

# Warm Home Discount Scheme Annual Report Scheme Year 1

## Annual Report

**Reference:** 127/12  
**Publication date:** 8 October 2012

**Contact:** Barbara Birrell  
**Team:** Warm Home Discount team  
**Tel:** 0141 331 6023  
**Email:** Barbara.Birrell@ofgem.gov.uk

### Overview:

The Warm Home Discount (WHD) scheme came into effect on 1 April 2011. Under the scheme, Compulsory Scheme Electricity Suppliers that meet the criteria set out in the WHD Regulations 2011, are obligated to provide direct and indirect support, mainly financial, to customers in or at risk of fuel poverty over a period of four years.

This is Ofgem's annual report on the first year (April 2011-March 2012) of the WHD scheme. Ofgem's role is to administer the WHD scheme and monitor suppliers' compliance with their WHD obligations. All suppliers activities were broadly consistent with their WHD obligations in Scheme Year 1, providing support valued at £237.5m to persons in or at risk of fuel poverty.

# Context

---

The Energy Act 2010 provides the Secretary of State with powers to make regulations which introduce one or more support schemes for the purpose of reducing fuel poverty. These powers have been exercised through the Warm Home Discount Regulations 2011<sup>1</sup> to establish the Warm Home Discount (WHD) scheme. These regulations came into effect on Friday 1 April 2011.

Part 2 of the Energy Act 2010 and the WHD Regulations task the Gas and Electricity Markets Authority (the "Authority") with the operational delivery of certain aspects of the scheme. These day to day functions are performed by its office ("Ofgem").

The Energy Act 2010 places the Authority under a statutory duty to keep the WHD scheme under review and the licensed suppliers' compliance with it.<sup>2</sup> As such, as part of these responsibilities, the Authority has determined to publish an annual report. Accordingly, this document represents the first such annual report to the Secretary of State for Energy and Climate Change (SoS) in respect of Scheme Year 1. The publishing of this annual report is also part of addressing the duties in Ofgem's 'Corporate Strategy and Plan' towards "delivery of government programmes for a sustainable energy sector".

## Associated documents

---

- the Warm Home Discount Regulations 2011, the Warm Home Discount (Reconciliation) Regulations 2011, the Disclosure of State Pension Credit Information (Warm Home Discount) Regulations and relevant sections from the Energy Act 2010  
<http://www.legislation.gov.uk/all?title=warm%20home%20discount>
- the *Warm Home Discount: Guidance for Licensed Electricity Suppliers and Licensed Gas Suppliers* 2010-11 (published 19 May 2011)  
<http://www.ofgem.gov.uk/Sustainability/Environment/WHDS/Documents1/Warm%20Home%20Discount%20Guidance%20for%20Licensed%20Electricity%20Suppliers%20and%20Licensed%20Gas%20Suppliers.pdf>
- Department of Energy & Climate Change, *Consultation on the Warm Home Discount* (published 2 December 2010)  
<http://www.decc.gov.uk/assets/decc/Consultations/warm-home-discount/956-consultation-warm-home-discount.pdf>
- Monitoring suppliers' social initiatives  
<http://www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Documents1/Suppliers%20Social%20Spend%20report%202010-2011.pdf>

---

<sup>1</sup> [http://www.legislation.gov.uk/ukxi/2011/1033/pdfs/ukxi\\_20111033\\_en.pdf](http://www.legislation.gov.uk/ukxi/2011/1033/pdfs/ukxi_20111033_en.pdf)

<sup>2</sup> Compulsory scheme electricity suppliers are subject to a statutory requirement to comply with their obligations under the WHD scheme under sections 25(8) and Schedule 6A, 6(f)(i) to the Electricity Act 1989 and 28(8) and Schedule 4B, 4(e)(i) to the Gas Act 1986

# Contents

---

<b>Executive Summary</b>	<b>5</b>
The first year of the Warm Home Discount scheme	5
Core Group	5
Broader Group	6
Legacy Spending	6
Industry Initiatives	6
Audit	7
<b>1. Introduction</b>	<b>8</b>
Target audience	8
Background	8
Brief overview of WHD scheme activities	9
Core Group	9
Legacy Spending	9
Industry Initiatives	9
Monitoring and reporting framework	10
Structure of the document	10
Ofgem’s work directed towards vulnerable and fuel poor customers	10
<b>2. Summary of WHD obligations</b>	<b>11</b>
Suppliers with a mandatory obligation	11
Spending obligations	11
Compliance activities	12
<b>3. Core Group</b>	<b>14</b>
Introduction	14
Number of beneficiaries, rebate value and total spend	14
Eligibility criterion	14
Pension Credit Guarantee Credit	14
The matching process	14
Data matching	14
Exceptions	15
Breakdown of Core Group activity by supplier	16
WHD Scheme Year 1 Core Group outcomes	16
<b>4. Broader Group</b>	<b>17</b>
Broader Group summary	17
Eligibility criteria	17
Verification process	18
Verification measures	18
Payment methods and notification to customers	19
Comparison of supplier obligations against actual spend	19
<b>5. Legacy Spending</b>	<b>21</b>
Introduction	21
Number of participating suppliers, beneficiaries and total spend	21
Criteria for Legacy Spending	21
Discounted tariffs	22
Rebate schemes	22
Comparison between WHD and Voluntary Agreement	23
<b>6. Industry Initiatives</b>	<b>24</b>
Introduction	24

Analysis of Industry Initiative activities in Scheme Year 1	24
Analysis by activity	25
Debt assistance	25
Energy advice and multiple activity initiatives	25
Energy efficiency measures	25
Referral and benefit entitlement checks	25
Supplier breakdown	27
Targeting those who are at risk of or are fuel poor	28
Value for money analysis	28
<b>7. Ofgem Audit Programme</b>	<b>29</b>
Ofgem audit programme	29
Aim of the audit programme	29
Programme key findings	30
<b>8. WHD Scheme Year 1 Outcomes</b>	<b>32</b>
Key findings per supplier	33
<b>9. Emergent issues in Scheme Year 1</b>	<b>37</b>
Provision of Rebates	37
Targeting fuel poor customers	37
Value for Money	38
End of Year Reporting	38
<b>Appendix 1 – WHD compulsory scheme electricity suppliers</b>	<b>39</b>
WHD compulsory scheme electricity suppliers	39

# Executive Summary

---

## The first year of the Warm Home Discount scheme

The Warm Home Discount scheme came into effect on 1 April 2011. The aim of the scheme is to deliver benefits to those who are in or at risk of fuel poverty, through a series of obligations placed on suppliers. It is designed to replace and improve upon the Voluntary Agreement between suppliers and Government which was established in 2008.

Ofgem's role is to administer the WHD scheme and monitor suppliers' compliance with their WHD obligations. Section 5 of the Utilities Act 2000 requires Ofgem to provide reports to the Secretary of State. This is Ofgem's first annual report on the WHD scheme. It covers activity which was undertaken during Scheme Year 1 (1 April 2011 to 31 March 2012).

Ofgem has a duty to protect vulnerable customers. We also take compliance with all licence conditions very seriously. Given this, we are pleased that in the first year of the WHD scheme suppliers have succeeded in delivering against their obligations and in line with the WHD Regulations. Overall suppliers have spent a total of £237.5m to the benefit of those customers who are grouping or at risk of fuel poverty.

The scheme has four elements, the Core Group, the Broader Group, Legacy Spending and Industry Initiatives, which are described in more detail below.

### Core Group

The Core Group provides rebates valued at £120 for Scheme Year 1 to older, fuel poor pensioner households.

A total of 701,746 electricity accounts of low income pensioners were provided with a Core Group rebate during Scheme Year 1. Rebates for Scheme Year 1 were valued at £120 and the majority of the payments took place between October 2011 and April 2012. Spend on the Core Group element for Scheme Year 1 totalled £84.2m.

There were 597,820 rebates provided directly as a result of the data matching exercise and 103,926 provided as a result of the sweep-up, a follow up exercise designed to capture the customers who were not automatically matched.

The obligated suppliers, however, ensured that 99.9% of rebates were paid and 99.8% of rebates were paid within time scales defined in the WHD Regulations.

Despite some minor contraventions of the WHD Regulations, all suppliers broadly delivered the requirements of the Core Group element of the WHD scheme.

## Broader Group

In addition to the Core Group, suppliers were required to provide an annual rebate of £120 in Scheme Year 1 to a broader group of fuel poor customers.

For Scheme Year 1 the minimum required spend across suppliers was £3.1m, equating to 26,034 Broader Group rebates. Suppliers chose to use the flexibility afforded to them by the WHD Regulations to their non-core obligation by increasing spending on this element of the scheme above the required minimum and reducing their legacy spending in tandem. Suppliers provided 234,297 Broader Group rebates, totalling £28.1m. All eligible Broader Group customers were provided with their Broader Group rebate before 31 March 2012.

All suppliers complied with the requirements of the Broader Group element of the WHD scheme.

## Legacy Spending

Suppliers also have the option to continue to offer support through discounted/social tariffs or rebates to the types of customers who benefited from these under the previous Voluntary Agreement

The overall total Legacy Spending in Scheme Year 1 was £102.9m. This is 80% of the allowable spend (suppliers' spending on the Broader Group was higher as a result). Of this total, £86.9m was spent on discounted tariffs, and £16.0m on rebates.

All suppliers offered discounted tariffs in Scheme Year 1. In total 1,094,176 customers were reached and provided with assistance to meet their energy costs. The average value of this assistance ranged from £54 to £213 depending on the tariff and supplier.

Four of the supplier groups offered rebates through Legacy Spending; just over 350,000 customers were reached and they received assistance that averaged between £22 and £74.

## Industry Initiatives

Suppliers can also provide a wider range of support (such as benefit entitlement checks, referrals, energy efficiency advice, energy efficiency measures, energy efficiency training and energy debt assistance) targeted at those in or at risk of fuel poverty through the Industry Initiative element.

A maximum of £30m was set for suppliers to spend on the Industry Initiatives element of the WHD scheme. The actual spending on Industry Initiatives was £23.2m. Within this, some suppliers chose to exceed their individual caps which are calculated according to market share. The total attributable spend was £22.3m, in total 80,801 customers and 3,155 trainees benefited from Industry Initiatives in Scheme Year 1.

There are six types of activity under WHD Regulations that suppliers are allowed to support under the WHD scheme Industry Initiatives. The majority of spending (58%) was directed to debt assistance, with four of the six suppliers providing this type of activity. This was followed by spending on multiple activities<sup>3</sup> at 25%. The highest proportion (42%) of customers benefited from multiple activity initiatives, followed by energy advice (27%) and debt assistance (18%).

In line with what is required in the WHD Regulations, all Industry Initiatives wholly or mainly targeted their services to customers who were in or at risk of fuel poverty and all initiatives were judged to have produced value for money.

## **Audit**

The scheme has been subject to an audit process, both by suppliers' internal audit teams and Ofgem appointed external auditors. Ofgem's internal processes were also subject to an assurance review to determine their effectiveness for administering the scheme. For Scheme Year 1 auditors found that suppliers' activities were broadly consistent with the WHD Regulations, all activities received a minimum of Limited Assurance with the majority receiving Substantial/Full Assurance.

---

<sup>3</sup> Multiple activities are those Industry Initiatives that combine activities for example the Initiative will provide energy advice and benefit entitlement checks.

# 1. Introduction

---

## Chapter Summary

This chapter provides a summary of the content and structure of Ofgem's Warm Home Discount Scheme Annual Report for Scheme Year 1. It also provides some background to the WHD scheme and gives a high-level overview of scheme activities.

## Target audience

1.1. This report informs the SoS of the implementation and delivery of the WHD scheme during its first year. It is also aimed at gas and electricity suppliers and consumer groups - particularly those representing consumers vulnerable to fuel poverty and any other interested parties.

## Background

1.2. The Government is committed to tackling fuel poverty and assisting vulnerable consumers to heat their homes at an affordable cost.<sup>4</sup> The WHD scheme is an important element in the Government's strategy for addressing the needs of households in or at risk of fuel poverty.

1.3. The WHD scheme came into operation on 1 April 2011. The scheme mandates domestic energy suppliers to provide approximately £1.13 billion of direct and indirect support arrangements to fuel poor customers over four years. It replaced the previous Voluntary Agreement between suppliers and Government which was established in 2008 and ran until 31 March 2011. More information on the Voluntary Agreement can be found on the Ofgem website<sup>5</sup>.

1.4. Ofgem's role in the WHD scheme is to monitor and, where necessary, facilitate suppliers' compliance with their WHD obligations. One of Ofgem's key tasks is to publish an annual report of suppliers' activities under the WHD scheme. This, our first annual report, reviews suppliers' performance in the first year of the scheme and assesses whether or not they have met their obligations (under each element and their overall spend).

1.5. For further information on how we carry out our functions under the scheme, what suppliers need to do to comply with the scheme and how we interpret various provisions of the WHD scheme, please see our Supplier Guidance (published May 2011)<sup>6</sup>. Please note that this document is currently in the process of being reviewed;

---

<sup>4</sup> The Warm Homes and Energy Conservation Act 2000 committed the Government to implementing a strategy to tackle fuel poverty. As an outcome, the Government published the UK Fuel Poverty Strategy in 2001

<sup>5</sup><http://www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Documents1/Suppliers%20Social%20Spend%20report%202010-2011.pdf>

<sup>6</sup><http://www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Documents1/Warm%20Home%20Discount%20Draft%20Guidance%20Document%20March%202011%2032.11.pdf>

an updated version will be available later this year, which will take account of the experience gained and the lessons learned in Scheme Year 1.

## **Brief overview of WHD scheme activities**

1.6. The WHD scheme is divided into four different elements: the Core Group, the Broader Group, Legacy Spending and Industry Initiatives. The following paragraphs provide brief descriptions of activities under each element.

### **Core Group**

1.7. Support in this element is targeted at low income pensioners. Limited data held by Government (the Department for Work and Pensions (DWP)) on those in receipt of a subset of Pension Credit and the suppliers' customer records was shared. The SoS notifies suppliers of any customers found by matching or successfully applying and meeting the eligibility requirements (despite not being automatically matched). The suppliers are then required to provide those customers with a rebate of £120 in Scheme Year 1 or return the customer to the SoS if they were not one of their customers.

### **Broader Group**

1.8. In addition to the Core Group, suppliers were required to provide an annual rebate of £120 in Scheme Year 1 to a broader group of customers, based on eligibility criteria proposed by suppliers and approved by Ofgem as meeting the requirements of the WHD Regulations. The government provides eligibility criteria that suppliers could choose to use to identify customers in the form of a list of means tested benefits within the WHD Regulations. However, suppliers are also free to propose additional eligibility criteria for approval by Ofgem.

### **Legacy Spending**

1.9. Suppliers also have the option to continue to offer discounted/social tariffs or rebates to the types of customers who have benefited from these under the previous Voluntary Agreement. This was capped at £140m for Scheme Year 1. The Legacy Spending element is intended to provide a smooth transition from the Voluntary Agreement to the WHD scheme.

### **Industry Initiatives**

1.10. Suppliers can also spend up to a collective maximum of £30m per year on initiatives aimed at providing a wider range of support targeted at those in or at risk of fuel poverty.

1.11. In total suppliers are not permitted to spend more than £150m on Legacy Spending and Industry Initiatives. The limits of £140m on Legacy Spending and £30m on Industry Initiatives within this overall cap provide suppliers with a degree of choice in how they meet their obligations.

## Monitoring and reporting framework

1.12. This report also provides a summary of expenditure under each of the four elements of the WHD scheme. It is based on information submitted by suppliers in their end-of-year compliance reports, which have been reviewed by Ofgem and agreed as accurate by suppliers' internal auditors and external auditors contracted by Ofgem. It also includes analysis undertaken by Ofgem to determine suppliers' compliance with the WHD Regulations 2011.

## Structure of the document

1.13. A summary of the different activities undertaken by suppliers as part of their WHD obligations for Scheme Year 1 (1 April 2011 - 31 March 2012) is provided in this report. The remainder of this document is divided up into the following chapters:

- Chapter 2: Gives a high level overview of suppliers' obligations under the WHD scheme
- Chapters 3 - 6: Provide an overview of the activity which took place under each element (Core Group, Broader Group, Legacy Spending and Industry Initiatives) in Scheme Year 1
- Chapter 7: Outlines Ofgem's Audit Programme and its key findings for Scheme Year 1
- Chapter 8: Summarises the key outcomes for Scheme Year 1.
- Chapter 9: Raises issues that have emerged during Scheme Year 1

## Ofgem's work directed towards vulnerable and fuel poor customers

1.14. Ofgem's current approach to addressing vulnerability issues was set out in our 2005 Social Action Strategy. In March 2012 we published a discussion document on energy affordability in which we committed to develop a new Strategy and sought views on what we should incorporate into our Strategy<sup>7</sup>. The document also outlined the key work areas that we were undertaking at the time.

1.15. Our initial proposals on the new Consumer Vulnerability Strategy is published for consultation (end of September 2012). The document also includes our proposed annual work plan for 2013/14, some of which we are already working on.

---

<sup>7</sup> ['Energy Affordability: helping develop Ofgem's Vulnerable Consumers Strategy', March 2012](#)

## 2. Summary of WHD obligations

---

### Chapter Summary

This chapter provides a summary of suppliers' obligations under the WHD scheme. It sets out the conditions for incurring a mandatory obligation and names the six supplier groups that currently satisfy those conditions. The chapter refers also to the option for other suppliers to volunteer to participate in the scheme. It outlines how the participating suppliers' spending obligations are calculated and what this calculation means in practice for each of the scheme elements (Core Group, Broader Group, Industry Initiatives and Legacy Spending).

### Suppliers with a mandatory obligation

- 2.1. Under the WHD scheme, a licensed electricity supplier is a Compulsory Scheme Electricity Supplier (referred to in this report simply as a 'supplier') in a Scheme Year if it, together with any licensed electricity and/or gas suppliers connected to it, had at least 250,000 domestic customers on 31 December preceding the start of that scheme year. A list of the twelve compulsory scheme electricity suppliers and the supplier groups they are part of can be found in Appendix 1.
- 2.2. For the purposes of this report, we discuss suppliers by their supplier group rather than by their individual supply licences. The six supplier groups are British Gas, EDF Energy, E.ON, Npower, SSE and ScottishPower.
- 2.3. If a licensed electricity supplier is not a compulsory supplier it can elect to be a Voluntary Scheme Supplier. A voluntary supplier would only have obligations under the Core Group element of the WHD scheme whereas a compulsory supplier has obligations under core and non-core (Broader Group, Legacy Spending and Industry Initiative) elements of the scheme. For Scheme Year 1, no licensed supplier elected to be a Voluntary Scheme Supplier.

### Spending obligations

- 2.4. In establishing the scheme, the SoS set the levels of overall spending for the duration of the scheme and set caps on spending for the Legacy Spending and Industry Initiative elements. The WHD Regulations require the SoS to make a Core Group estimate each year based on the number of people expected to receive the Core Group rebate. In Scheme Year 1 the Core Group spend estimate is related to the number of people in receipt of Pension Credit (Guarantee Credit) who were expected to be found through the matching process with energy suppliers; the spend was expected to be £97m.
- 2.5. The non-core spending obligation is calculated using this Core Group estimate and the overall spending target for the scheme year in question. The non-core spending obligation consists of a minimum obligatory spend on the Broader Group and of maximum caps for Legacy Spending and Industry Initiatives. The combined limit of Legacy Spending and Industry Initiatives is not

the total of these two caps (see para 1.11). Spend profiles including limits and caps can be found in Figure 2.1.

**Figure 2.1 – Non-core scheme year targets**

	<b>Scheme Year 1</b>	<b>Scheme Year 2</b>	<b>Scheme Year 3</b>	<b>Scheme Year 4</b>
<b>Overall non-core scheme year target</b>	£153.1m	£132m	To be confirmed in Feb 2013	To be confirmed in Feb 2014
<b>Overall scheme Legacy Spending limit</b>	£140m	£70m	£35m	£0
<b>Overall scheme Industry Initiative limit</b>	£30m	£30m	£30m	£30m
<b>Overall scheme LS &amp; II combined limit</b>	£150m	£85m	£53m	£30m
<b>Overall Broader Group minimum</b>	£3.1m	£47m	To be confirmed in Feb 2013	To be confirmed in Feb 2014
<b>Overall spending target</b>	£250m	£275m	£300m	£310m

2.6. Suppliers' spending obligations are calculated by Ofgem based on their total market share. Each supplier is informed by Ofgem of its individual non-core spending obligation and caps for each scheme year. For Scheme Year 1 suppliers were notified in April 2011. Under Regulation 15(2) a small variation in spend of +/-1% is permitted for Scheme Years 1 to 3, suppliers can exercise this variation and will have their spending obligations adjusted accordingly for the following year. All suppliers spend for Scheme Year 1 was within the allowable 1% variation; suppliers spending obligations for Scheme Year 2 have been adjusted accordingly.

## Compliance activities

2.7. Suppliers are required to carry out a number of compliance activities as part of their obligations under the WHD scheme. Figure 2.2 summarises the content and timetable of these activities.

**Figure 2.2 - Summary of Compliance Activities**

<b>Core Group</b>	<ul style="list-style-type: none"> <li>Suppliers are obligated to provide all Core Group rebates, unless they apply an exception as determined by the SoS.</li> <li>Rebate must be specified as being made under the WHD scheme (value for Scheme Year 1 = £120 including VAT).</li> <li>Rebates must be provided by 31 March of each Scheme Year unless the SoS notifies suppliers to provide a Core Group rebate after 1 March. In that case a supplier has 30 days to provide the rebate.</li> </ul>
<b>Broader Group</b>	<ul style="list-style-type: none"> <li>Suppliers are obligated to provide a minimum number of rebates to customers.</li> </ul>

	<ul style="list-style-type: none"> <li>• Rebates must be specified as being made under the WHD scheme (value for Scheme Year 1 = £120 including VAT).</li> <li>• Rebates must be provided by 31 March of each Scheme Year.</li> <li>• Ofgem must approve all Broader Group notifications. This includes ensuring that eligibility criteria, verification measures and payment processes are in line with Part 4 Chapter 2 of the WHD Regulations. Against this approval Ofgem ensures compliance on an annual basis.</li> </ul>
<b><i>Legacy Spending</i></b>	<ul style="list-style-type: none"> <li>• Tariff/rebate must work in the same way as in the last year of the Voluntary Agreement.</li> <li>• Eligibility criteria must be the same as in the last year of the Voluntary Agreement.</li> <li>• Number of eligible customers must not exceed those benefiting from discounted tariffs or rebates in the last year of the Voluntary Agreement.</li> </ul>
<b><i>Industry Initiatives</i></b>	<ul style="list-style-type: none"> <li>• Ofgem must approve all Industry Initiative notifications.</li> <li>• Activity must be permitted under regulation 26 and Schedule 4 of the WHD Regulations.</li> <li>• The activity is targeted at persons in fuel poverty or at risk of fuel poverty.</li> <li>• The initiative must also demonstrate value for money.</li> </ul>

## 3. Core Group

---

### Chapter Summary

This chapter provides an overview of the processes by which customers were selected as satisfying the eligibility criterion for the Core Group. The chapter then explains the processes involved in providing the Core Group rebate to customers and summarises the results achieved in Scheme Year 1.

### Introduction

3.1. The Core Group element of the WHD scheme is administered by DECC who work closely with the DWP and participating suppliers to identify eligible Core Group customers.

### Number of beneficiaries, rebate value and total spend

#### Key Finding

A total of 701,746 customers received a Core Group rebate in Scheme Year 1. Each rebate was set at £120 and these were provided to customers between October 2011 and April 2012. The total spending on the Core Group element for Scheme Year 1 was £84.2m.

### Eligibility criterion

#### Pension Credit Guarantee Credit

3.2. In the first year of the WHD scheme, only recipients of Pension Credit Guarantee Credit (which is a subset of the Pension Credit) were eligible for a Core Group rebate.

3.3. Recipients of the Pension Credit Guarantee Credit who were not the person named on the electricity bill, or were a customer of a small supplier (i.e. with fewer than 250,000 customers) that did not volunteer to participate in the scheme, were not eligible for a Core Group rebate.

### The matching process

#### Data matching

3.4. Customers potentially eligible for the Core Group rebate were identified and located by matching limited customer information held by the government (DWP) with customer datasets held by suppliers. When a match was made between a Pension Credit Guarantee Credit recipient and an electricity customer, where the

SoS believed this customer to be eligible, the supplier was instructed by the SoS to pay that rebate.

### Key Finding

A total of 597,820 customers were provided with a Core Group rebate as a result of this process.

3.5. Not all eligible customers were found through automatic matching. For example, the spelling of a customer's name or address may have differed between a supplier's dataset and DWP's records. As a result customers who were not matched, but believed to be eligible, were sent a letter asking them to contact a Government call centre, this process was called the sweep up process.

### Key Finding

103,926 customers were provided with a Core Group rebate as a result of this process.

## Exceptions

3.6. Under regulation 8, the SoS has the authority to determine circumstances in which it would **not** be reasonably practicable for scheme electricity suppliers to provide the prescribed rebate to Core Group customers. In Scheme Year 1 the SoS determined two exceptions:

- Exception A - a Core Group customer is deceased, that customer's account with its electricity supplier is closed, and the supplier has been unable to contact the customer's executor or a relative of the customer.
- Exception B - a Core Group customer has closed their account with the electricity supplier and no forwarding address has been provided to that electricity supplier.

3.7. In total there were 14 cases under Exception A and 1,005 cases under Exception B across the participating suppliers.

3.8. In Scheme Year 1, in comparison to the 701,746 rebates there were a small number of instances where rebates were not provided to customers and the reasons fell outside the exceptions determined by the SoS. In such cases the suppliers informed Ofgem of the reasons why these rebates could not be provided.

3.9. For the vast majority of cases Ofgem believed that suppliers took adequate steps in an attempt to provide all rebates. There was one exception, however, where one supplier failed to provide a very small number of accounts with multiple Pension credit eligible customers with rebates. . These customers were eligible for a rebate and rebates should have been provided to these customers. By not providing these rebates the supplier contravened the WHD Regulations. This issue has been raised with the supplier. We will continue to follow up with the supplier to ensure that steps are put in place to prevent recurrence of this in future Scheme Years.

## Breakdown of Core Group activity by supplier

3.10. Broadly, supplier activities under the Core Group element were determined to be consistent with the WHD Regulations. There were, however, some minor contraventions of WHD Regulations. These included:

- Failure to provide rebates to customers in instances where no exceptions were available.
- Failure to provide all rebates within the timescales outlined in the WHD Regulations.
- Failure to notify the SoS of persons who are not, or whom suppliers are not able to identify as, Core Group customers.

3.11. Figure 3.1 below shows a breakdown of the Core Group rebates provided by supplier and highlights the minor contraventions.

**Figure 3.1 Breakdown of Core Group activity by supplier**

<b>Supplier</b>	<b>Percentage of rebates provided on time and permissible exceptions<sup>8</sup></b>	<b>Percentage of rebates not provided within timescales</b>
<b>British Gas</b>	99.95%	0.005%
<b>EDF Energy</b>	99.88%	0.118%
<b>E.ON</b>	99.45%	0.538%
<b>Npower</b>	99.76%	0.243%
<b>ScottishPower</b>	99.96%	0.006%
<b>SSE</b>	100.00%	0.000%

3.12. The implications of these minor contraventions are explored further in Chapter 9, paragraphs 9.1 and 9.2.

## WHD Scheme Year 1 Core Group outcomes

### Key Findings

In Scheme Year 1 a total of 701,746 Core Group rebates were provided.

The suppliers ensured that 99.9% of rebates were provided, and 99.8% of rebates were provided within timescales defined in the WHD Regulations.

All suppliers' activities were determined to be broadly consistent with the Core Group element of the WHD scheme. There were, however, some minor contraventions of WHD Regulations. These contraventions have been raised with suppliers in order to ensure that they implement the necessary changes to improve their processes for future Scheme Years.

---

<sup>8</sup> Permissible exceptions include regulation 8 exceptions and those circumstances where Ofgem determined that suppliers were not able to provide the rebate.

## 4. Broader Group

---

### Chapter Summary

This chapter provides an overview of the Broader Group requirements placed on suppliers for the provision of Broader Group rebates. It summarises spending obligations and outcomes achieved by the participating suppliers.

### Broader Group summary

4.1. The Broader Group element of the WHD scheme requires suppliers to provide a minimum number of rebates to a wider group of fuel poor customers. Suppliers can either use the predetermined criteria set out in the WHD Regulations or adopt their own criteria which must be approved by Ofgem. Rebates are provided at the same value as the Core Group throughout the duration of the scheme.

4.2. In Scheme Year 1, Broader Group minimum spending obligations across all suppliers was set at £3.1m, 2% of suppliers' total non-core spending obligation of £153m. This threshold was set to enable a smooth transition from the previous Voluntary Agreement to direct support in the form of Broader Group rebates under the WHD scheme.

### Number of beneficiaries, rebate value and total spend

#### Key Finding

For Scheme Year 1 the minimum required Broader Group spend across suppliers was £3.1m, equating to 26,034 Broader Group rebates. Suppliers chose to use the flexibility afforded to them by the WHD Regulations to their non-core obligation by increasing spending on this element of the scheme above the required minimum and reducing their legacy spending in tandem. Suppliers provided 234,297 Broader Group rebates, totalling £28.1m.

The Broader Group made up approximately 18% of suppliers' overall non - core spending in Scheme Year 1.

### Eligibility criteria

4.3. Suppliers can either use the predetermined criteria set out in the WHD Regulations<sup>9</sup> or adopt their own criteria. Ofgem must approve the use of these predetermined criteria; however suppliers may opt to use their own Broader Group eligibility criteria on condition of approval from Ofgem.

---

<sup>9</sup> [http://www.legislation.gov.uk/ukxi/2011/1033/pdfs/ukxi\\_20111033\\_en.pdf](http://www.legislation.gov.uk/ukxi/2011/1033/pdfs/ukxi_20111033_en.pdf)

## Key Finding

All participating suppliers' Broader Group Eligibility Criteria were consistent with the requirements of the WHD Regulations.

## Verification process

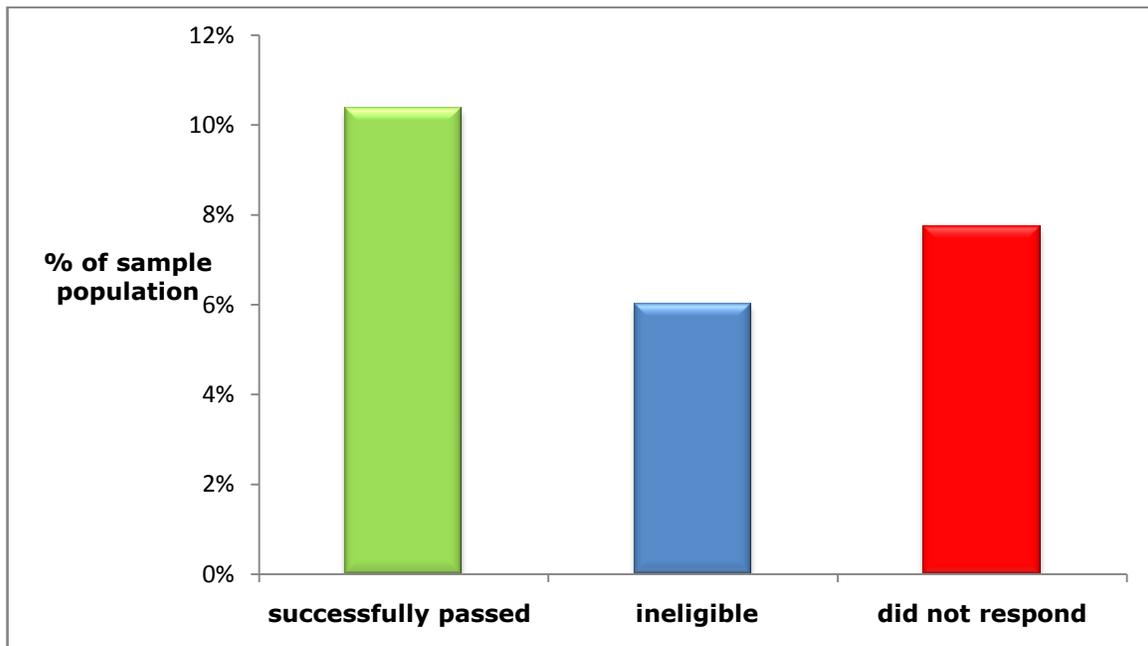
### Verification measures

4.4. Suppliers are obligated to undertake the verification measures as set out in the WHD Regulations.

4.5. These verification measures are used by suppliers as a control measure to ensure rebates are provided to those who are eligible. Customers are deterred from making fraudulent claims by declaring they meet the eligibility criteria and understand they may be asked to provide documentary evidence. A random sample is verified for documentary evidence, either by the supplier or a third party organisation, before rebates are provided. Under the legislation, suppliers must ensure that at least 5% of customers pass this documentary evidence check.

4.6. All suppliers met or exceeded this target. The figure 4.1 below shows the percentage of the Broader Group population that successfully passed the verification checks, were either determined to be ineligible to receive the Broader Group rebate or did not respond with the information requested to support Broader Group eligibility.

**Figure 4.1 - Analysis of verification sampling**



## Key Finding

All suppliers met or exceeded the required verification measures.

## Payment methods and notification to customers

4.7. The WHD Regulations provide details on the permissible methods for paying a rebate to a Broader Group customer.

4.8. As part of the provision of a Broader Group rebate a supplier must also notify the customer that this has been provided as a “rebate under the Warm Home Discount scheme.”

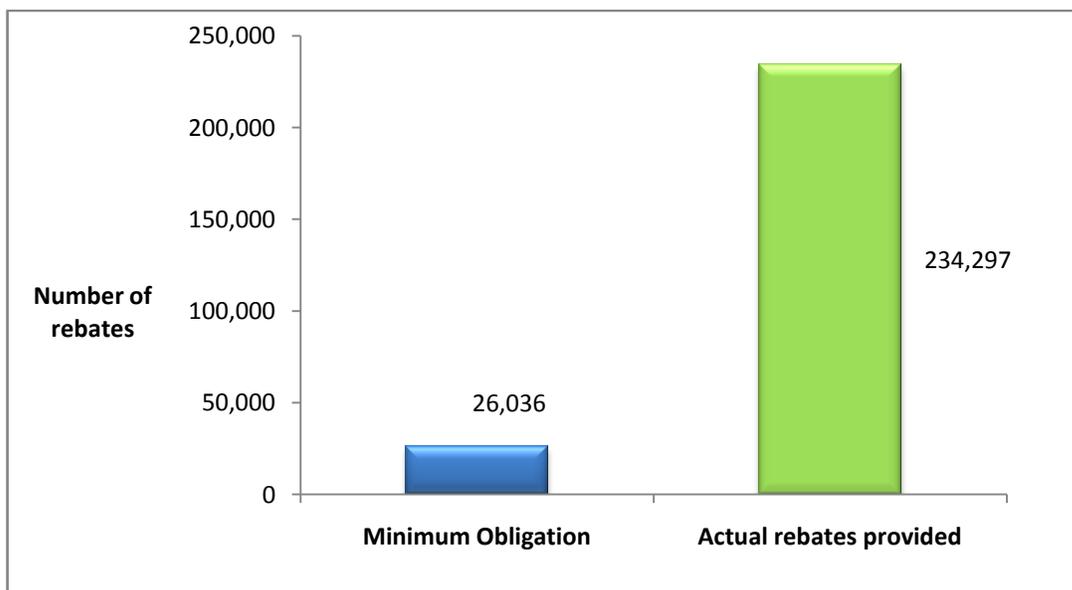
## Key Finding

All suppliers were found to have implemented the payment method and customer notification conditions consistently with the requirements of the WHD Regulations. All eligible Broader Group Customers were provided with a Broader Group rebate before 31 March 2012.

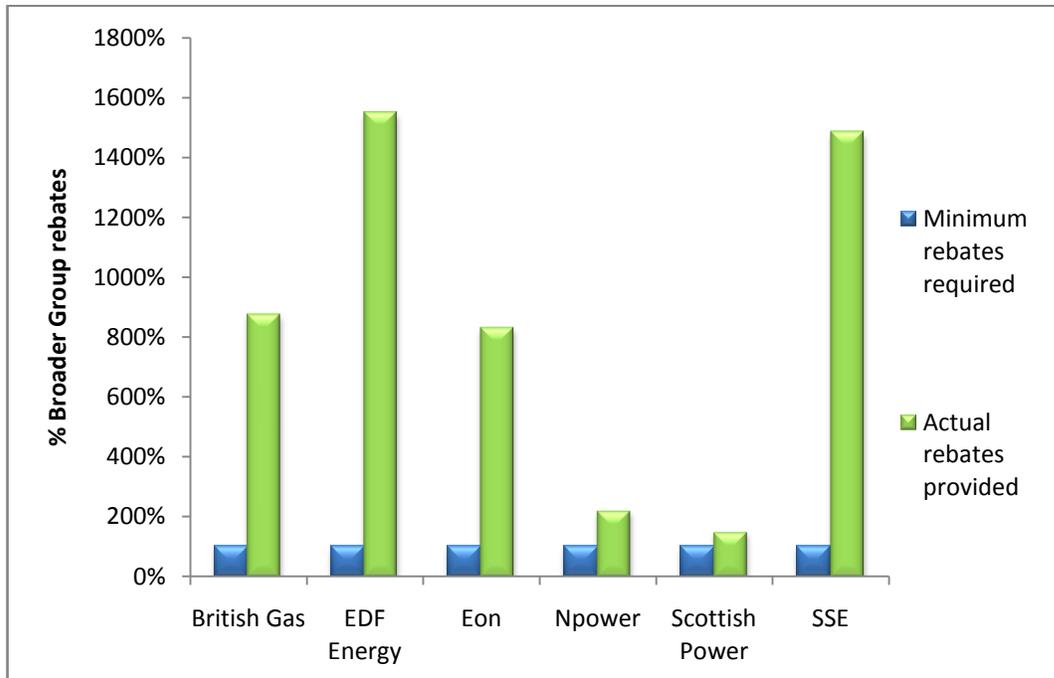
## Comparison of supplier obligations against actual spend

4.9. All six suppliers opted to use the flexibility afforded to them by the WHD Regulations to spend more than the required minimum on Broader Group minimum obligations and less than the allowed maximum on legacy spending. As a result a greater number of customers were provided with rebates under the Broader Group element of the scheme. The overall difference of almost 800% between the minimum obligation and the rebates actually provided is shown in Figure 4.2 below.

**Figure 4.2 - Overall Broader Group performance against minimum obligation**



**Figure 4.3 - Performance against minimum obligation broken down by supplier**



4.10. Figure 4.3 shows that EDF Energy exceeded their minimum obligation by 1452%, SSE by 1387%, British Gas by 798%, E.ON by 734%, Npower by 123% and ScottishPower by 52%. Suppliers' choices to focus on the Broader Group and manage down their Legacy Spending at a greater rate than required will help them prepare for Scheme Year 2 when the minimum spend for the Broader Group increases substantially to £47m.

# 5. Legacy Spending

---

## Chapter Summary

This chapter provides information on the Legacy Spending element of the WHD scheme and requirements placed on suppliers under this element. It summarises spending and outcomes achieved by the participating suppliers; this is broken down by discounted tariffs and rebates.

## Introduction

5.1. Under Legacy Spending, suppliers can continue to provide the same type of support that was offered under the Voluntary Agreement, which came to an end in March 2011. This support can be in the form of discounted tariffs or rebates and the support may be applied to electricity or to gas accounts. It is not a compulsory element of the scheme, but suppliers who provide Legacy Spending are allowed to count it towards their non-core obligation.

5.2. Legacy Spending is included in the WHD scheme to provide a smooth transition from the varying tariffs and rebates under the Voluntary Agreement to the fixed rebates offered to the Core and Broader Groups. The maximum that can count towards suppliers' non-core obligations will be reduced incrementally from £140m across all suppliers in Scheme Year 1 to £70m in Scheme Year 2, £35m in Scheme Year 3 and in Scheme Year 4 Legacy Spending will no longer be part of the WHD scheme. There was also an overall Legacy Spend and Industry Initiative cap (please refer to paragraph 1.11).

## Number of participating suppliers, beneficiaries and total spend

### Key Finding

All six supplier groups chose to include Legacy Spending as part of their non-core spending in Scheme Year 1. A total of 1,444,215 customer accounts received a discounted tariff or legacy rebate. Spend on the Legacy Spending element for Scheme Year 1 totalled £102.9m.

## Criteria for Legacy Spending

5.3. Criteria that a supplier must meet in order to participate in the Legacy Spending element of the WHD scheme is set out in the WHD Regulations. One criterion for Legacy Spending is that a supplier must have provided support under the Voluntary Agreement in 2010/11.

5.4. Under Legacy Spending, a supplier must apply the same eligibility criteria to its discounted tariffs and legacy rebates as it did under the Voluntary Agreement in 2010/11.

5.5. The number of customer accounts provided with a discounted tariff or legacy rebate by the supplier in a Scheme Year must not exceed the number of customer accounts provided with support in the last year of the Voluntary Agreement.

5.6. Unlike the Broader Group and Industry Initiative elements, suppliers do not need to seek pre-approval for this scheme activity.

### **Key Findings**

All six suppliers provided legacy benefits within the regulatory criteria.

Two companies holding licences in the Npower group did not participate in the Legacy Spending element since they did not provide support under the Voluntary Agreement in 2010/11. These were Electricity Plus Supply Limited and Gas Plus Supply Limited, which both trade as Utility Warehouse.

## **Discounted tariffs**

5.7. The value of a discounted tariff that suppliers may count towards their non-core obligation is an averaged and seasonally weighted value, based on prices and customer numbers for each month.

### **Key Findings**

In total 1,094,176 customers were provided with assistance to meet their energy costs through discounted tariffs to a total value of £86.9m. The value of benefit to individual customer accounts ranged from £54 to circa £213 depending on the tariff and supplier.

All six suppliers provided at least one discounted tariff, with eight different tariffs being provided in total.

## **Rebate schemes**

5.8. Electricity and gas rebates can also be provided to eligible customers under Legacy Spending. The value and frequency of that rebate is at the supplier's discretion. The supplier counts as Legacy Spending the total value of rebate support provided in the scheme year.

### **Key Findings**

The amount of Legacy Spending attributable to the provision of rebates was £16.0m.

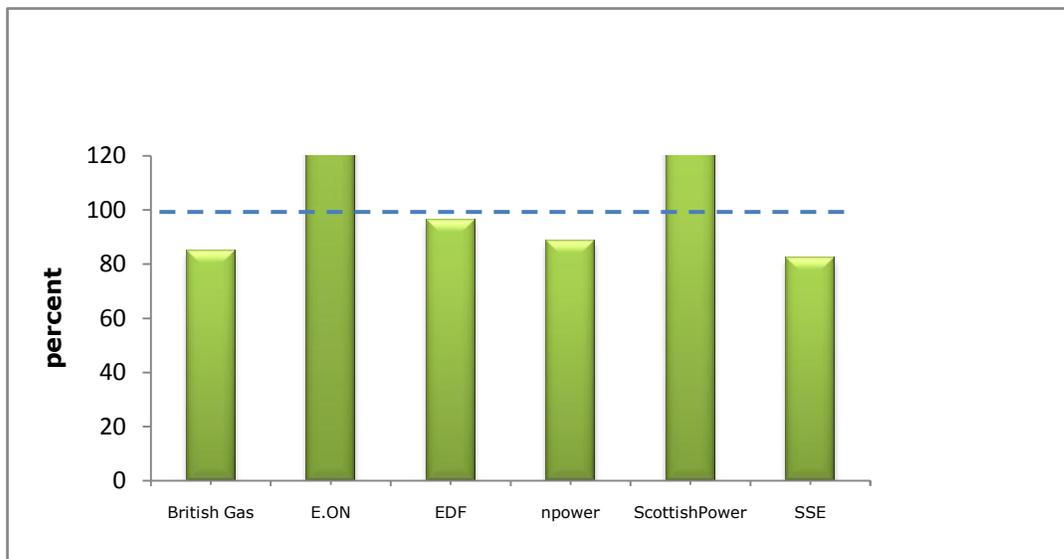
Four of the supplier groups offered Legacy Spending rebates, to a total of just over 350,000 customers, each of whom received assistance that averaged between £22 and £74.

5.9. Four of the six supplier groups offered rebates in Scheme Year 1.

## Comparison between WHD and Voluntary Agreement

5.10. Taking all suppliers together, spending on discounted tariffs or rebates reported under Legacy Spending in the first year of the WHD scheme was £35,519 lower than spending on comparable tariffs and rebates in the final year of the Voluntary Agreement (2010-11). Four of the suppliers reduced their spending levels slightly, whereas two spent more. The customer accounts assisted did not increase.

**Figure 5.1 - Suppliers' spending in Scheme Year 1, compared with corresponding discounts and rebates in 2010-2011**



5.11. The information in Figure 5.1 above shows that four suppliers have begun to put in place the processes to ease the transition from the range of discounted tariffs and rebates available under the Voluntary Agreement to the fixed Core and Broader Group rebates specified in the WHD Regulations. This reduction in spending which can count towards the scheme will continue across all suppliers and become much steeper in Scheme Year 2, when the cap on Legacy Spending that can count towards the non-core obligation is halved to £70m overall.

## 6. Industry Initiatives

---

### Chapter Summary

This chapter discusses the Industry Initiatives element of the WHD scheme, with particular reference to the compliance of suppliers with the WHD Regulations, the range of Industry Initiative activities, their targeting and the number of customers that benefitted. It also provides information about the amounts spent on each type of activity and the value for money of the initiatives.

### Introduction

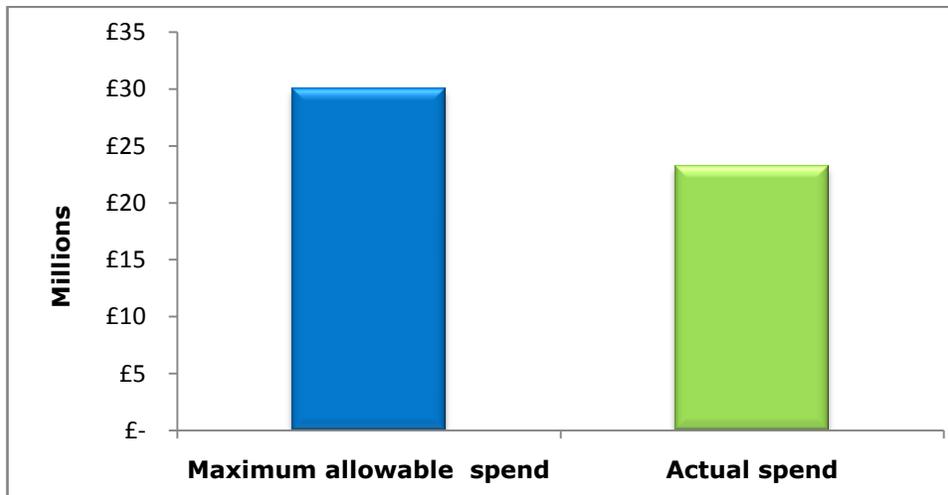
6.1. Industry Initiatives are the fourth element of the WHD scheme. The overall limit of spending on Industry Initiatives that can count towards suppliers' non-core obligations is capped at £30m<sup>10</sup> in each Scheme Year.

6.2. Suppliers are required to submit notifications to Ofgem outlining their Industry Initiative. Ofgem approve the Industry Initiative if the proposal is determined to be in line with the WHD Regulations.

### Analysis of Industry Initiative activities in Scheme Year 1

6.3. Figure 6.1 shows the maximum spending on Industry Initiatives that suppliers could count towards their non-core obligation in Scheme Year 1 and the proportion of this maximum that each supplier in fact spent.

**Figure 6.1 – Scheme Year 1 Industry Initiative spend, actual against maximum**



<sup>10</sup> Subject to the proviso that the combined maximum for Legacy Spending and Industry Initiatives (£150m in Scheme Year 1) is less than the total of the caps on the two elements taken separately.

## Analysis by activity

6.4. The WHD Regulations outline the six types of activity eligible under the scheme (benefit entitlement checks, referrals, energy efficiency advice, energy efficiency measures, energy efficiency training and energy debt assistance). However, initiatives do not have to focus on just one of the six types of activity specified in the WHD Regulations. Four of the approved initiatives involved a combination of activities, most commonly energy advice combined with benefit entitlement checks and referrals for rebates or energy measures.

### Debt assistance

6.5. The largest proportion (58%) of Industry Initiative spending went to providing energy debt assistance to customers. Debt assistance is part of a package which includes energy advice and financial advice. In total, 19,849 customers benefited from debt assistance services, the average award was £677.

### Energy advice and multiple activity initiatives

6.6. There was one initiative (2.5%) that provided only energy advice, although it is recognised that along with this advice customers were encouraged to apply for Broader Group rebates and/or benefits.

6.7. Five initiatives combined energy advice with structured benefits entitlement checks and referrals to energy suppliers for rebates, social tariffs and, if applicable, energy measures. Two of the initiatives made referrals to partner organisations for assistance with energy measures.

6.8. The proportion of Industry Initiative spending on multiple activities was around 25%. However, the largest single proportion of customers, 48%, amounting to 51,988 people, benefited from these activities. Some of the multiple activity initiatives were delivered in partnership with other agencies, where a supplier's funding contributes to a larger joint funding partnership. In other initiatives, the partners provided strategic knowledge and wider contact infrastructure that facilitated the implementation of the initiative.

### Energy efficiency measures

6.9. Two suppliers directly supported the provision of measures. The types of measures provided ranged from energy efficiency appliances to assistance with energy efficient heating. The spend on this element was about 12% with 9% of customers benefitting. The average cost across all measures was £367.

### Referral and benefit entitlement checks

6.10. Although there were no projects for referrals only, this type of activity is often included in a package of advice provided to customers. Similarly, benefit entitlement checks is understated because this service is also combined in multiple activity initiatives. In addition, the assessment process for debt

assistance involves gathering information about personal income and, as a consequence, customers are often alerted to benefit entitlement.

6.11. There were two benefit entitlement checking initiatives accounting for less than 1% of the total spend and 2% of the customers benefiting from Industry Initiatives.

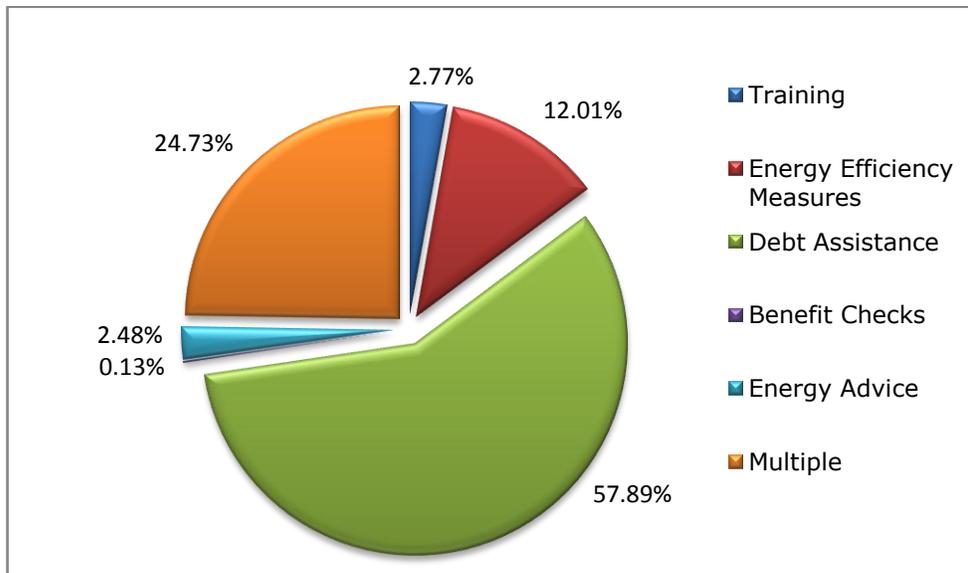
### Key Finding

All suppliers' Industry Initiative activities were consistent with the WHD Regulations. In total, of the £30m available for Industry Initiatives, suppliers spent £23.2m, but because some suppliers exceeded their cap the total attributable spend was £22.3m<sup>11</sup>. This is 74.4% of total allowable spend. In total 80,801 customers and 3,155 trainees benefited from Industry Initiative activities in Scheme Year 1.

### Industry Initiative spend by activity

6.12. Figure 6.2 shows the proportions of total spending in Scheme Year 1 by each type of activity. The highest proportion (58%) of spending was devoted to assistance with reducing energy debt, and four of the six suppliers engaged in this activity. The second highest proportion (just under 25%) of spending went to multiple activity initiatives, and spending on energy measures came in third place with 12%.

Figure 6.2 – Industry Initiative spending by activity

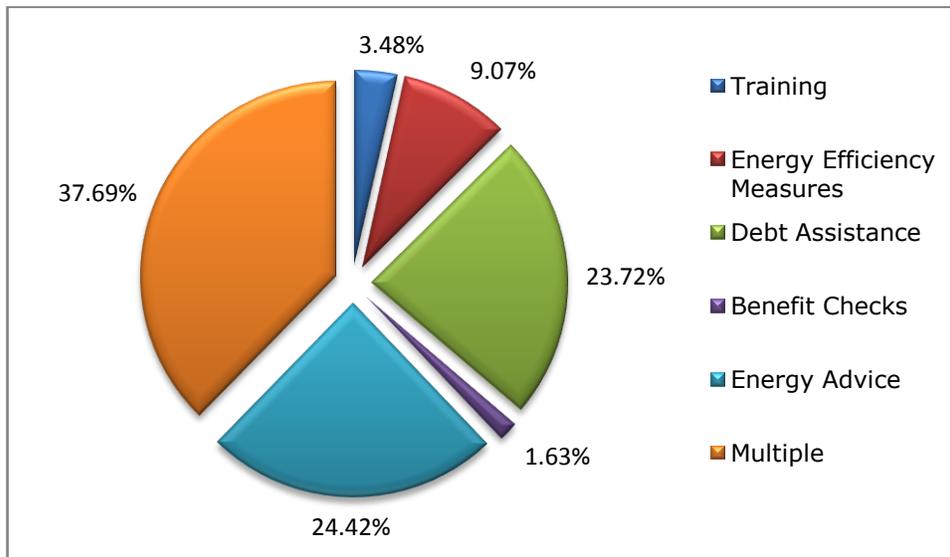


6.13. Figure 6.3 shows the proportions of the total number of customers (and of persons trained to give energy advice) that have benefited from spending under

<sup>11</sup> Suppliers can exceed their Industry Initiative spend however only the value up to the individual cap can be counted toward their non-core spending obligation.

the various Industry Initiative activities. The highest proportion of customers benefited from multiple activity initiatives (37%), followed by energy advice (24%) and debt assistance (18%).

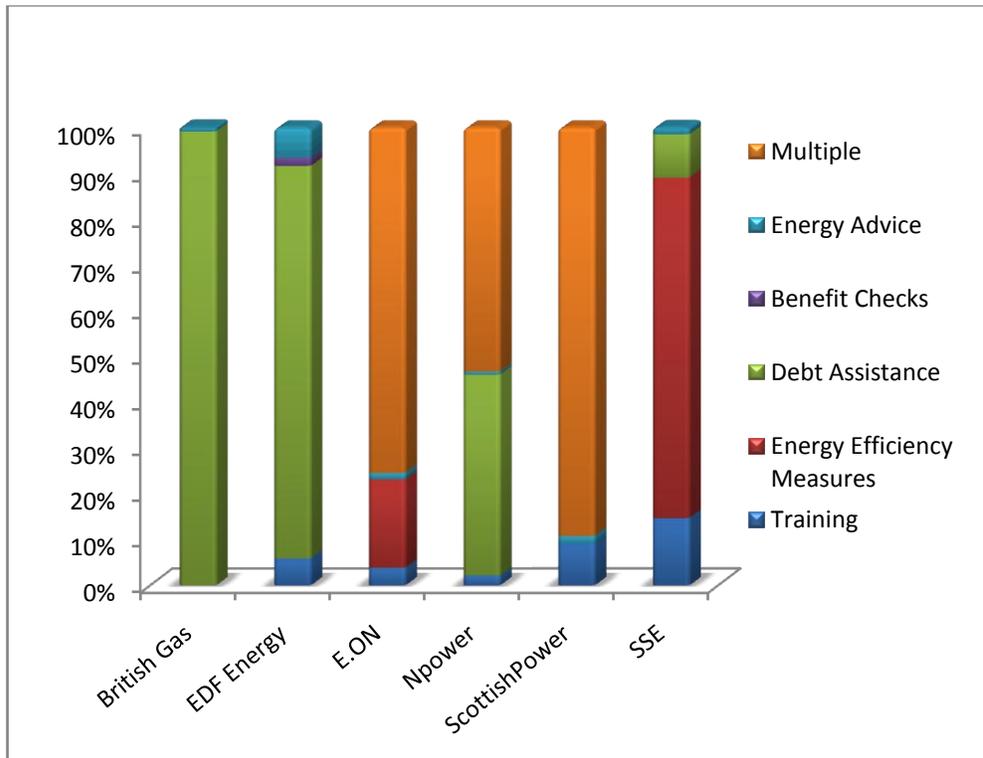
**Figure 6.3 - Customers benefiting from WHD Industry Initiative by activity**



### Supplier breakdown

6.14. Most suppliers used their Industry Initiatives to support several different types of project. Figure 6.4 shows the variety of ways in which suppliers have used their spending on Industry Initiatives

**Figure 6.4 - Spending by each supplier on types of Industry Initiatives**



## Targeting those who are at risk of or are fuel poor

6.15. In total 80,801 customers who were in or at risk of fuel poverty benefited from Industry Initiative spending. Of these, around 31,500 were fuel poor and on low income, and just under 17,000 were either on low income and/or vulnerable and the remainder were those in a fuel poverty risk group.

## Value for money analysis

6.16. Value for money is one of the three criteria against which a suppliers notification must be approved. During end of year compliance each Industry Initiative is assessed on whether value for money has been achieved.

6.17. There was one initiative where value for money could not be determined, because the expected outputs of the activity were not achieved. This meant that the full value of the initiative could not be counted toward that supplier's non-core spending obligation. The level of spending that could be counted was amended to reflect the actual activity that took place. This amendment was agreed between Ofgem and the supplier.

# 7. Ofgem Audit Programme

---

## Chapter Summary

This chapter explains the aims of and the reasons for the audit programme, as it was designed for the WHD scheme. It also gives the findings of the audits conducted in Scheme Year 1.

## Ofgem audit programme

### Aim of the audit programme

7.1. Ofgem keeps under review the operation of any support scheme and licensed suppliers' compliance with it. Ofgem therefore seeks to ensure that suppliers discharge their obligations and comply with the WHD Regulations.

7.2. The audit programme for Scheme Year 1 sought to provide a substantial level of assurance about compliance, meeting of obligations and accuracy of end-of-year reporting by supplier. To this end, there were three strands of audit:

- External audit commissioned by Ofgem
- Suppliers' internal audit
- Independent audit of Ofgem's internal systems and processes for administering the scheme

7.3. The level of external audit input across the entire scheme has been weighted towards Scheme Year 1, supporting suppliers to minimise the risk of non compliance in the first year of the scheme.

7.4. Ofgem also adopts measures aimed at managing risks to the scheme, with particular focus on minimising the risk of fraud. These measures contribute to the risk-based approach of audit work designed to achieve the required level of assurance for the scheme.

7.5. In Scheme Year 1, Ofgem engaged independent external auditors to undertake an extensive programme of audits, covering all suppliers, across each of the elements of the WHD scheme. The audit programme also included verification of the customer numbers submitted by each supplier, ensuring the accuracy of market share calculations.

7.6. Ofgem commissioned an independent evaluation of its internal processes, to ensure that Ofgem has a robust process for monitoring and administering the WHD scheme.

## Programme key findings

### Key Findings

In Scheme Year 1 independent auditors found that suppliers' activities were broadly consistent with the WHD Regulations. Nevertheless, there were a small number of issues identified that required minor amendments to end-of-year submissions. Other audit findings focused on risks to compliance in the processes in place, and suppliers' management actions have been agreed to make improvements in these areas. Audit work also noted areas of good practice within suppliers' scheme activities.

An independent review of Ofgem's internal systems and processes concluded that these systems and processes are suitable to enable Ofgem to reasonably fulfil its obligations and responsibilities and to monitor and mitigate key risks that may arise.

7.7. For Scheme Year 1, the Core Group, Broader Group, and Legacy Spending elements for each supplier were audited by Ofgem-appointed auditors. Where suppliers elected to outsource the documentary verification of Broader Group applicants, the verification exercise was included in the audit. A range of Industry Initiatives were also examined, including one multi-supplier initiative. Additionally, the customer numbers for each supplier were audited. In total, Ofgem-appointed auditors carried out 38 audits of supplier activities and data.

7.8. As a result, the following assurances were obtained;

Element	Substantial/ Full Assurance	Limited Assurance	No assurance
Customer numbers	6	0	0
Core Group	6	0	0
Broader Group	3	3	0
Broader Group verification	3	0	0
Industry Initiative	4	7	0
Legacy Spending	5	1	0
<b>Total</b>	<b>27</b>	<b>11</b>	<b>0</b>

7.9. Assurance ratings were used in line with standard definitions by the Chartered Institute of Internal Auditors<sup>12</sup>, with the agreement of suppliers.

7.10. All activities received a minimum of Limited Assurance through audit – there were no activities that received No Assurance from audit. In each case, where Limited Assurance was noted from external audit, Ofgem sought and obtained sufficient additional evidence-based information from suppliers. Recommendations were provided as part of the audit and Ofgem ensured that these recommendations had been addressed and recommended improvements

---

<sup>12</sup>[http://www.iaa.org.uk/filemanager/root/site\\_assets/technical/audit\\_programmes\\_and\\_checklists/201003\\_Report.pdf](http://www.iaa.org.uk/filemanager/root/site_assets/technical/audit_programmes_and_checklists/201003_Report.pdf)

put in place. This meant that Ofgem could assess these activities as compliant with the WHD scheme.

7.11. Similarly, for Core Group and Legacy Spending audits (carried out after the end of Scheme Year 1), all errors in end-of-year reports identified during audit work were corrected by suppliers and amended submissions made, including errors which led to Limited Assurance on one Legacy Spending audit.

7.12. While the majority of Limited Assurance ratings were given for audits of Industry Initiatives, this reflects the fact that many of these initiatives were new operations and therefore at the time of testing, there was only a limited amount of activity to audit, restricting the auditors' scope.

7.13. For activities not audited by Ofgem-appointed auditors, reliance was placed on supplier internal audit functions to ensure audit assurances were obtained for all activities counted towards WHD obligations.

7.14. Ofgem will continue to work with suppliers to ensure that the internal audits they provide meet the requirements for audit assurance of the WHD scheme.

## 8. WHD Scheme Year 1 Outcomes

---

### Chapter Summary

This chapter summarises the key outcomes for the first year of the Warm Home Discount Scheme. It provides an overview of overall scheme activity and a breakdown of each element of the scheme for each of the participating suppliers.

8.1. Suppliers were obliged to submit end-of-year reports to Ofgem by 26 May 2012, providing information in relation to rebates paid and activity and spending obligations for each element of the scheme. The following paragraphs summarise the overall outcomes across suppliers in the scheme's first year of operation.

8.2. **Core Group** A total of 701,746 low income pensioners were provided with a Core Group rebate during Scheme Year 1. Spend on the Core Group element for Scheme Year 1 totalled £84.2m. The obligated suppliers ensured that 99.9% of rebates were paid, and 99.8% of rebates were paid within time scales defined in the WHD Regulations

8.3. **Broader Group** For Scheme Year 1 the minimum required Broader Group spend across suppliers was £3.1m, equating to 26,034 Broader Group rebates. Suppliers chose to use the flexibility afforded to them by the WHD Regulations to their non-core obligation by increasing spending on this element of the scheme above the required minimum and reducing their Legacy Spending in tandem. Suppliers provided 234,297 Broader Group rebates, totalling £28.1m. All suppliers met the requirements of the Broader Group.

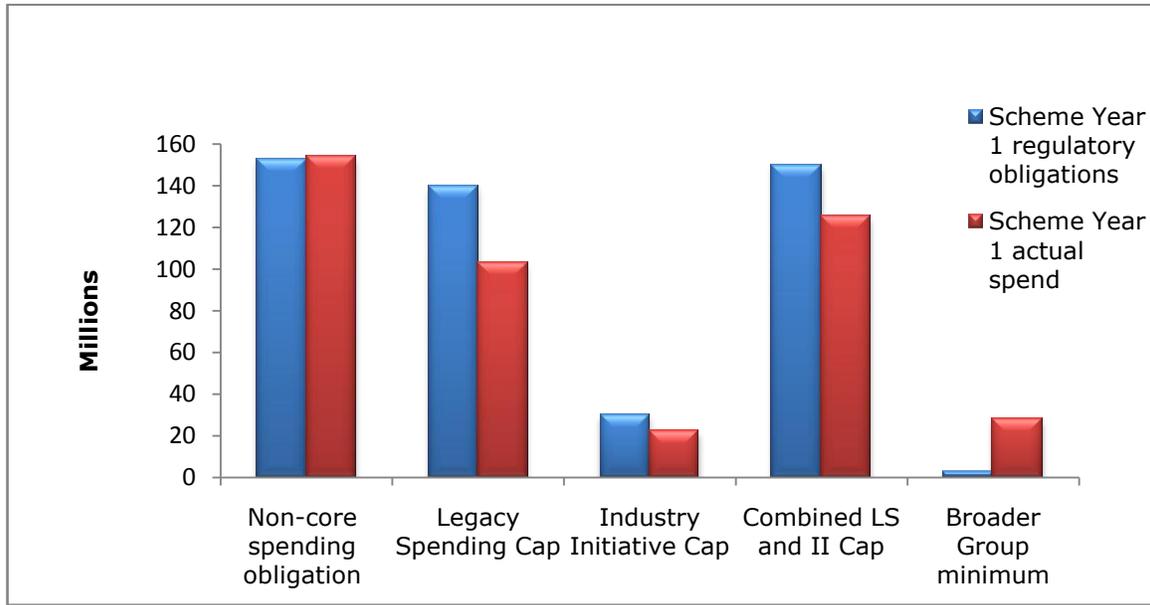
8.4. **Legacy Spending** The overall total Legacy Spending in Scheme Year 1 was £102.9m. Of this total, £86.9m was spent on discounted tariffs, and £16.0m on rebates.

8.5. All suppliers offered discounted tariffs in Scheme Year 1. In total 1,094,176 customers were reached and provided with assistance to meet their energy costs through discounted Legacy Spend tariffs. The average value of this assistance ranged from £54 to £213 depending on the tariff and supplier. Four of the supplier groups offered rebates through Legacy Spending just over 350,000 customers were reached and they received assistance that averaged between £22 and £74.

8.6. **Industry Initiatives** A maximum of £30m was available for suppliers to spend on the Industry Initiatives element of the WHD scheme. The actual spending on Industry Initiatives across suppliers was £23.2m, but because some suppliers exceeded their cap the total attributable spend was £22.3m. In total 80,801 customers and 3,155 trainees benefited from Industry Initiatives in Scheme Year 1.

8.7. Figure 8.1 shows the non-core spending obligations and caps across the participating suppliers for Scheme Year 1.

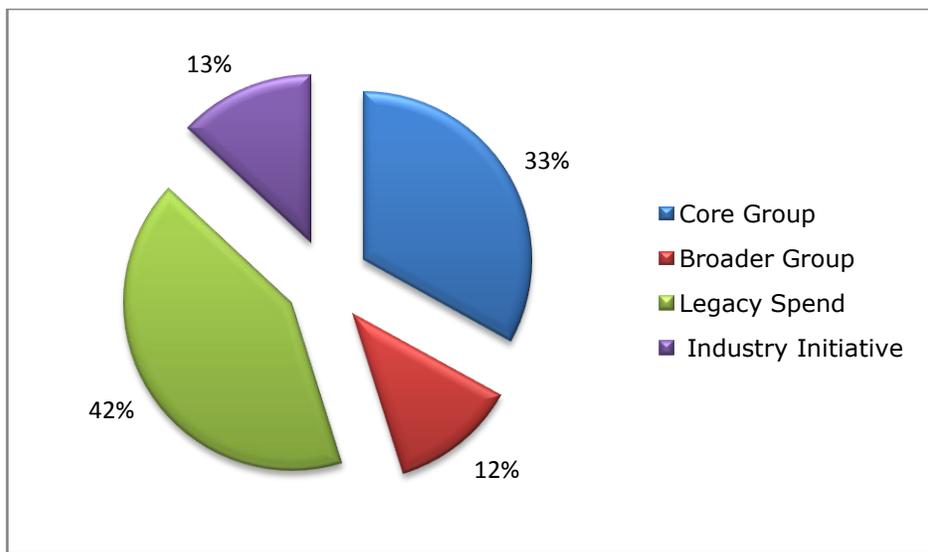
**Figure 8.1 – Comparison between Scheme Year 1 non-core spending targets/caps and actual spend**



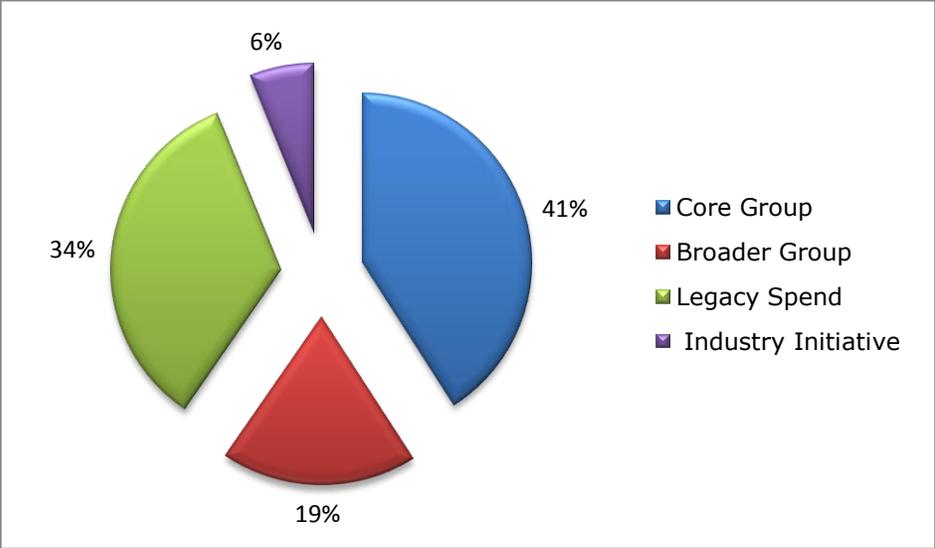
### Key findings per supplier

8.8. Based on the information provided by suppliers in their end-of-year reports, Ofgem were able to determine the attributable spend per supplier against each element of the WHD scheme. Figures 8.2-8.7 below provide a breakdown of how this spend was apportioned for each supplier.

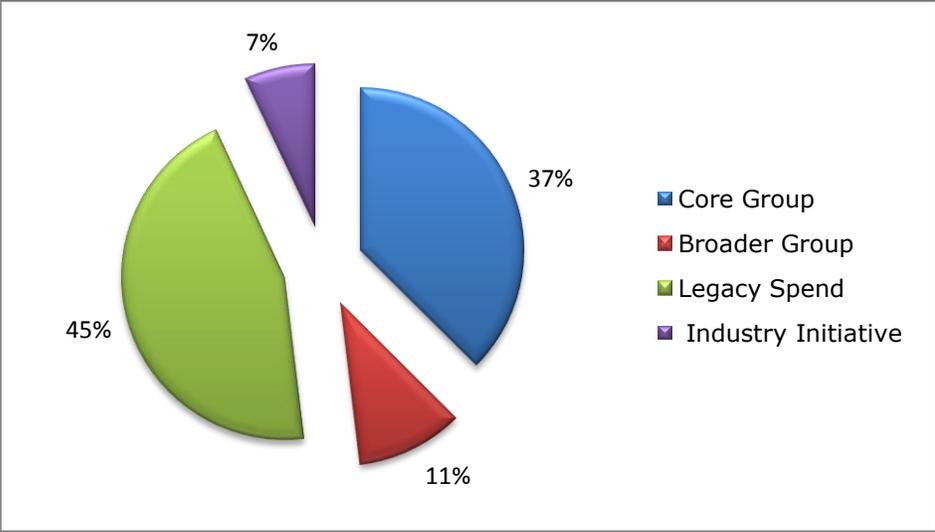
**Figure 8.2 – British Gas attributable spend**



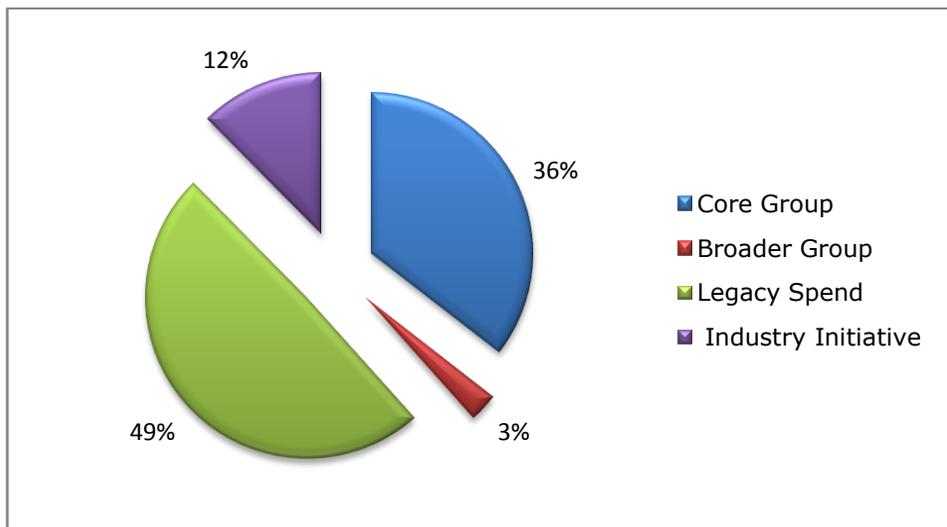
**Figure 8.3 – EDF Energy attributable spend**



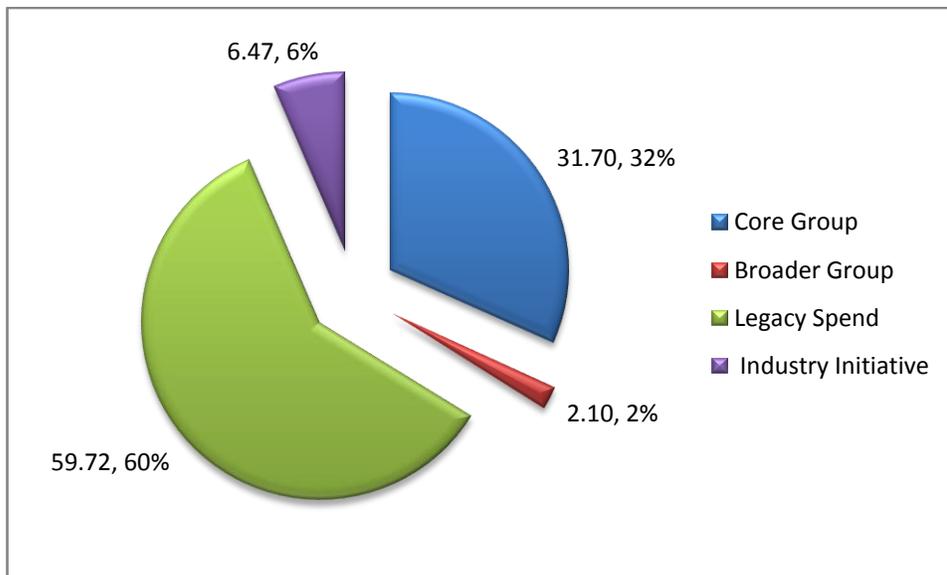
**Figure 8.4 – E.ON attributable spend**



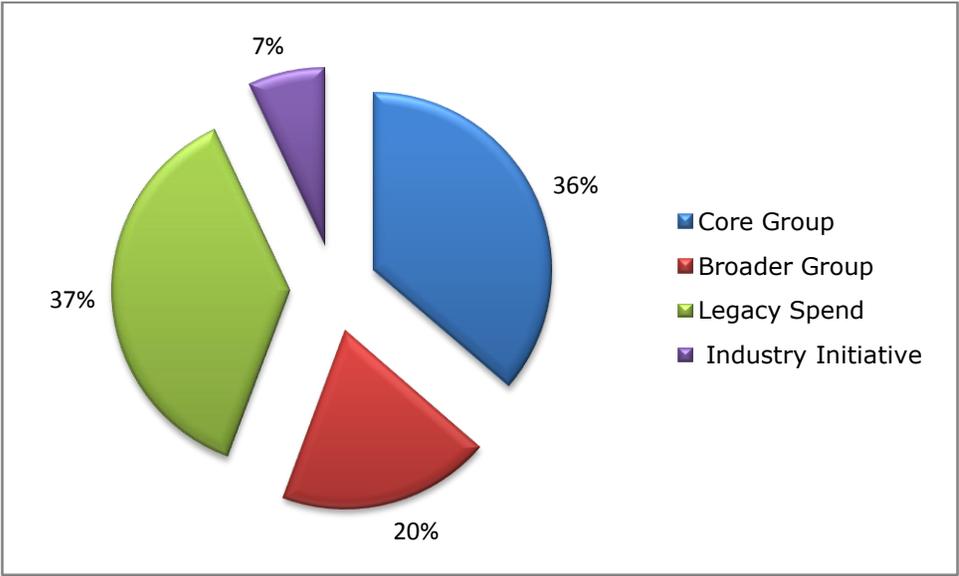
**Figure 8.5 – Npower attributable spend**



**Figure 8.6 – ScottishPower attributable spend**



**Figure 8.7 – SSE attributable spend**



# 9. Emerging issues in Scheme Year 1

---

## Chapter Summary

This Chapter outline of some of those issues that arose during Scheme Year 1 that may have impacted upon customers in or at risk of fuel poverty.

## Provision of Rebates

9.1. The WHD Regulations seeks to ensure that eligible customers are provided with Core Group rebates and that these rebates are provided within specific deadlines.

9.2. For Scheme Year 1 there was a significant challenge for suppliers in providing rebates to unmatched customers (e.g. those who did not match automatically but subsequently successfully claimed). As the eligible group could potentially increase by 55% in Scheme Year 2, DECC, DWP and suppliers have worked together to make improvements to address these challenges, these include:

- A significantly higher match rate for Scheme Year 2, which should lead to a smaller proportion of customers needing to claim;
- Additional information will be routinely provided to suppliers on successfully claiming unmatched customers to improve the identification of the customer and provision of their rebate;
- An automated check to reduce duplicate customer's information being sent; and,
- Suppliers have been reminded of the need to return any unmatched customer details which were sent to the wrong suppliers within 30 days of the notification from the Secretary of State, as required by the WHD Regulations.

## Targeting fuel poor customers

9.3. Under the WHD Regulations, all suppliers are required to verify the eligibility of at least 5% of their customers receiving a Broader Group rebate.

9.4. Overall, suppliers sampled 24% of the total population of customers receiving a Broader Group rebate. Of this sample, 10% successfully passed documentary evidence checks, 6% failed documentary evidence checks as the customers were ineligible for the rebate and 8% failed to return the documentary evidence that was requested to prove their Broader Group eligibility. Although suppliers met the 5% minimum verification requirement in the WHD Regulations. More than a third of respondents failed the documentary evidence check and consequently some customers receiving a Broader Group rebate may not be eligible. Given that there is a step increase in the number of Broader Group rebates to be provided in Scheme Year 2 this has the potential to present difficulties for targeting those at risk of fuel poverty.

9.5. However in Scheme Year 1, suppliers worked with external agencies that had good knowledge and expertise of the benefits sector. For Scheme Year 2 five

of the six suppliers have explored and contracted with DWP to develop a more robust, automated method of carrying out verification checks.

9.6. The Ofgem WHD team will continue to monitor the verification data throughout Scheme Year 2 and expect to see an improvement in comparison with Scheme Year 1.

## Value for Money

9.7. The analysis in Industry Initiatives chapter highlighted that that the largest proportion (58%) of spend was used to provide customers with energy debt assistance. Whilst the activity with largest number of customers reached is the multiple activity Industry Initiatives (42%), whilst debt assistance reached 18% of customers.

9.8. The value range of services provided through Industry Initiative is from £30 for energy advice to an average of £677 for debt assistance and £367 for measures. The WHD Regulations provide clear direction on the value of benefits provided through the Core and Broader Group rebates at £120 for Scheme Year 1. For Industry Initiatives there is no such direction and consequently the value of the benefit varied considerably. This flexibility allowed suppliers to provide extra benefits to those that were most in need. However, the customers receiving a high value benefit for example measures and debt assistance led to a large concentration of benefits on fewer customers and limited the number of customers that benefitted in total.

## End of Year Reporting

9.9. Unlike other Government environmental schemes, reporting timelines for submitting compliance reports is not enshrined within the WHD Regulations. Ofgem's guidelines for suppliers however, require all participating suppliers to provide confirmation of compliance with their core and non-core spending obligations by 26 May following the end of each scheme year. In scheme year 1, all participating suppliers informed Ofgem that they were unable to meet this deadline date. The flexibility within the regulations means that suppliers are not obliged to meet the 26 May deadline date for any scheme year, which impacts Ofgem's ability to determine overall compliance in a timely manner, and in meeting the statutory requirement for adjusting the following years non-core obligations by 30 September, following the end of each scheme year, in the event that a supplier over or under spends within their allowable limits.

9.10. The Ofgem WHD team will work with suppliers to support submission of compliance reports by 26 May following each scheme year.

# Appendix 1 – WHD compulsory scheme electricity suppliers

---

## WHD compulsory scheme electricity suppliers

<b>Supplier Group</b>	<b>Licensed Supplier</b>
British Gas	<ul style="list-style-type: none"><li>• British Gas Trading Limited</li></ul>
EDF Energy	<ul style="list-style-type: none"><li>• EDF Energy Customers Plc</li><li>• SEEBOARD Energy Limited</li></ul>
E.ON	<ul style="list-style-type: none"><li>• E.ON Energy Limited</li></ul>
Npower	<ul style="list-style-type: none"><li>• Npower Limited</li><li>• Npower Northern Supply Limited</li><li>• Npower Northern Limited</li><li>• Npower Yorkshire Supply Limited</li><li>• Npower Direct Limited</li><li>• Electricity Plus Supply Limited</li></ul>
ScottishPower	<ul style="list-style-type: none"><li>• ScottishPower Energy Retail Limited</li></ul>
SSE	<ul style="list-style-type: none"><li>• SSE Energy Supply Limited</li></ul>

A list of suppliers subsidiary companies can be found on the DECC website <http://www.decc.gov.uk/en/content/cms/funding/whds/whds.aspx>