

Leonardo Costa  
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17 January 2022

Dear Leonardo

**Consultation on the Warm Home Discount scheme allowance methodology in the default tariff cap**

Thank you for the opportunity to respond to your consultation on the Warm Home Discount (WHD) scheme allowance methodology in the default tariff cap.

BEIS is currently consulting on changes to the scheme which will impact the target spend for 2022/23 onward. Ofgem proposes to use the data from BEIS WHD consultation to set the WHD cost allowance for cap period 8, noting that this will be the latest available information from BEIS on the WHD scheme costs at the time the cap is set, and proposes to correct for any material over/under recovery in cap period 9. Ofgem estimates that the impact will be an increase of £5 per typical dual fuel customer relative to cap period 7.

We agree that it is appropriate to use the latest data from BEIS. We also agree with the approach to over/under recovery in cap period 9 for any material changes although we note that Ofgem has not defined its interpretation of “material”. Given that the April 2022 price cap wholesale allowance is likely to be significantly higher than the October 2021 allowance, there may be late amendments to further extend and expand the WHD scheme. In these circumstances, were the additional funding for the WHD scheme to come from suppliers rather than Government, we would expect these additional costs to be reflected in the allowance for in cap period 9 in full.

Please do not hesitate to contact me if you would like to discuss our response.

Yours sincerely,

A handwritten signature in blue ink that reads "Richard Sweet". The signature is written in a cursive, flowing style.

**Richard Sweet**  
Head of Regulatory Policy