group 2 will increase the overall proportion of working age households compared with the current scheme. Since the current CG1 (and CG in Scotland) will continue to be eligible, the scheme will continue to provide a benefit to many older people, but the distribution of rebates across ages will now be more representative of the general population.

The removal of the high-cost threshold will change the composition of recipient characteristics to be closer to that of the means-tested benefit cohort. Where possible, we have used the English Housing Survey to estimate this change in composition of WHD recipients based on the protected characteristics on which the EHS holds data (disability, ethnicity, age). This analysis suggests that the cohorts (current WHD recipients and means-tested benefit recipients) have similar makeup in terms of disability and ethnicity.

---

<sup>18</sup> <https://www.gov.uk/government/consultations/warm-home-discount-better-targeted-support-from-2022>

## Consultation questions

**Q1. The high cost to heat threshold currently means that the scheme for those on means tested benefits is limited to those with the highest costs of heating. Taking account of the cost to bill payers from expanding the scheme, do you agree that we should remove the high cost to heat threshold, so that as many households on means tested benefits as possible receive the WHD?**

**Q2. If you think we should keep the high-cost threshold, do you have any evidence to suggest what an appropriate level could be to ensure that households who need support do not miss out on the WHD while managing the cost for other bill-payers?**

**Q3. Specifically for energy suppliers: do you foresee any practical challenges or have any delivery concerns with expanding the spending target in this way, for this group of customers?**

**Q4. Do you agree that the Park Homes Warm Home Discount Scheme should be broadened to include other household types where bills are not paid directly to an energy supplier?**

**Q5. Who should this be broadened out to (for example, housing association/private tenants supplied via a landlord, houseboats at residential moorings, travellers on authorised fixed sites)?**

**Q6. Do you agree that this extension should be done within the existing budget for the Park Homes Warm Home Discount Scheme?**

**Q7. Do you agree that we should retain the broader group in Scotland for the time being, and instead ensure that more people become eligible for rebates by increasing suppliers' non-core obligations in Scotland in proportion to any expansion of the scheme in England and Wales?**

**Q8. Specifically for energy suppliers: do you foresee any practical challenges or have any delivery concerns with expanding funding through the broader group in this way? If concerns exist, do you have any suggestions for mitigating actions, such as expanding Industry Initiatives in Scotland?**

**Q9. Would notification of a change in non-core obligation under the Warm Home Discount (Scotland) Regulations within 25 days of the regulations coming into force (or by the 31 July, whichever is earlier) result in any unmitigable adverse impacts for suppliers?**

## Next steps

Following this consultation, the Department for Energy Security and Net Zero will review the responses and publish a response in due course, taking account of feedback received. Subject to the outcome of this consultation, the government would propose to lay regulations in time for any changes to apply for the 2025/26 scheme year.

---

This consultation is available from: [www.gov.uk/government/consultations/expanding-the-warm-home-discount-scheme-2025-to-2026](https://www.gov.uk/government/consultations/expanding-the-warm-home-discount-scheme-2025-to-2026)

If you need a version of this document in a more accessible format, please email [alt.formats@energysecurity.gov.uk](mailto:alt.formats@energysecurity.gov.uk). Please tell us what format you need. It will help us if you say what assistive technology you use.