Final stage impact assessment

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Type of measure:	Secondary legislation
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This document sets out the Department's assessment of the impacts of continuing the Warm Home Discount. Since this policy is outside the scope of the Better Regulation Framework, this is not a formal Impact Assessment and did not require review by the RPC.

1. Summary of proposal

Context & background

1. The Warm Home Discount (WHD) scheme was introduced in April 2011 and was expanded in budget and scope in 2022 and again in 2025. The scheme provides a rebate of £150 on eligible households' electricity bills, with the aim of supporting households in, or at risk of, fuel poverty. This is funded through a levy on all households' energy bills. The current scheme period for the WHD ends on 31 March 2026. New regulations are required to continue the scheme; these will also alter the eligibility criteria for the scheme in Scotland.

2. In England and Wales, eligibility for the WHD has been determined through an automated data matching process since 2022, while in Scotland a majority of rebates have been delivered via an application process. This is because, where England has two Core Groups (which are delivered to recipients almost entirely automatically[1]), Scotland has one Core Group comprising recipients of the guaranteed element of Pension Credit and a "Broader Group" which operates on an application basis.

3. In 2025 the Government expanded the scheme[2], removing the high-cost-to-heat threshold that was applied to Core Group 2 in England and Wales in previous years. This meant that all households in receipt of a means-tested benefit were eligible from 2025/26 (as long as they have a direct relationship with their energy supplier[3]). Around 6 million households were estimated to be eligible in 2025/26[4].

4. As part of the scheme, energy suppliers provide additional support through Industry Initiatives, which are energy-related and financial measures that suppliers can deliver directly 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.

5. Alongside the expansion of the scheme in England and Wales, the Government increased the scheme's spend in Scotland on a pro-rata basis. The increase in budget for 2025/26 was equivalent to around 250,000 additional Broader Group rebates. However, Scotland's delivery in 2025/26 is expected to reflect a lower level of rebate delivery than this figure, as a substantial amount of this extra budget was requested[5] to be transferred over to Industry Initiatives. This transfer was to mitigate a high risk of under-delivery via the existing broader group eligibility framework, as suppliers have reported difficulty in eliciting enough applications from eligible households to meet their spending obligations, even before the scheme was expanded.

6. Table 1 sets out the current estimate of WHD delivery in 2025/26, compared to the estimates provided in the previous IA[6]. These estimates have been updated to draw

[1] Warm Home Discount statistics show that over 95% of rebates in England and Wales were delivered automatically in 2024/25, whereas for Scotland this figure will have been less than 50% (estimated based on size of Scottish Core Group in 2024/25 and Scottish Broader Group in 2023/24)
[2] Expanding the Warm Home Discount Scheme, 2025 to 2026 - GOV.UK
[3] To be eligible, either the benefit recipient or their partner / spouse / DWP appointee must be named on their electricity bill.
[4] Official statistics will be published in 2026, showing how many households were actually eligible in 2025/26.
[5] The requested transfer reflects suppliers' expectations about delivery; final delivery statistics will be published by Ofgem after the scheme year has ended, which may differ from the estimates we reflect here.
[6] Expanding the Warm Home Discount Scheme, 2025 to 2026 - GOV.UK

on the most recent English Housing Survey and Fuel Poverty Dataset (2024). Official statistics published later in 2026 will provide a more definitive indication of outturn, followed by Ofgem's final report on scheme delivery. While we estimate that the scheme's spend will be equivalent to 5.9m rebates, we expect a lower number of actual rebates to be delivered (5.7m rebates), owing to the lower number of WHD rebates expected in Scotland (see para 5 above), as the associated funding for these will be spent on Industry Initiatives in 2025/26.

Table 1 – updated modelling of WHD delivery in 2025/26

	Nation(s)	Updated estimate	Estimate in previous IA	Notes
# rebates in 2025/26	**England and Wales**	5.4m	5.6m	Reduction in estimate is driven by differences in total means-tested benefit households in the English Housing Survey between 2023 and 2024.
	Scotland	0.3m	0.5m	This reduction is mainly driven by the fact that suppliers transferred a large amount of the additional funding for the scheme into Industry Initiatives (the additional spend on Industry Initiatives is equivalent to around 250k rebates).
	Total	**5.7m**	**6.1m**	While total GB rebates are now estimated at 5.7m, total spend is estimated as **equivalent to 5.9m rebates** (this takes account of the transfer of spend to Industry Initiatives in Scotland)
Total annual scheme spend		**£974m**	**£1bn**	

Proposals for 2026/27 to 2030/31

7. This Impact Assessment examines the impact of continuing this expanded Warm Home Discount Scheme, supporting households in, or at risk of, fuel poverty for the next scheme period which will run for five years from winter 2026/27 to winter 2030/31.

Eligibility in England and Wales (no change)

8. The Government proposes to continue the scheme with the same eligibility criteria as are in place for Scheme Year 15 (winter 2025/26).

9. To simplify the administration of the scheme and communication with eligible households, it is proposed that the scheme from 2026/27 will be described in two parts, with a 'Core Group' (replacing the existing Core Groups 1 and 2) and Industry Initiatives.

10. Proposed qualifying benefits[7] from winter 2026/27 for the Core Group in England and Wales are:

- Universal Credit
- The 'Savings Credit' element of Pension Credit
- The 'Guarantee Credit' element of Pension Credit
- Housing Benefit
- Income-related Employment and Support Allowance (ESA)

[7] We note that some of the qualifying benefits are expected to become legacy benefits in future, under the migration of some Means-Tested Benefits to Universal Credit. Any change would be reflected in the published eligibility statement for each scheme year. This would not represent a meaningful reduction in eligibility (as these households will have transitioned to Universal Credit).

- Income-based Jobseeker's Allowance (JSA)
- Income Support

11. Eligible households that are successfully data matched would automatically receive their rebate from their energy supplier that winter, without needing to take any action or provide additional documentary evidence to support their application. Households who cannot be fully data matched would continue to receive a letter notifying them that they might be eligible, as well as encouraging them to contact the Warm Home Discount helpline for support.

12. The new regulations will allow the Secretary of State to require suppliers to take on more of the communication activity with matched customers than in the past.

Eligibility in Scotland

13. Eligibility for the Warm Home Discount scheme in Scotland is a matter to be determined by the Scottish Government, which has its own fuel poverty measurement approach and targets (see section 5. Analytical Approach). Following consideration of consultation responses to Q4-10[8], the Scottish Government has decided its approach to eligibility for the scheme in Scotland for the next scheme period which has been reflected in this document.

14. Proposed qualifying benefits from winter 2026/27 for the Scottish Core Group are set out in Table 2 below. These benefits broadly align with the eligibility criteria for the Winter Heating Payment in Scotland for December 2025. Eligibility for the Scottish Core Group will not precisely match Winter Heating Payment eligibility for two reasons: the WHD qualifying date will not be the same date as the Winter Heating Payment qualifying date; and the benefit recipient (or their partner) must be named on the energy bill in order to receive the WHD, which is not a requirement for the Winter Heating Payment.

Table 2 – eligibility criteria for Scottish Core Group from 2026/27 onwards

Pension Credit No requirements other than qualifying for Pension Credit
Universal Credit To be eligible, a consumer must be: Employed or self-employed and get a child or young person disability element; or, Not employed or self-employed and have either: • A limited capability for work element • A limited capability for work element with a work related activity element • A child or young person disability element • A child under 5
Income Support or Income based Jobseeker's Allowance Consumer must have a child under 5 or be in receipt of: • A disability premium

[8] Continuing the Warm Home Discount Scheme - GOV.UK

• A severe disability premium • A pensioner premium • The child disability premium
Income Related Employment Support Allowance Consumer must have a child under 5 Or be in a support group or a work-related activity group Or be in receipt of: • A severe or enhanced disability premium • A pensioner premium
Support for Mortgage Interest Consumer must have a child under 5 or be in receipt of: • A disability premium • A pensioner premium • A child disability premium

15. For the Scottish Broader Group, suppliers will be required to offer eligibility by application to households if the person named on the energy bill (or their partner, or legal representative) was in receipt of a qualifying benefit on the qualifying date for that scheme year, with qualifying benefits being:
    - Pension Age Disability Payment
    - Adult Disability Payment
    - Housing Benefit
    - Income-related Employment and Support Allowance
    - Income-based Jobseeker's Allowance
    - Income Support
    - Universal Credit
16. Suppliers will have the flexibility to agree additional eligibility criteria (i.e. expanding the scope of the Broader Group) subject to agreement with Ofgem, as is the case for the Broader Group currently. The Broader Group will continue to be application based, with individual applications determined by an applicant's energy supplier. It will continue to be the case that the number of rebates available will be limited by the size of their supplier's non-core obligation.
17. These criteria and arrangements will expand the Scottish Core Group compared to past years, allowing a larger number of rebates to be delivered through automated data matching, while maintaining an application-based Broader Group to retain the ability to reach vulnerable groups who are difficult to data match.
18. Note that this will not substantially alter the total budget for rebates in Scotland; rather it will facilitate greater delivery of that budget as rebates, meaning less is

transferred into the Industry Initiative budget in Scotland in future years than was in 2025/26.

Industry Initiatives

19. It is proposed that Industry Initiatives should continue to be a part of the Warm Home Discount scheme, with proposals for a review of their design. It is also proposed that the annual budget for Industry Initiatives will continue to be uprated in line with CPI.

2. Strategic case for proposed regulation

21. Since the beginning of the energy crisis in 2022, millions of households across the country have faced higher energy bills and are still struggling to heat their homes. At the sharp edge of this crisis have been the millions of households in fuel poverty[9]. These households are among the most vulnerable in our society, living below the poverty line (after energy costs) in poor quality housing which is expensive to heat.

22. Other metrics also demonstrate how this problem has grown over time:

    - The average fuel poverty gap – which measures how much more fuel poor households would have to spend to achieve adequate warmth – is now £407, almost 60% higher in real terms than it was in 2020[10].
    - The number of households required to spend more than 10% of their income after housing costs on their energy bills also rose to 9 million in 2024, more than double the rate in 2020[11].
    - In addition, Ofgem data shows that energy debt and arrears reached a record figure of £4.48 billion in the third quarter of 2025, demonstrating the significant challenge many households are currently facing to pay their energy bills[12].

23. Without Government intervention, energy suppliers are not incentivised to discount energy prices on the basis of households' risk of being fuel poor. The worst affected may under-heat their homes, which can lead to adverse health outcomes, or may have to cut back on other essential costs in favour of heating their home (see Annex 4 for more information).

24. Government intervention is necessary to address the following key issues:

    - **Equity**: High energy prices disproportionately affect low-income households because heating is a necessity (the demand for energy to heat homes is relatively income inelastic). Therefore, energy costs, on average, make up a relatively larger proportion of low-income households' expenditure than higher income households. This issue is exacerbated when properties have poor energy efficiency, resulting in some households on a low income living in less energy efficient properties (energy efficiency bands D-G) having to spend more on energy to heat their home.
    - **Externalities**: Living in a cold home incurs several private (individual) costs such as health problems, reduced comfort and financial hardship. Reducing the cost of energy bills allows households to heat their home for longer and/or to a higher temperature. This directly reduces these private costs but may also reduce social costs such as through improvements to public health[13].

25. Changes to eligibility arrangements in Scotland will increase the efficiency of service provision by enabling a greater share of rebates in Scotland to be delivered automatically via data matching. This should reduce the likelihood of large amounts of spend being transferred to Industry Initiatives (see para 5).

[9] Annual fuel poverty statistics report: 2025 - GOV.UK
[10] Annual fuel poverty statistics report: 2025 - GOV.UK
[11] Annual fuel poverty statistics report: 2025 - GOV.UK
[12] Debt and arrears indicators | Ofgem
[13] It is difficult to quantify these wider social benefits, and they are not monetised in this IA. In 2023, BRE estimated that excessively cold homes in England could be costing the NHS £540m a year in preventable costs Tackling cold homes would save the NHS £540mn per year, new BRE research reveals

3. SMART objectives for intervention, and how it will achieve these

26. The objective of the Warm Home Discount is to alleviate fuel poverty by reducing energy bills for low-income and vulnerable households during the colder months. By providing a rebate on energy costs, the scheme aims to ensure that more households can afford sufficient heating, thereby improving overall living conditions and reducing the risk of cold-related health issues.

27. The Warm Home Discount aligns with the following UK Government objectives:

    - **Tackling fuel poverty**: The Government has statutory fuel poverty targets in place which seek to reduce the number of low-income households living in energy inefficient homes. See Table 3 for more information on how definitions of fuel poverty and targets vary by nation.
    - **Improve energy affordability:** Transitioning to a more affordable, secure and clean energy system, that can deliver lower energy bills for consumers, is a key priority for the Government.

28. SMART objectives for the policy include:

    - Reduce fuel poverty in each year of the scheme compared to if no support were available;
    - Warmer homes for recipient households in each year of the scheme compared to if no support were available;
    - Reduce energy costs for as many low-income households as possible in each year of the scheme;
    - Majority of recipients automatically receive support without having to take action each year.

29. The following could be used to measure the success of the policy:

    - Number of low income / fuel poor households receiving the rebate
    - Number of households lifted out of fuel poverty by the rebate
    - Proportion of eligible households receiving the rebate
    - High data matching rate (i.e. fewer households having to call the helpline)
    - Improved comfort and wellbeing of recipients
    - Positive experience for users of the helpline

30. The Government's preferred option is to continue the WHD for 5 further years (from 2026/27 to 2030/31). Replicating the existing scheme will ensure continued support to low-income households, alleviating fuel poverty and making energy more affordable for households who are among the most acutely impacted by high energy prices.

31. The eligibility arrangements in Scotland were determined by the Scottish Government, to align with the Scottish definition of fuel poverty (see Table 3). They will also increase the efficiency of the scheme by increasing the use of data matching in Scotland, saving on time spent by households applying and on administrative costs to government and energy suppliers.

4. Description of shortlisted policy options carried forward

32. The Government has consulted on continuing the Warm Home Discount from winter 2026/27 to 2030/31. The eligibility criteria will be unchanged from 2025/26 in England and Wales. In Scotland, while there will be changes to the eligibility arrangements, the overall spend on rebates is expected to remain consistent with the available funding in 2025/26. These options are described in section 1. Summary of proposal.

33. This Impact Assessment considers the costs and benefits of continuing the scheme on this basis (the preferred way forward), against a “do nothing” counterfactual of allowing the current regulations to lapse and having no scheme.

5. Analytical Approach

34. The impacts of the different Warm Home Discount policy options analysed in this Impact Assessment have been estimated using the 2023/24 English Housing Survey (EHS) Fuel Poverty Dataset and the latest official fuel poverty statistics published in March 2025[14].

Geography / devolution considerations

35. In estimating the overall WHD scheme's net present value, we have scaled up analysis of the English Housing Survey in proportion to the population of Great Britain compared to England. Since this modelling is based on an England-only survey (with no consistent dataset available to represent Scotland and Wales), the modelled demographic, fuel poverty and rebate distributions may differ from the actual characteristics for Scotland and Wales. Separate analysis is included to illustrate the implications of the changes in Scotland, including equalities analysis, but for appraisal purposes we assume that scaling up the detailed modelling for England gives a reasonable indication of the impacts at a GB level.

Fuel Poverty measurement in analysis

36. Households living on a low income in a home which cannot be kept warm at reasonable cost are defined as being in fuel poverty[15]. The Government has statutory duties to address and reduce fuel poverty. There are different fuel poverty metrics and targets across England, Scotland and Wales, as set out in Table 3 below. Analysis of the scheme has been undertaken using the English Housing Survey, and as a result figures will reflect the definition of fuel poverty used for the target in England but have been scaled up to reflect the whole of Great Britain.

Table 33 – Fuel poverty definitions & targets in Great Britain (for more detail, see Annex 1)

Country	Fuel poverty definition	Fuel poverty target
England[16]	For the purpose of England's fuel poverty targets, fuel poverty is measured using the Low Income Low Energy Efficiency (LILEE) indicator. Under this indicator, a household is fuel poor if they are living in a property with a Fuel Poverty Energy Efficiency Rating of band D or below and when they spend the required amount to heat their home, they are left with a residual income below the official poverty line.	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.
Wales[17]	Fuel poverty is measured in Wales as any household that needs to spend more than 10% of their full household income to maintain a satisfactory heating regime*. *A satisfactory heating regime is 23°C in the living room and 18°C in other rooms achieved for 16 hours in a 24 hour period in households with older or disabled people. For other households, a temperature of 21°C in the living room and 18°c in other rooms for nine hours in every 24 hour period on	In Wales, the fuel poverty target is that by 2035 no households are estimated to be living in severe or persistent fuel poverty as far as reasonably practical, that no more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practical, and the number of all households 'at risk' of falling into

[14] Annual fuel poverty statistics report: 2025 - GOV.UK
[15] This is how fuel poverty is defined in the Warm Homes and Energy Conservation Act 2000
[16] Fuel poverty statistics - GOV.UK
[17] Tackling fuel poverty 2021 to 2035 [HTML] | GOV.WALES

	weekdays, and 16 hours in a 24 hour period on weekends is considered satisfactory.	fuel poverty will be more than halved based on the 2018 estimate.
Scotland[18]	Scottish legislation describes a fuel poor household as one where more than 10% of net income is required to pay for their reasonable fuel needs after housing costs have been deducted, and the remaining household income is not enough to maintain an acceptable standard of living, defined as at least 90% of the UK Minimum Income Standard (MIS) once childcare costs and disability or care benefits are deducted.	In Scotland, statutory targets are that by the end of 2040, no more than 5% of households will be in fuel poverty, no more than 1% of households will be in extreme fuel poverty, and the median fuel poverty gap of households in fuel poverty is no more than £250 in 2015 prices, before adding inflation.

Equity Weighting

37. Equity weighting is used in the core cost-benefit analysis calculations, to reflect the higher marginal benefit of additional income to groups with lower incomes. This is described in more detail in Annex 2.

Estimated cohort size

38. Not all people in receipt of means-tested benefits (MTBs) will go on to receive a WHD rebate. To be eligible for the rebate, the benefit recipient or their partner / spouse / DWP-appointee must be named on their energy bill; this will not be the case for all households who would otherwise meet the WHD's eligibility criteria.

39. When data is matched between DWP's benefits data and energy suppliers' energy bill data, some households will fail to match; in these cases, households with a benefit recipient but no matched energy supplier will receive a letter from Government encouraging them to call a helpline which will try to resolve the issue.

40. Out of the 8.3m households estimated to receive a qualifying means-tested benefit in GB[19], it is estimated that around 5.9m[20] will go on to receive a rebate. This estimate is based on delivery experience of the current scheme, which shows that around 85% of pension credit recipients become WHD recipients, compared to around 70% for all other means-tested benefits. This reflects factors such as the benefit recipient / their partner not being named on the energy bill (see para 38 above).

Table 4 - Analytical assumptions

Assumption	Explanation
Counterfactual	The counterfactual is that the scheme is not continued beyond winter 2025/26.
Appraisal period	2026/27 - 2030/31
Estimated number of recipients	England and Wales: 5.4m Scotland: 560,000
Households paying the levy	All households are assumed to pay for the levy cost of the WHD (including eligible households). For appraisal purposes, we have reflected the cost of the WHD as was included in the price cap for October 2025, as this represents what the expanded scheme would cost on a normal annualised basis. This differs from the January 2026

[18] Fuel poverty - Home energy and fuel poverty - gov.scot

[19] Calculated using the 2024 EHS Fuel Poverty dataset, then scaled from England to GB based on relative populations.

[20] In 2025/26, a large amount of rebate spend (around 250k rebates worth) was transferred to industry initiatives in Scotland, which resulted in a GB total of around 5.7m rebates. Scottish suppliers may still transfer some spend to industry initiatives in future years but, given other changes discussed in this document, we expect the scale of this to be much smaller than 250k.

	price cap, which reflects changes to the phasing of spend in 2026 as consulted on by Ofgem[21]; from an appraisal perspective these are not relevant as they relate to the 2025/26 scheme spend. It also does not reflect any decision resulting from the consultation on moving WHD costs from standing charges to unit rates[22], which would alter the distribution of levy collection so that higher consumers pay more (which is expected to be broadly more progressive than the standing charge approach adopted in this document). When estimating the impact on a typical dual-fuel household, we have divided total levy costs by the total number of both gas and electric accounts and multiplied by two.
Energy prices & carbon values	Based on retail price and Long Run Variable Cost (LRVC) series, and the carbon values series, all from HM Treasury Green Book guidance on valuing energy impacts.

[21] Energy price cap: proposed changes to Warm Home Discount Scheme cost allowance | Ofgem
[22] Warm Home Discount (WHD): cost recovery - GOV.UK

6. Impact Analysis

Impacts on Fuel Poverty

41. Table 5 shows an estimate of the size and coverage of the expanded scheme expected in winter 2026/27, which is expected to support around 6 million households across Great Britain. As there are no proposed changes to eligibility requirements over the next scheme period, it is a reasonable expectation that these remain appropriate estimates for future years of the scheme.

Table 5 – Costs and targeting rates by number of Warm Home Discount rebates

Based on analysis using EHS 2024

	Number of rebates in GB (millions)	Total £m cost of scheme (including industry initiatives)	Fuel Poverty*		Required energy costs are more than 10% of income (after housing costs)	
			Hit rate	Coverage	Hit rate	Coverage
Option 1	5.9	£974	27%	45%	62%	43%

*Note that this table uses the English measurement of fuel poverty (Low-Income Low-Energy Efficiency) but other definitions are used in Wales and Scotland. The "low-income households with energy costs greater than 10% of income (after housing costs)" columns do not precisely align with the fuel poverty definitions in Scotland and Wales, but provides an indication of scheme coverage and targeting using metrics expressing required energy costs as a percentage of after housing costs income.
** £39 was the levy impact included in the October 2025 price cap by Ofgem for the 2025/26 scheme, based on an estimated cost of £1bn. If this reduced in proportion to the new cost estimate, it would be around £38.

42. Table 5 shows that the overall coverage of fuel poor households is expected to be 45% from scheme year 2025/26 onwards (i.e. nearly half of fuel poor households in England will receive the rebate). This estimate is based on the definition of fuel poverty in England. Further coverage beyond 45% is not achieved because:
    - Many households in fuel poverty do not claim a means-tested benefit; and
    - 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.
43. In England, the scheme is expected to have a fuel poverty hit rate of around 25% (i.e. one in four recipients of the Warm Home Discount will be "fuel poor" within the meaning of the statutory definition). By definition, all recipients will be on a relatively low income (as they will be in receipt of a means-tested benefit), but not all of these households will be in energy inefficient homes (which is a requirement in order to be classed as in fuel poverty under the LILEE metric).
44. These figures reflect the effects of the expansion of the scheme in 2025/26 being maintained in future years; that expansion caused an increase in the total number (coverage) of fuel poor households receiving the WHD, but a reduction in the proportion of WHD recipients who are fuel poor (hit rate) as it represented a broadening of scheme eligibility.

45. In later years of the scheme, these coverages and hit rates will vary depending on economic trends and on other government actions with impacts on fuel poverty. We have not attempted to model these, but we expect WHD to continue to play a similar role in alleviating fuel poverty over this time.

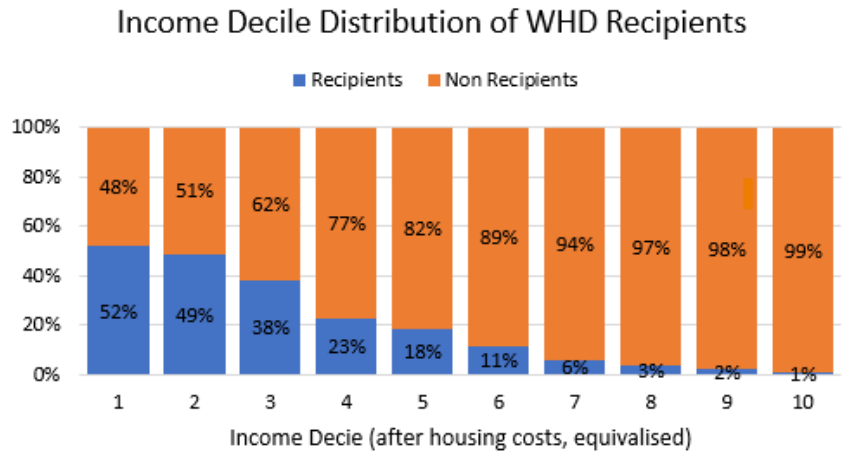
46. Scotland and Wales use different definitions of fuel poverty to England, in both cases using a metric based around the fraction of household income which is required to be spent on energy. The affordability metric shown in Table 5 shows an estimate of the size and coverage of the expanded scheme expected in winter 2026/27, which is expected to support around 6 million households across Great Britain. As there are no proposed changes to eligibility requirements over the next scheme period, it is a reasonable expectation that these remain appropriate estimates for future years of the scheme.

47. Table 5 does not precisely align with these fuel poverty definitions but gives a broad indication of the likely effects in Scotland and Wales.

Income distribution of recipients

48. Figure 1 shows the fraction of each income decile that are expected to receive a rebate under the scheme; this shows that the majority of rebate recipients will be in the lowest three income deciles (i.e. recipients will tend to be among the poorest households). The changes for 2026/27 are not expected to substantially impact the income distribution of recipients.

Figure 1: Income decile distribution of recipients and non-recipients[23]



Scheme costs

49. The Warm Home Discount is expected to support around 5.9m recipients in winter 2025/26, meaning an estimated cost of around £974 million. The scheme's cost recovery represents a cost of around £39 to the average dual fuel billpayer. As noted in Table 4, this does not reflect any changes to cost recovery resulting from either:

    1. Ofgem's consultation on phasing of cost recovery in 2026/27. This would not alter the overall amount recovered from any households, but would smooth the timing of payments over 2026/27; it would therefore have a negligible

[23] Income decile distributions estimated based on the English Housing Survey, 2024 Fuel Poverty dataset

effect on the Net Present Value (NPV) calculation.
or

2. The Government's consultation on moving cost recovery onto the unit rate from 2026/27 onwards. This would not alter the total cost recovery, but would alter the balance of which households pay more or less towards this. While a majority of households will benefit from this change, households with higher consumption would pay more under a unit rate approach; as higher income tends to correlate with higher consumption, this is expected to be broadly progressive. Accounting for this would likely improve the NPV calculation once equity weighting is applied.

50. These costs were modelled in the Impact Assessment for the 2025 Amendment Regulations[24] and included the potential increase in the number of recipients under qualifying benefits in Scotland. The proposals in this Impact Assessment for 2026/27 are not intended to increase the number of recipients overall.

51. As part of the scheme, energy suppliers 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. These are estimated to represent £2-3 of the total levy charged to billpayers to fund the WHD. The continued approach of uplifting Industry Initiative spend with inflation will marginally increase levy costs, as set out in Table 6.

Table 6 – Projected scheme costs across GB

Cost (£m)	Current scheme	Continuation of scheme					Notes
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	
Rebate spend	890	890	890	890	890	890	Estimated based on 5.9m rebates each year across GB Figures rounded to £10m
Industry Initiatives	84	86	88	89	92	93	Spend increases with CPI Figures rounded to nearest £1m
Total	**974**	**976**	**978**	**979**	**982**	**983**	

Table 7 – Projected scheme costs for E&W scheme and Scottish scheme

	Spend (£m)	2026/27	2027/28	2028/29	2029/30	2030/31
England & Wales	Core group spend	806	806	806	806	806
	Industry Initiatives	78	80	81	83	84
	Total	**884**	**886**	**887**	**889**	**890**
Scotland	Core spend	52	52	52	52	52
	Non-core spend	40	40	40	41	41
	of which industry initiatives	*8*	*8*	*8*	*9*	*9*
	Total	**92**	**92**	**92**	**93**	**93**

[24] Expanding the Warm Home Discount Scheme, 2025 to 2026 - GOV.UK

Impacts in Scotland

52. Table 7 sets out the expected split between the England and Wales scheme and the Scottish scheme; this is calculated based on the same apportionment methodology as the scheme has used in the past (Scotland representing 9.4% of the total scheme value across GB). Based on the assumed level of Industry Initiative spend in this table, Scotland's total spend across the new Core Group and Broader Group is equivalent to around 560,000 rebates.

53. The new approach in Scotland will expand the Core Group, broadly aligning its eligibility criteria with those of the Winter Heating Payment (see para 14 for list of qualifying criteria, and for how the Scottish Core Group differs from WHP). Alongside this, an application-based Broader Group will be maintained, with mandatory eligibility criteria being based on receipt of one of a list of disability benefits or means-tested benefits (see para 15 for the full list).

54. This newly expanded Core Group is broadly aligned with the subset of the existing Broader Group who qualify through the current mandatory benefit criteria, though it will also include households in receipt of pension credit (these households will not be required to meet any vulnerability criteria).

55. Scottish households meeting the eligibility criteria for the Core Group would be identified through data matching between DWP and energy supplier data, similarly to the process which has been used in England and Wales since 2022. This innovation of data-matching in relation to Scotland would remove the need for data-matched households to apply, reducing the administrative burden on suppliers to deliver the scheme, and providing greater consistency in who receives support, regardless of their supplier.

56. As set out in Table 8, we estimate that around 345,000 households will automatically receive a rebate through this new Scottish Core Group in 2026/27. This is lower than the 466,000 households receiving a Winter Heating Payment (WHP) in 2024/25 because not all of these households will have a direct relationship with their energy supplier (a requirement of the WHD). Note also that some households may receive a WHD rebate but not a Winter Heating payment (and vice versa) owing to the difference in qualifying dates. The conversion rate from WHP to WHD is estimated based on delivery experience of the Core Groups in England and Wales. This would mean around 250k more households receiving a rebate automatically in Scotland than was the case in 2024/25[25].

Table 8 – Estimated new Scottish Core Group

Benefit Group	WHP payments [26]	Expected conversion rate to WHD (based on experience in England and Wales)	Estimated WHD payments using WHP eligibility	Estimated value of WHD payments using WHP eligibility
Pension credit (no conditions)	129,000	85%	110,000	**£16m**
Other benefits (with conditions)	336,000	70%	235,000	**£35m**
Total Core Group	466,000	75%	**345,000**	**£52m**

[25] Warm Home Discount statistics, 2024 to 2025 - GOV.UK
[26] Winter Heating Benefits: Statistics for Winter 2024/2025 - Social Security Scotland - Winter Heating Payment Tables April 2025

57. Based on the estimated £52m core spend, we would expect a non-core spend in Scotland of around £40m in the first year of the renewed scheme (see Table 7), which will be split between Industry Initiatives and the Broader Group. The actual spend across these two categories may vary in delivery; the spend will be reviewed annually to take account of actual delivery patterns from each year of the scheme. Suppliers will also retain the option (subject to Ofgem approval) to transfer some of their Broader Group spend to Industry Initiatives spend.

Comparison to current arrangements in Scotland

58. The Broader Group in Scotland currently relies on an application process where households demonstrate that they meet either mandatory or additional criteria set by their supplier. Prior to the expansion in budget for SY15, suppliers have reported difficulty in generating sufficient applications from eligible households. For SY15, most of the additional budget (£40m) has been transferred to Industry Initiatives, with the remaining £31m being allocated to Broader Group rebates. This is expected to deliver approximately 205,000 rebates.

59. Based on data received from suppliers[27], we estimate 65% of current Broader Group households qualified through both mandatory criteria (which are set in legislation) in 2024/25.

60. The remaining 35% - around 80,000 households – will have qualified through additional eligibility criteria (which are decided upon annually by each supplier, subject to agreement with Ofgem). Of these, any households in receipt of the 'Savings Credit' element of Pension Credit would become automatically eligible via the new Core Group. We expect other households within this group would not be automatically eligible, as the Core Group is limited to households meeting the requirements for the Winter Heating Payment in Scotland, which broadly aligns with the mandatory benefit and vulnerability criteria of the current Broader Group (plus pension credit, with no further requirements).

61. However, some of these 80,000 households may retain a route to support via the application-based Broader Group. Around 30,000 are in receipt of a mandatory qualifying benefit but only met additional vulnerability criteria; these households will be eligible to apply to the Broader Group under the new mandatory criteria based on their receipt of a means-tested benefit. The other 50,000 qualified via an additional qualifying benefit criterion - i.e. their supplier offered eligibility via something other than one of the list of qualifying means-tested benefits. Data from suppliers suggests that the main additional benefit criterion these households qualified through is likely a low-income threshold in some form. These households would only be eligible if their supplier chose to continue including that criterion, which would remain at the suppliers' discretion (subject to agreement with Ofgem). This is not a change from the current scheme, as the current scheme also provides supplier flexibility, subject to Ofgem approval.

[27] Ofgem publish an annual report containing delivery totals for the Broader Group. The data we have used on Broader Group delivery in 2024/25 is not from this source, rather it was provided by most suppliers on a voluntary basis; this data is therefore not as complete as that which Ofgem publish, and has not been through the same assurance processes as that data.

Table 9 – estimated[28] breakdown of 2024/25 Broader Group delivery
Figures rounded to nearest 10,000 or 5% (totals therefore may not sum to 100%)

	Mandatory qualifying benefits	**Additional qualifying benefits**
Mandatory vulnerability criteria	120,000 (65%) • *These households are expected to be automatically eligible via the Core Group*	30,000 (15%) • *Any of these households in receipt of the 'Savings Credit' element of Pension Credit will be automatically eligible via the Core Group* • *Otherwise, these households may be eligible via the Broader Group if they apply*
Additional vulnerability criteria	30,000 (15%) • *These households will be eligible via the Broader Group if they apply*	20,000 (10%) • *Any of these households in receipt of the 'Savings Credit' element of Pension Credit will be automatically eligible via the Core Group* • *Otherwise, these households may be eligible via the Broader Group if they apply*

[28] Ofgem publish an annual report containing delivery totals for the Broader Group. The data we have used on Broader Group delivery in 2024/25 is not from this source, rather it was provided by most suppliers on a voluntary basis; this data is therefore not as complete as that which Ofgem publish, and has not been through the same assurance processes as that data.

7. Social Cost Benefit Analysis

62. The objective of the Warm Home Discount is the redistribution of energy costs away from low-income households. This analysis therefore adopts an equity weighting approach, so as to quantify the higher marginal benefits of making more of a recipient household's income available to them as a result of receiving a rebate. This approach is also applied to capture the lower marginal reductions in utility to higher income groups who on average pay for the scheme without benefiting.

63. The equity-weighted values reflect economic transfers across different income deciles arising from:

    - The equity weighted value of increased energy spend by households in receipt of a rebate.
    - The equity weighted value of increased income for households in receipt of a rebate (as we assume the rebate is partially spent on energy and partly retained as income).
    - The equity weighted value of increased bills affecting all household customers of obligated suppliers.

64. The distributional weightings used to calculate equity weighted net present social value (NPSV) for each option are calculated using data from the English Housing Survey, following guidance set out in the HM Treasury Green Book[29]. These are set out in Annex 2: Equity weights.

65. Carbon emissions and air quality costs arising from changes in energy consumption are included as costs and benefits. The levy cost of the Warm Home Discount is added to households' energy bills which reduces household energy demand slightly, leading to lower energy consumption and subsequent emissions. Conversely, households in receipt of the Warm Home Discount are expected to increase their energy consumption leading to higher emissions.

66. The NPSV represents a central estimate which is dependent on the income distribution of the households receiving the WHD rebate. A sensitivity analysis of the key assumptions has been undertaken in section 9. Sensitivity Analysis.

Monetised costs and benefits

Value and use of the rebate

67. We assume that nearly half (47%) of the rebates delivered to households will be spent on increased energy consumption, with the remainder being treated as increased income. This is based on research by the IFS[30], for more detail see Section 9. Sensitivity Analysis.

Cost of the levy and associated energy demand reduction

68. All billpayers pay the levy cost of the WHD, even those in receipt of the rebate. We assume that this increase in energy costs will lead to a small reduction in energy consumption, partially offsetting the cost to consumers, with the remainder being experienced as a financial cost. See Section 9. Sensitivity Analysis for more detail on the assumptions underpinning this.

[29] The Green Book: appraisal and evaluation in central government - GOV.UK
[30] Beatty, Blow, Crossley& O'Dea (2014). Cash by any other name? Evidence on Labelling from the UK Winter Fuel Payment, available at: https://www.sciencedirect.com/science/article/abs/pii/S0047272714001479

Resource costs

69. The costs to society of supplying a given quantity are calculated by applying the long run variable costs of energy, based on estimates provided in the HM Treasury Green Book. This applies equally to the extra energy expected to be consumed by rebate recipients (representing a cost to society) and to the reduction in energy consumption expected for other billpayers (for which the reduced resource cost is a benefit to society).

Carbon and air quality costs

70. The intervention aims to address the under-consumption of energy, which means the support will increase emissions and reduce air quality impacts as a result. Similarly to resource costs, carbon and air quality impacts are valued by applying the relevant factors from the HM Treasury Green Book to the increased consumption by rebate recipients and decreased consumption by non-recipients.

Administration costs to industry

71. For appraisal purposes, we have presented a deliberately conservative (i.e. high) estimate for industry administration costs (approximately £20m annually). This estimate was produced by scaling up information provided by suppliers on an earlier scheme year (before the scheme was reformed) in proportion to the number of rebates delivered now (on the assumption that costs are entirely variable, i.e. no fixed costs). The figures have been adjusted for inflation. This deliberately conservative estimate is included to demonstrate that even a generous assumption on administrative costs would play a negligible role in the overall cost-benefit appraisal. These costs are reflected in the NPSV as part of the estimated costs to billpayers.

72. Scheme energy suppliers are under existing duties around communications to eligible households including the duty to specify on the customer's bill, or otherwise notify the customer in writing, that the customer has been given a rebate under the Scheme. For the new scheme period, the department may in addition choose to require suppliers to take on some communications activities currently undertaken by government. The most significant of these could be informing matched customers in the Core Group that they will receive the rebate; currently the government does this every scheme year via a letter, but as suppliers will have existing lines of communication with their customers (including in many cases through digital communications including, for example, email) we expect this information to be more effectively delivered suppliers. We have not quantified the cost of this activity but expect it to be small as a proportion of the estimated administrative costs.

73. As more rebates in Scotland will be delivered automatically under the preferred option, this could reduce the administrative burden on suppliers. We have not quantified a saving for this.

Administration costs to government

74. Government bears some of the administrative costs of delivering the Warm Home Discount which includes the helpline, DESNZ and DWP staff costs and mailing costs. These costs are estimated to be around £10-15m annually for the current scheme option. Estimates have been based on existing administration costs for the current scheme from previous years and have been scaled proportionately with the number of recipients. To be conservative, in cost-benefit analysis we have used the upper end of this range.

Benefit of industry initiatives delivered

75. Suppliers can choose from a range of permitted activities when allocating Industry Initiatives spend. Given the variety (and changeability from year to year) of these activities, we have not attempted to quantify specific benefits associated with these. We expect these activities to generate social value, but have opted to value them equal to their costs in order to present a cautious estimate of the scheme's overall net present value.

Non-monetised costs and benefits

Health impacts

76. A previous Warm Home Discount evaluation[31] found a small increase in the temperature of properties in receipt of the rebate and concluded it is likely to have led to health improvements amongst rebate recipients. However, these benefits are difficult to accurately monetise and so the health benefits attributable to the scheme of any temperature increases have been reflected as non-monetised benefits. Were these to be monetised, they would increase the NPSV of the scheme.

Net present social values (NPSV)

77. Table 11 shows that the NPSV for the preferred option is negative without equity weighting (-£1,800m). This is expected, as the main benefits of the scheme represent a transfer of costs between billpayers, while there are negative externalities associated with the higher energy consumption that arises from the increase in income to recipients.

78. When equity weighted, the NPSV for option 1 is positive (£2,500m) as a greater emphasis is now placed on the benefits accrued to relatively poorer households (see Table 10).

79. The counterfactual (business as usual, option 0) shows an NPSV of 0 both with and without equity weighting. This is expected as no quantitative costs or benefits can be applied to a no scheme scenario. Non-monetisable impacts such as those on health may be expected with no scheme. Due to the removal of bill support, those in receipt of the rebate may decrease the temperature of their homes, no longer seeing the health improvements found by a previous WHD evaluation[32].

80. The quantified NPSV includes administrative costs for government explicitly, while administrative costs to industry are reflected as part of the assumed costs to billpayers.

Table 10 – Monetised and non-monetised costs and benefits of each option with equity weighting (2026 prices, discounted)

	Description	Option 1: Continue the WHD
	Transfer to recipient households	5,700

[31] https://www.gov.uk/government/publications/warm-home-discount-evaluation-2010-to-2015
[32] https://www.gov.uk/government/publications/warm-home-discount-evaluation-2010-to-2015

Benefits (£m)-	Increase in energy consumption by recipients	5,100
	Industry Initiatives	400
	Reduction in resource costs due to bill increase	10
	Reduction in emissions due to bill increase	10
	Improvement in air quality	1
	Total benefits	**11,200**
Costs (£m)	Transfer from billpayers	-6,900
	Decrease in energy consumption by billpayers	-60
	Increase in resource costs	-950
	Increase in carbon costs	-720
	Increase in air quality costs	-40
	Government admin costs	-70
	Total costs	**-8,700**
NPSV	**Total NPSV (£m)**	**2,500**

Table 11 – Monetised and non-monetised costs and benefits of each option <u>without</u> equity weighting (2026 prices, discounted)

	Description	Option 1: Continue the WHD
Benefits (£m)	Transfer to recipient households	2,100
	Increase in energy consumption by recipients	1,900
	Industry Initiatives	400
	Reduction in resource costs due to bill increase	10
	Reduction in emissions due to bill increase	10
	Improvement in air quality	1
	Total benefits	**4,400**
Costs (£m)	Transfer from billpayers (includes administrative costs to suppliers)	-4,500
	Decrease in energy consumption by billpayers	-30
	Increase in resource costs	-950
	Increase in carbon costs	-720
	Increase in air quality costs	-40
	Government admin costs	-70
	Total costs	**-6,300**
NPSV	**Total NPSV (£m)**	**-1,800**

Table 12 – Comparison of costs and benefits

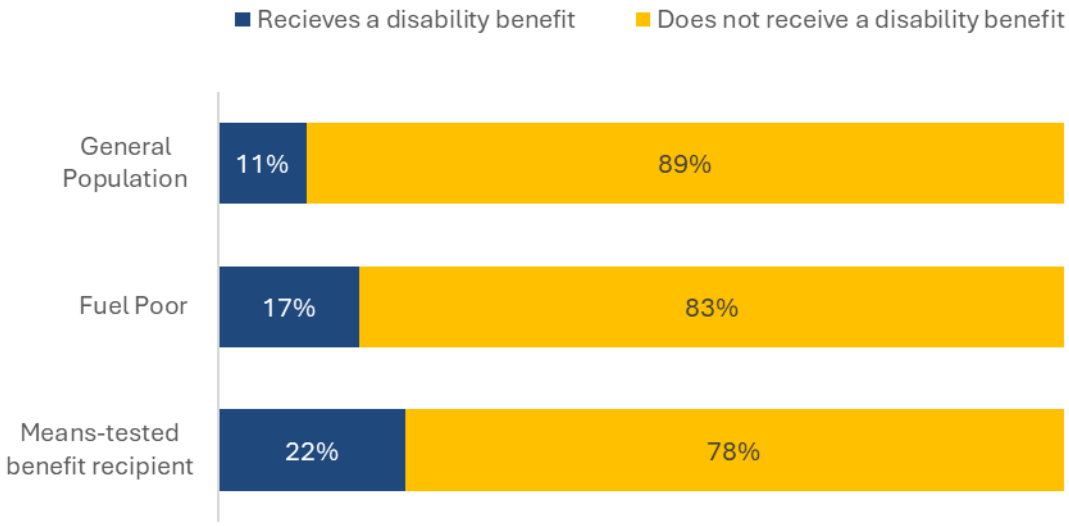
	Without equity weighting	With equity weighting
Total benefits (£m)	4,400	11,200
Total costs (£m)	-6,300	-8,700
Total NPSV (£m)	-1,800	2,500

8. Equalities Assessment

81. The Public Sector Equality Duty (the 'Duty') is a statutory requirement imposed by section 149 of the Equality Act 2010. In broad terms, the Duty requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Advancing equality of opportunity includes having due regard to the need to remove or minimise disadvantages, take steps to meet the needs of persons sharing a protected characteristic and encouraging their participation in activities where their participation is disproportionately low.
82. The following relevant protected characteristics are set out under the Duty: age; disability; gender reassignment; marriage or civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation. Equality analysis of rebate distribution by protected characteristic is presented but limited to those characteristics captured by the English Housing Survey 2023-24 and Fuel Poverty Dataset 2024 (disability, long-term illness, age, and ethnicity).
83. This analysis is therefore representative of England only, but we would expect similar trends to hold in Wales. Due to differences in Scheme design, some additional analysis on Scotland is included.

Disability benefit receipt

Figure 2: Proportion of households self-reporting as receiving a disability benefit (EHS 2024)



84. Modelled recipients of the Warm Home Discount include a higher proportion of disability-benefit-recipients (22%) than the overall EHS population does (11%). This suggests that households with a disability benefit recipient are relatively more likely to benefit from the scheme than the average household.

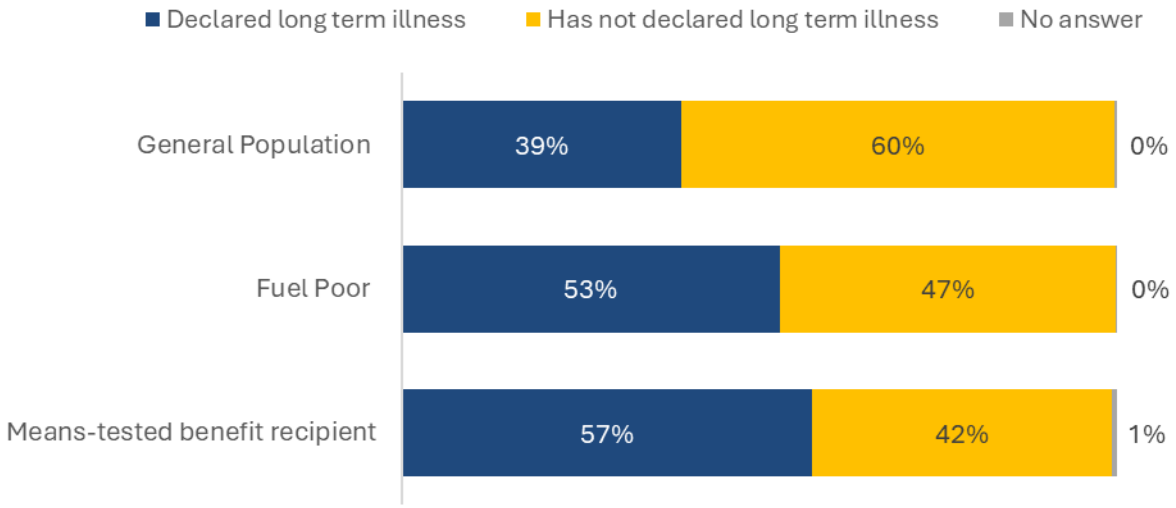
85. Analysis of DWP's benefit statistics on Stat-Xplore indicates that around 50% of disability benefit recipients (DLA, PIP, and AA) in England and Wales[33] received a qualifying means-tested benefit in May 2025 and could therefore qualify for the scheme. This is in comparison to around 30% of the general population who are estimated to receive a means-tested benefit in the English Housing Survey.

86. The Government recognises that some people may require more heating because of their disability or health condition and therefore may face additional costs. However, disability benefits are not income assessed, so receiving these benefits provides weaker evidence that a household may need support with energy bills than receipt of a means-tested benefit. The official fuel poverty statistics[34] show that 13% of disability benefit (DLA, PIP and AA) receiving households who do not also receive a means-tested benefit are fuel poor, compared to 23% of all households receiving a means-tested benefit. This suggests that the excluded group of disability benefit-receiving households are less likely to need support with their energy bills than the cohort targeted by the Warm Home Discount.

87. Recipients of disability benefits are supported by some Industry Initiatives, including the financial assistance element. Industry Initiatives are proposed by suppliers and provide support for things such as energy efficiency advice, benefits and debt advice, limited debt write-off and financial assistance payments. Energy suppliers are obliged to report to Ofgem, as part of their annual reporting, the estimated value and proportion of their Industry Initiatives spending that supports fuel poor households where someone has a disability or significant health problems. In 2023/24, a total of £27.5 million (42.0%) of the amount spent on Industry Initiatives went to households with at least one person with significant health problems or a disability.

Households declaring long term illness or disability

Figure 3: Proportion of households declaring a long-term illness (EHS 2024)

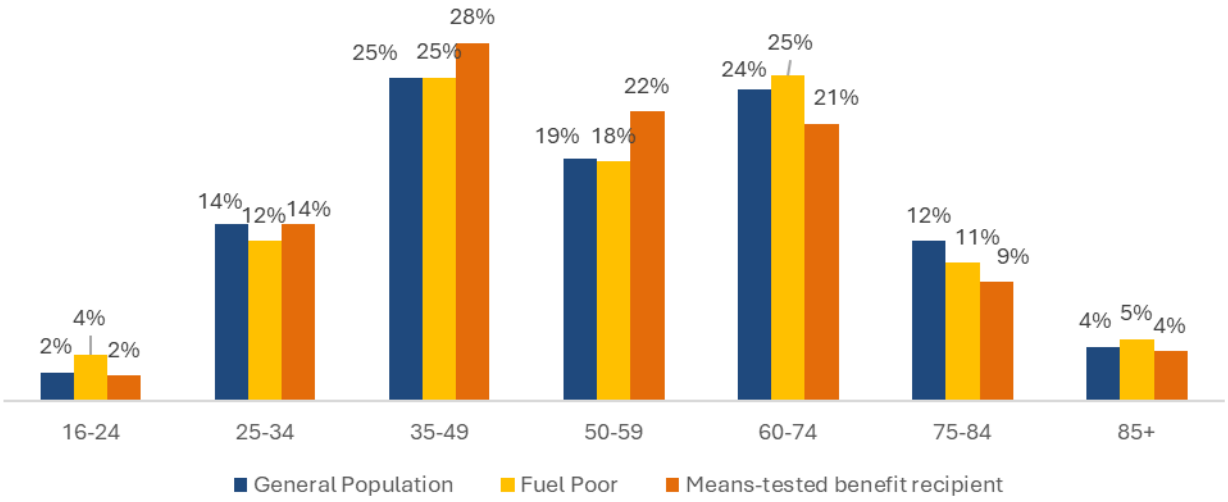


[33] We would expect a similar pattern to hold in Scotland; we present a figure limited to England and Wales because Stat-Xplore's benefit combinations data does not fully reflect the ongoing transition in Scotland from the disability benefits listed here to the new Adult Disability Payment and Pension Age Disability Payment.
[34] Fuel poverty statistics - GOV.UK

88. A similar pattern is seen when looking at people self-reporting as having a long-term illness. These households make up over half of modelled Warm Home Discount recipients, compared to around 40% of the overall EHS population.

Age

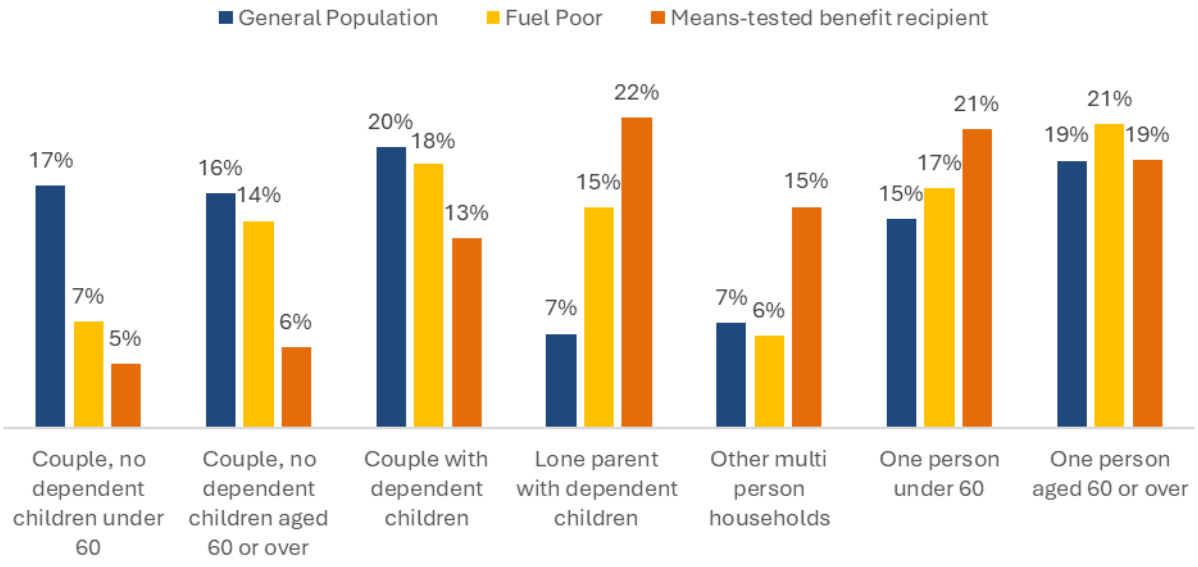
Figure 4: Age distribution of households (based on oldest member) (EHS 2024)



89. The age distribution of modelled rebate recipients closely matches that of the general and fuel poor populations. Households where the eldest member is between 50-59 are slightly more likely to receive a means-tested benefit than the general and fuel poor populations, while those aged 60-84 are slightly less likely to. Nevertheless, based on this analysis, we would not expect the scheme to disproportionately favour or discriminate against a particular age group.

Household composition

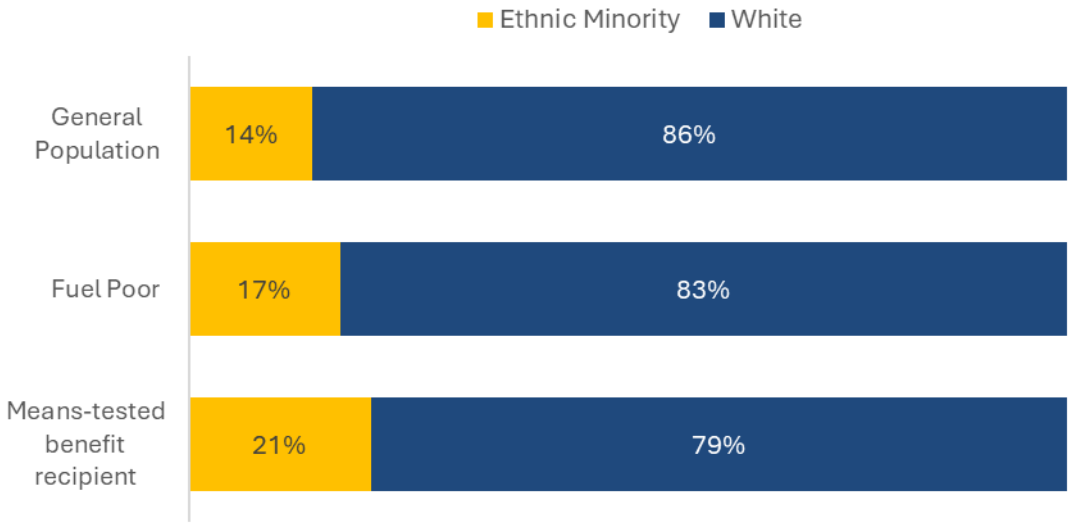
Figure 5: Distribution of household composition (EHS 2024)



90. Households with dependent children are more likely to experience fuel poverty relative to their share in the population. Analysis of DESNZ statistics show that they have a fuel poverty rate of over 14%, which is 3 percentage points higher than the general population. Single parents with dependent children have a particularly high incidence of fuel poverty, with a rate of over 30% - more than double that of other households. Around 70% of single-parent households reported claiming a means-tested benefit to the English Housing Survey, so most of these households are expected to be eligible for the rebate.

Ethnicity

Figure 6: Distribution of households based on the ethnicity of the household representative person (EHS 2024)



91. The proportion of households whose household reference person is from an ethnic minority group receiving the rebate is broadly in line with the proportion of fuel poor households with their reference person being from an ethnic minority group. We therefore expect no negative impact on particular ethnic groups.

Other protected characteristics

92. Other protected characteristics (sex, gender reassignment, marriage or civil partnership, pregnancy and maternity, religion or belief, and sexual orientation) are not analysed either because the English Housing Survey does not include them as variables or because the household-based nature of the survey (and indeed the scheme) prevent analysis of the impact of the scheme expansion based on these factors. For example, neither the survey nor the operational data collected from the scheme would contain information on the sex of all occupants of the property. We would expect the scheme to broadly reflect the profile of means-tested benefit recipients with respect to these factors.

Equalities impacts in Scotland

93. Taken in conjunction, the list of qualifying benefits for the expanded Core Group in Scotland plus the new Broader Group will include all households in receipt of means-

tested benefits; we therefore expect the equalities analysis above to also be broadly representative of outcomes in Scotland.

94. In the case of disability, as disability benefits will also be included as qualifying benefits for the Broader Group, we might expect to see a higher proportion of disabled households in Scotland receive the rebate than in England and Wales (with the additional households being those who receive a disability benefit without receiving a means-tested benefit).

95. As shown in Table 9, around 80,000 households who currently qualify for the Broader Group (by application) would not automatically qualify for the expanded Scottish Core Group. Of these, around 30,000 will continue to be eligible by application to the Broader Group. This leaves around 50,000 households who could potentially lose out.

96. Data provided by suppliers on the 2024/25 Broader Group delivery allows us to estimate how these households at risk of losing out break down by some of the protected characteristics. This data is imperfect, as it only tells us about households' characteristics insofar as they stated them as part of their application for the scheme (it is not a comprehensive survey of recipient households). Some suppliers allowed a "tick all that apply" approach to applications, while others only required a single reason to be given; this means there may be households in this data with unrecorded vulnerabilities (e.g. a household with a child under 5 and a disabled adult may have only listed the child under 5 as part of their application).

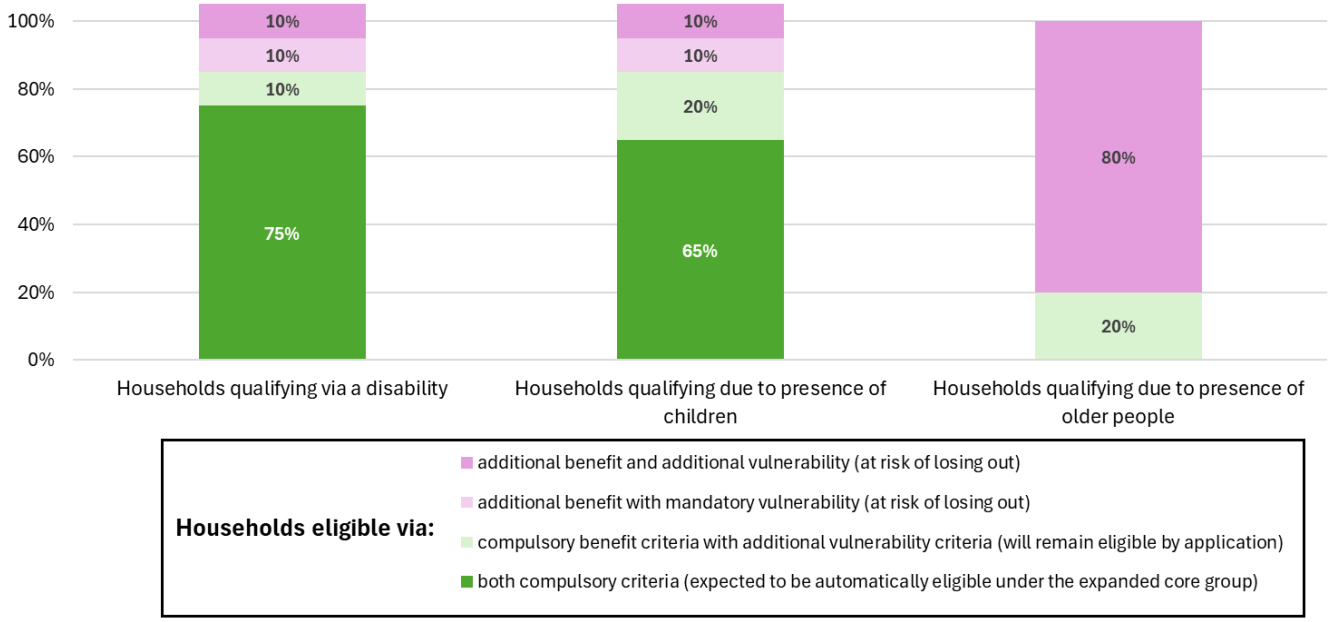
97. As shown in Figure 7 below, households qualifying via a disability / long term illness or the presence of children are expected to have a similar pattern of outcomes (these represent around 55% and 30% of the broader group respectively). In each case, around 85% of currently eligible households would remain eligible, the majority through the expanded core group.

98. The remaining 20% of households may still remain eligible, but this is dependent on suppliers continuing to offer the same additional eligibility criteria as in previous years (which would be on a voluntary basis, as it has always been). These voluntary eligibility criteria offered by suppliers include low-income criteria and council tax reduction.

99. Some households currently qualify due to the presence of one or more older people – we estimate around 7.5% of the current Broader Group. Of these, only around 20% would remain eligible for the Broader Group based on the mandatory criteria.

100. The remaining 80% may still remain eligible, but this is dependent on suppliers continuing to offer the same additional eligibility criteria as in previous years (which would be on a voluntary basis, as it has always been). Some of this 80% are likely to be in receipt of the savings element of pension credit and so would qualify via the expanded Core Group; however, we are unable to quantify this and do not expect it to represent the bulk of the group at risk of losing out in Figure 7.

Figure 7 – 2024/25 Broader Group qualification by protected characteristic



101. A small number of households (<1%) currently qualify due to pregnancy or maternity (e.g. through having a Maternity Exemption Certificate). These households may still remain eligible, but this is dependent on suppliers continuing to offer the same additional eligibility criteria as in previous years (which would be on a voluntary basis, as it has always been).

Other protected characteristics

102. Other protected characteristics (sex, gender reassignment, marriage or civil partnership, religion or belief, sexual orientation, and race/ethnicity) haven't been analysed due to limitations in supplier data for the Broader Group. None of these criteria have been used as part of defining vulnerability for the purposes of the scheme (in contrast to age and disability).

9. Sensitivity Analysis

103. Given the uncertainty around some of the key assumptions, the following sensitivity analysis has been undertaken:

- Cohort size/number of means-tested benefits recipients in Great Britain
- Conversion rate from receipt of qualifying benefit to receipt of WHD
- Energy prices (domestic retail prices and long run variable costs)
- Labelling effect
- Income elasticity

104. In order to measure the NPSV's sensitivity to variation in the individual assumptions, all other aspects of the policy have been kept constant so that it is possible to isolate the impact of a change in each assumption.

Cohort size

105. The exact size of the cohort who will receive a rebate from the WHD is uncertain, for two main reasons:

- The number of people on qualifying means-tested benefits could change over time. Our central scenario assumes 8.3m households in Great Britain will receive a qualifying benefit; as high and low sensitivities on this, we have adjusted this figure by ±10%.
- The conversion rate from receiving a qualifying benefit to actually receiving the WHD is not 100%, and is subject to uncertainty. Our central scenario assumes 70% for this overall conversion rate; as high and low sensitivities on this, we have used 60% and 80%.

106. If the recipient cohort is larger than our central estimate, the costs recouped through energy bills will be proportionally higher (and likewise levy costs will be smaller if the cohort is smaller).

Energy prices

107. We have modelled the impacts of the scheme using the high and low energy price scenarios set out in HM Treasury Green Book supplementary guidance for valuing energy use. We have not attempted to model the wider impacts on consumption that these prices might cause. These prices do not have a large impact on the overall NPSV, since higher energy prices would mean each rebate buys fewer units of energy for the recipient, but each unit of energy has a higher associated resource cost.

Behavioural response to rebate: Labelling Effect

108. The WHD evaluation's findings regarding the labelling effect are mixed and do not offer conclusive results. For appraisal purposes, we have assumed that 47% of the total WHD rebate is spent on improving the thermal comfort of the recipients' homes[35]. This is based on research on the Winter Fuel Payment which showed that labelled transfers (e.g., the label "Winter Fuel Payment") led to a higher proportion of

[35] https://www.gov.uk/government/consultations/warm-home-discount-better-targeted-support-from-2022

the transfer being spent on fuel use than would typically be expected for a non-labelled transfer[36].

109. As high and low sensitivities, we have used those provided in the paper (23% and 71%). A higher labelling effect results in a lower NPSV because it results in greater increases in energy consumption by rebate recipients, with an associated increase in the social costs of that consumption (carbon impacts and air quality impacts). The equity-weighting in the NPSV means that the scheme still represents a net social benefit. Any increase in energy consumption for rebate recipients would increase the positive impact the scheme has in alleviating under-heating of homes, but this is not reflected in the NPSV. The same patterns apply to a lower labelling effect (i.e. it has lower social costs of consumption, causing a higher NPSV, but it would result in less impact on under-heating).

Behavioural response to increased levy: Income Elasticity

110. Since the cost of the WHD is currently recovered through standing charges, rather than as part of the unit price of energy, we have modelled the behavioural response of billpayers using an income elasticity; i.e. the increased WHD levy is treated as a loss of income, rather than specifically as an increase to the price of energy. This would change in future if the cost recovery moves to being on the unit price of energy, has been consulted on in December 2025[37].

111. Income elasticity is used to measure the change in energy demand following a change in income, and the income elasticities used are based on a study by Jamasb and Meier (2010)[38]. The assumed level of income elasticity affects the size of reduction in energy consumption (and therefore resource costs, emissions and air quality) by billpayers in response to paying a higher standing charge to fund the WHD. This effect is expected to be larger in low-income households than in higher income households.

112. As a high sensitivity, we have modelled a demand response around ten times higher than the central scenario; we might expect this result if billpayers treat the increased standing charge as though it were an effective increase to the unit price of energy.

113. As a low sensitivity, we have modelled a demand response of zero; we might expect this result if billpayers regard the levy increase as being extremely marginal.

114. A higher income elasticity of demand results in a higher NPSV, as it means that billpayers will make a greater reduction in their energy consumption as a result of the increased cost of the levy, which reduces the associated social costs (carbon impacts and air quality impacts).

[36] Beatty, Blow, Crossley& O'Dea (2011). Cash by any other name? Evidence on Labelling from the UK Winter Fuel Payment, IFS Working Paper 11/10, available at: http://www.ifs.org.uk/wps/wp1110.pdf
[37] Warm Home Discount (WHD): cost recovery - GOV.UK
[38] Jamasb and Meier (2010), Household Energy Expenditure and Income Groups: Evidence from Great Britain. https://www.repository.cam.ac.uk/handle/1810/229412

Table 13 – Sensitivity analysis and impacts on equity weighted costs, benefits and net present social value (NPSV)

Assumption	Central value	Sensitivity assumptions	Net Present Benefit	Net Present Cost	NPSV
Central scenario	See Social Cost Benefit Analysis	N/A	11,200	-8,700	2,500
Total means-tested benefit recipients (GB)	8.3m	**High:** +10%	12,300	-9,600	2,700
			(10%)	(10%)	(8%)
		Low: -10%	10,100	-7,800	2,300
			(-10%)	(-10%)	(-8%)
Conversion rate from receipt of qualifying benefit to receipt of WHD	70%	**High:** 80%	12,800	-9,900	2,900
			(14%)	(14%)	(16%)
		Low: 60%	9,600	-7,500	2,100
			(-14%)	(-14%)	(-16%)
Energy prices (Retail and LRVC)	Green book central value	Green book high values	11,200	-8,500	2,700
			(0%)	(-2%)	(8%)
		Green book low values	11,200	-8,900	2,300
			(0%)	(2%)	(-8%)
Labelling effect	0.47	**High:** 71%	11,200	-9,600	1,600
			(0%)	(10%)	(-36%)
		Low: 23%	11,200	-7,800	3,400
			(0%)	(-10%)	(36%)
Income elasticity	Income elasticity is assumed to vary by level of income, based on study by Jamasb and Meier (2010) [39]	**High:** all elasticities are 10x higher	11,500	-9,200	2,200
			(3%)	(6%)	(-12%)
		Low: all elasticities = 0	11,200	-8,700	2,500
			(0%)	(0%)	(0%)

[39] Jamasb and Meier (2010), Household Energy Expenditure and Income Groups: Evidence from Great Britain. https://www.repository.cam.ac.uk/handle/1810/229412

10. Small and Micro Business Assessment (SAMBA)

115. The cost of WHD is a direct cost to business that is then recovered through a levy on household energy bills. The rebate itself therefore represents zero net cost to businesses. Some administration costs will be incurred (see para 74), but for appraisal purposes we assume these will be passed on to consumers.

116. To be obligated to deliver the WHD, suppliers must have at least 1,000 customers. In December 2020 approximately 99% of households were with one of the obligated suppliers. As of March 2025, there were 21 active suppliers in the domestic gas and electricity markets[40] and in 2023/24, 18 of these participated in WHD scheme[41]. We therefore expect smaller-scale suppliers to represent a very small share of the market.

117. We expect that these smaller suppliers are the most likely to have a small number of employees (e.g. less than 50). Any non-obligated suppliers will have a slight cost advantage as they are not required to undertake the administrative tasks involved in implementing the scheme and can price their energy products more competitively as a result.

[40] Retail market indicators | Ofgem
[41] WHD Annual Report – Scheme Year 13

11. Monitoring and Evaluation of preferred option

Monitoring

118. Ofgem produces annual reports on the delivery of the WHD scheme which reports key information such as which suppliers are obligated to provide rebates; schemes approved for Industry Initiatives; and the numbers of rebate recipients. Ofgem also conducts external and internal audits of the WHD scheme which are published in their report. These aim to provide assurance that information is being reported accurately, help suppliers follow best practice and protect consumers.

119. DESNZ releases annual statistics on the WHD, which includes total rebates delivered, scheme spend, delivery rates and characteristics of rebate recipients. These statistics are provided for various geographies including at a national, regional and local authority level.

120. DESNZ has judged that a continuation of these reports will be sufficient to meet core monitoring needs for the scheme.

Previous Evaluation

121. An evaluation of WHD was conducted in 2017, covering scheme delivery between 2010 and 2015[42]. The evaluation conducted qualitative research with recipients as well as modelled impact analysis covering energy expenditure and the indoor environment. Key lessons from this evaluation were applied to the 2022 WHD reforms and continue to be applicable for further scheme expansion.

122. The rebate typically alleviated households' electricity usage for several months, releasing cash to be spent elsewhere (such as on gas use for heating or other general expenditure). The evidence from qualitative interviews suggests that the scheme's primary objective of "helping to mitigate the burden of rising energy prices on low-income households" was therefore achieved.

123. However, the 2017 evaluation concluded that the scheme's population targeting was not optimal for the primary objective on "removing a significant number of households from fuel poverty and improving the thermal comfort and health of assisted households". Core Group eligibility (prior to the 2022 reforms) was not found to be a strong indicator of households living in a cold home. The 2022 WHD scheme reforms amended targeting to include VOA evidence to identify homes estimated to have high heating costs, following analysis carried out by UCL that found deficiencies with the existing eligibility criteria.

Ongoing Evaluation

124. An evaluation of the 2022 WHD scheme reforms is currently being undertaken on behalf of DESNZ[43] and is due to complete in November 2026. The previous evaluation (2017) included an impact evaluation. The current evaluation is a mixed methods process- and outcome-evaluation focused on reforms made to the delivery

[42] Warm Home Discount - Evaluation Synthesis Report

[43] RSM UK Consulting LLP, in consortia with GC Insight, were commissioned to deliver the evaluation of the Warm Homes Discount Scheme in 2023. Since November 2025, delivery has been subcontracted to RSK Environment Limited (trading as Fortia Insight), in consortia with GC Insight.

of the scheme. It examines the delivery mechanisms, recipient and supplier experiences with the reforms and identifies perceived outcomes.

125. The following high-level evaluation questions are being addressed:

1. How is the recipient population of WHD structured?
2. How effective was the implementation and delivery of the WHD rebate?
3. How effective was the implementation and delivery of Industry Initiatives?
4. What outcomes have been achieved through providing WHD to recipients?
5. What are the wider lessons from the reformed WHD scheme?

126. In the first phase of this evaluation, research covered WHD recipient and energy supplier experiences from the 2022/23 and 2023/24 scheme years. Evaluation activities to date have been summarised in Table 14 below.

Table 14 – Evaluation activities to date

Method / group	Sample	Themes explored
Qualitative Interviews with recipients	26 recipient households from 2022/23 And 52 recipient households from 2023/24	Knowledge of scheme and referral routes Use of online eligibility checker and helpline Key processes Use of the rebate Changes in energy consumption Perceived outcomes (i.e. thermal comfort, health and wellbeing)
Quantitative survey of recipients (weighted to be representative of 2023/24 WHD recipient population)	4,014 recipient households from 2023/24	
Qualitative interviews with energy supplier representatives	10	Experiences of administrative processes and costs Experiences of Industry Initiatives Experiences of targeting the most fuel poor customers

127. An interim report covering findings from the first phase of the evaluation is expected to be published in early 2026. These interim findings have already been considered internally to assess the 2022 WHD scheme reforms.

128. Phase two of the evaluation is due to include further fieldwork with recipients and energy suppliers on their experiences and perceived outcomes of the WHD scheme (covering 2024/25 and 2025/26). A second wave of the recipient survey is also planned to be conducted in 2026. Following this, a final evaluation report will be produced to cover findings from all research fieldwork across the evaluation (2022/23 to 2025/26). Any insights collected before these publication dates will be fed into the scheme delivery design through internal reporting mechanisms to ensure that evidence can be considered ahead of any policy changes.

129. A Theory of Change was produced for the 2022 WHD scheme reform impact assessment[44], and this was updated as part of the existing evaluation. The Theory of Change will be revisited and updated as part of any evaluation activity covering changes to the scheme.

130. Further evaluation of the scheme in future years is anticipated to be commissioned, which is currently being scoped.

[44] Warm Home Discount reform final stage Impact Assessment

Declaration

Department:

The Department for Energy Security and Net Zero

Contact details for enquiries:

whd.consultation@energysecurity.gov.uk

Minister:

Martin McCluskey, Minister for Energy Consumers

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed:

Date 30 January 2026

Annexes

Annex 1: Fuel Poverty Measurement

LILEE and other fuel poverty definitions

1. Fuel poverty is a devolved matter, with separate indicators, targets and strategies adopted by each nation of the UK.
2. Fuel poverty in England is currently measured using the Low Income Low Energy Efficiency (LILEE) measure which defines a household as fuel poor if it has a residual income below the poverty line (after accounting for required energy costs), and lives in a home that has an energy efficiency rating below Band C. Under this definition, there were 2.7 million households (11%) in fuel poverty in England in 2024.
3. We have separately consulted[45] on the next Fuel Poverty strategy for England. This consultation sought 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.
4. Scotland and Wales use variations of the '10%' indicator, whereby a household is considered fuel poor if they need to spend more than 10% of their net income on energy. See Table 3 for more detail.

Fuel poverty energy efficiency rating (FPEER)

5. A home's energy efficiency rating, as measured under the Standard Assessment Procedure (SAP), records how expensive a home is to heat and light and bases its estimates on standardised assumptions for occupancy and behaviour. WHD temporarily reduces heating costs through provision of energy bill rebates.
6. Official statistics measure these reductions in fuel costs using the Fuel Poverty Energy Efficiency Rating (FPEER). FPEER builds on SAP methodology as it also considers the impact of policy interventions that directly affect household energy costs (thereby adopting an approach closer to BREDEM[46]). Therefore, FPEER is relatively better than the SAP at identifying fuel poor households as it considers the impact of policies, such as the WHD, on energy costs. The WHD rebate reduces energy bills and hence it temporarily improves a household's FPEER rating.
7. The Government has a statutory target to raise as many English fuel poor homes as is reasonably practicable to a minimum of FPEER band C by the end of 2030.
8. Energy efficiency improvements are the most effective way to support those facing fuel poverty in a lasting way. However, installing energy efficiency measures takes time, and currently many families are still living in a cold home. The WHD provides an interim measure, while energy efficiency programmes are rolled out, by temporarily reducing the cost to heat a home through an energy bill rebate.

[45] Review of the Fuel Poverty Strategy: consultation document
[46] Building Research Establishment Domestic Energy Model

Annex 2: Equity weights

1. The Warm Home Discount scheme is redistributive, transferring income from all billpayers (those from participating suppliers) to low income and vulnerable households.
2. Equity weighting is founded on the principle that relatively poor households put a greater value on a unit of additional income than relatively rich households (i.e. there is a diminishing marginal utility of income).
3. The Green Book[47] provides an estimate of the marginal utility of income at 1.3. This estimate can be used to calculate equity weights using the formula set out below.

$$Equity\ weight\ for\ each\ decile = \left(\frac{Median\ Income\ of\ total\ population}{Median\ income\ of\ income\ decile}\right)^{1.3}$$

Table 15 – Equity weights used in NPV

Income decile	Equity weight
1 (poorest)	5.53
2	2.54
3	1.78
4	1.36
5	1.10
6	0.91
7	0.74
8	0.60
9	0.45
10 (richest)	0.29
Figures based on English Housing Survey 2023/24 Calculated in line with: HM Treasury, The Green Book (2020), 'Distributional analysis by income group', Annex A3. Sub-national and Distributional Analysis, Page 97-99.	

[47] The Green Book (Annex 3, p97-99)

Annex 3: Equivalisation factors

1. Equivalisation is a method used to make household incomes comparable by adjusting for household size and composition. Household size is important to consider because larger households usually need a higher income than smaller households to achieve a comparable standard of living. The composition of a household also affects resource needs; for example, living costs for adults are normally higher than for children. After equivalisation has been applied, households with the same equivalised income can be said to have a comparable standard of living.
2. The following tables present the equivalisation factors used in the derivation of the English fuel poverty flag. A household's income and fuel cost are divided by the relevant equivalisation factors to create the final 'Equivalised After Housing Cost (AHC) income'.

Table 16 – Equivalisation factors for fuel costs under the Low Income, Low Energy Efficiency (LILEE) indicator[48]

Number of people in the household	Equivalisation factor
One	0.82
Two	1.00
Three	1.07
Four	1.21
Five or more	1.32

Table 17 – Equivalisation factors for after housing costs income under the Low Income, Low Energy Efficiency (LILEE) indicator[49]

Number of people in the household	After Housing Costs (AHC) income equivalisation factor
First adult in the household	0.58
Subsequent adults (includes partners and children aged 14 or over)	0.42
Children under 14	0.20

[48] See Table 14 in Fuel poverty methodology handbook (Low Income Low Energy Efficiency) 2024
[49] See Table 12 in Fuel poverty methodology handbook (Low Income Low Energy Efficiency) 2024

Annex 4: Evidence on health impacts

1. Maintaining a warm home is important for health and wellbeing. Research by the Building Research Establishment estimated that excessively cold homes in England could be costing the NHS £540m a year in preventable costs[50]. The UK Health Security Agency's Adverse Weather and Health Plan stated that indoor temperatures of below 18°C are associated with adverse health effects including cardiovascular (blood pressure) and respiratory (COPD symptoms, respiratory viral infection) diseases impacting older people and people with chronic health problems. Respiratory conditions can be made worse by damp and mould resulting from cold, poorly ventilated properties.
2. Cold housing can also negatively affect children's emotional wellbeing and resilience. It can be difficult for children to study or do homework in a cold house; this can affect educational and long-term health and work opportunities. Studies have suggested that more than 1 in 4 adolescents living in cold housing are at risk of developing mental health conditions, compared with 1 in 20 adolescents who have always lived in warm housing[51].

[50] https://bregroup.com/news/tackling-cold-homes-would-save-the-nhs-540mn-per-year-new-bre-research-reveals
[51] The UK Health Security Agency's Adverse Weather and Health Plan Supporting Evidence (2024)

Annex 5: Regional impacts

Region	Estimated** WHD recipients annually (modelled)
North East	290,000
North West	750,000
Yorkshire and The Humber	540,000
East Midlands	420,000
West Midlands	600,000
East of England	480,000
London	910,000
South East	650,000
South West	430,000
Wales	300,000
Scotland*	560,000
Total	5,900,000

* Estimates for the scheme in Scotland are based on an assumption that Scotland will represent 9.4% of the overall GB scheme. Rebate numbers will depend on how that spend is split between rebates and Industry Initiatives.

** Aside from Scotland, regional breakdowns are estimated based on regional distributions of means-tested benefit recipients, from DWP's statxplore tool https://stat-xplore.dwp.gov.uk/

- All figures rounded to two significant figures.

- The actual number of eligible households will depend on the number of households receiving a relevant means-tested benefit or tax credit at the time (currently estimated to be around 8.3 million for GB, of which 5.9m are estimated to qualify for WHD), 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 subject to this uncertainty and estimates here are based on the current number of eligible benefit recipients and rebate conversion rates observed in the current WHD scheme.