



Making a positive difference
for energy consumers

Home and Local Energy Department for
Business, Energy & Industrial Strategy
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Email: whd@ofgem.gov.uk

Date: 20 May 2022

Dear Sir/Madam,

Ofgem's response to the [Warm Home Discount Scheme Scotland 2022 to 2025/26 - Consultation](#)

Ofgem is the GB energy regulator and a non-ministerial government department. Our principal aim is to protect the interests of current and future energy consumers including through the administration of government schemes. Energy efficiency is central to this aim as it has many benefits including reducing carbon emissions, reducing the cost of moving to a low carbon energy system, reducing consumers' energy bills, and in particular helping to bring vulnerable consumers out of fuel poverty.

We welcome the opportunity to respond to the BEIS consultation on changes to the Warm Home Discount Scheme in Scotland for 2022 to winter 2025-26. We have provided responses to all questions that relate to our administration of WHD and Ofgem's interests more widely.

Ofgem looks forward to continuing to work with the Department for Business Energy & Industrial Strategy (BEIS) and the Scottish Government to build on the success so far in moving to a cleaner, greener energy system. We see improved energy efficiency as an important pillar of this. Should you wish to get in touch with us please do so by emailing whd@ofgem.gov.uk.

Yours sincerely,

Laura Nell
Deputy Director, Policy and Scheme Development

Consultation response

Consultation questions

1.	Do you agree that the WHD Scotland should be extended as proposed until March 2026?
	<p>We agree that the WHD Scotland should be extended as proposed until March 2026. This timeframe correlates with the WHD England and Wales scheme, aligning our administration of the scheme across GB and enabling opportunities for joint reviews and amendments to be made where necessary.</p>
2.	Do you agree with the methodology for setting the obligation threshold and the level of individual obligations?
	<p>We agree with the proposal to set the obligation threshold and level of the obligation based on suppliers' GB-wide market share in alignment to the obligation setting for the England and Wales WHD. This would obligate suppliers for the 2022-23 scheme year with a GB-wide market share of 50,000 customers for both schemes, before reducing the threshold for the 2023-24 scheme year to suppliers with 1,000 domestic customer accounts.</p> <p>We also agree with BEIS's proposal to continue using the non-core obligation between Broader Group rebates and Industry Initiatives.</p> <p>The further increase in the number of obligated suppliers as a result of lowering the threshold in 2023-24 will increase our administrative burden, as well as the level of compliance activity we must undertake. This is likely to mean increased costs in our administration of the scheme.</p>
3.	Do you agree that the WHD Scotland should continue with the Core Group, Broader Group and Industry Initiatives?
	<p>We understand the rationale for WHD Scotland continuing with the Core Group, Broader Group and Industry Initiatives. This scheme</p>

structure is a continuation of what was in place under scheme year 11, although it now differs from the WHD in England and Wales where the Broader Group is replaced with a Core Group 2 in scheme year 12. We note the impacts this change has on our administration as it adds additional complexity in regard to guidance and obligation setting.

4. Do you agree that the Core Group should continue in Scotland?

We recognise the need to continue the Core Group in Scotland as a way of targeting households in receipt of the Guarantee Credit element of Pension Credit and those who receive Savings Credit with rebate savings.

This mechanism is well understood by stakeholders and can be implemented quickly. It also enables automated rebates simplifying the administrative burden for consumers, obligated suppliers, as well as Ofgem.

However, as detailed in the BEIS England and Wales consultation, we note that the effectiveness in reaching fuel poor and vulnerable consumers under the Core Group should be kept under review as modelling suggests that the Core Group targeting could capture more fuel poor consumers (currently only 37% of WHD recipients are fuel poor of which a proportion of 28% are in the Core Group).

5. Do you agree that the Broader Group should continue in Scotland, with the addition of the Housing Benefit to the existing mandatory criteria?

We agree with this proposal.

Similarly, to the England and Wales WHD scheme, we recommend that the automation route should be implemented for Scotland when possible. Currently Broader Group rebates will be considered

	on a first-come first-served basis. This means there is a possibility that eligible consumers will miss out on the rebates, which could be avoided with automation.
6.	Do you agree with the proposed threshold increases for Child Tax Credit and Universal Credit?
	<p>We agree with this proposal.</p> <p>We recognise the intent behind aligning the different mechanisms for establishing the earning thresholds for Child Tax Credit and the Universal Credit. This provides consistency across the earning thresholds.</p>
7.	Do you agree that suppliers should be able to transfer up to 100% of their Broader Group target to Industry Initiatives subject to Ofgem approval based on market share in Scotland?
	<p>We agree with the proposal. However, Ofgem will need clear criteria within the legislation setting out the basis on which we can approve a transfer so there is clarity for both Ofgem and suppliers. This will ensure that transfers are applied fairly, consistently and in line with BEIS's policy intent. Ofgem is looking forward to working with BEIS to better understand the government's policy intent and determine an appropriate approval process.</p>
8.	Do you agree with the Industry Initiatives spending cap proposals?
	<p>We agree with the proposal.</p>
9.	Do you agree with the proposals for financial assistance?
	<p>We agree with the proposal. With the rise in energy bills and the option for supplier to transfer 100% of their Broader Group (BG) target to Industry Initiatives (II), financial assistance gives suppliers another route to provide the £150 rebate and help low-income and vulnerable consumers.</p>

10.	Do you agree with the caps for debt write-off?
	<p>We agree with the proposals for caps on spend on debt write-off. The caps align with the direction in England and Wales WHD. We welcome this alignment of the individual cap as this facilitates the administration of the WHD across GB.</p> <p>Whilst debt levels may have increased during COVID-19 and the energy crisis suppliers already have regulatory obligations around the treatment of debt. We acknowledge that many suppliers have taken additional steps to support consumers who are in financial difficulty and engage with them early to set up affordable repayment plans. However, the Industry Initiatives aspect of the scheme is designed to provide alternative long-term solutions to those struggling with fuel poverty, which is why in the longer-term suppliers should not be able to discharge significant elements of their obligation to a small number of households through a debt write-off mechanism that is not in line with the primary intent of the WHD scheme.</p>
11.	Do you agree that a £300,000 portion of the energy debt write-off cap should be reserved for customers with pre-payment meters (PPMs)?
	<p>We agree with this proposal. We are keen for support to be provided to customers with PPM who are self-disconnecting or at risk of self-disconnecting. Aligning the support granted through debt write-off for PPM customers seems reasonable and facilitates the administration between the England and Wales scheme and the Scotland scheme.</p>
12.	Do you agree with the proposed restrictions and cap for boiler and central heating installations?
	<p>We agree with this proposal.</p>

We believe all boilers installed under WHD should be in accordance to accredited PAS standards as is the case in other schemes such as ECO. This would ensure consumers in vulnerable positions are protected.

Consideration should also be given to how heat pumps and other forms of renewable heating can be installed to contribute to the UK's net zero journey. In particular, the expanded use of WHD funding could be used to compensate for the expense of emergency heating in combination with other schemes, such as the ECO scheme, that provide consumers with longer term whole-house solutions to fuel poverty.

13.	Do you agree that the rebate value should be set at £150?
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	We agree with the proposal to increase the payment of the rebate to £150 in line with the England and Wales WHD rebate value as this provides additional support to consumers.
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14.	Do you agree that Ofgem should continue to run the reconciliation process in Scotland?
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	We agree with the proposal.
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