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By email to: Retailpriceregulation@ofgem.gov.uk

Dear Leonardo

Price Cap – Consultation on the Warm Home Discount scheme allowance methodology in the default tariff cap¹

Centrica welcomes the opportunity to respond to Ofgem's consultation, the context for which is the strong likelihood of a significant extension and expansion of the Warm Home Discount (WHD) scheme and associated costs at a time of unparalleled pressure on supplier finances.

Given the materiality of WHD costs it is essential that Ofgem provides an appropriate allowance that takes account of the expected increase in supplier costs.² We agree that Ofgem must anticipate this increase using the latest available information from BEIS on the WHD scheme costs at the time it sets the cap as the input to estimate the annualised scheme year WHD allowance.³

The Government committed in the Energy White Paper last year to extending the Warm Home Discount until 2026 at least, expanding the spending envelope from around £350 million to £475 million annually (in 2020 prices).⁴ We therefore think it unlikely the extension will not go ahead. While we note Ofgem's current thinking in the event that Parliament does not approve draft legislation or BEIS decides (against expectation) to not extend WHD, this is not something Ofgem should pre-judge. Ofgem can, and should, consult further in these circumstances if it considers subsequent adjustments are required.

¹ [Price Cap – Consultation on the Warm Home Discount scheme allowance methodology in the default tariff cap | Ofgem](#)

² Ofgem estimates using BEIS' latest target spend that the WHD cost allowance will be approximately £19 per typical dual fuel customer per year. This is an increase of approximately £5 per typical dual fuel customer per year, compared to the cap period seven (October 2021 – March 2022) WHD cost allowance

³ At this stage, this is BEIS' latest WHD consultation. Ofgem will need to make appropriate provision for the whole of GB even if England and Wales detail precedes Scotland.

⁴ [Warm Home Discount: Better targeted support from 2022 - consultation \(publishing.service.gov.uk\)](#)

Yours sincerely

Don Wilson
Market Design and Policy