

Warm Home  
Discount (WHD)

[www.ofgem.gov.uk/whd](http://www.ofgem.gov.uk/whd)

## **Warm Home Discount: Guidance for Suppliers England and Wales 2022 – 2026 V.1.1**

## About this guidance

The Warm Home Discount (WHD) scheme, introduced in 2011, places a legal obligation on licensed gas and electricity suppliers, in the following referred to as suppliers, to deliver support to persons on low-income and who are vulnerable to cold-related illness or living wholly or mainly in fuel poverty.

Ofgem (on behalf of the Gas and Electricity Markets Authority) is the WHD scheme administrator. This document is version 8 of the WHD Guidance and provides guidance on how Ofgem ('we', 'our' and 'us' in this document) will administer scheme years (SY) 12 - 15 of the England and Wales (E&W) WHD in line with the requirements of The Warm Home Discount (England and Wales) Regulations 2022 ('the regulations') and subsequent amendments. This guidance refers to the WHD in England and Wales only and any references to the WHD herein after in this guidance are limited to England and Wales. There is a separate Warm Home Discount scheme for Scotland from 2022 onwards. See our Warm Home Discount: Guidance for Suppliers Scotland 2022 – 2026 version 0.1, which will be published shortly, for further information.

Suppliers will become obligated if they reach a certain threshold for domestic customer numbers, in the following referred to as the 'supplier obligation threshold'. An obligated supplier must achieve its WHD obligations for each scheme year. The obligation is divided between suppliers according to each supplier's relative share of the domestic gas and electricity market.

From SY12, the supplier obligation threshold is reduced to 50,000 domestic customer accounts for the 2022/23 scheme year, and then to 1,000 domestic customer accounts from 2023/24. This reduction will see more eligible customers benefit from the WHD scheme.

**Table 1: Supplier obligation threshold reductions from 2022-2026.**

	<b>1 April 2022- 31 March 2023 (SY12)</b>	<b>1 April 2023- 31 March 2026 (SY13- SY15)</b>
<b>Number of domestic customers (on 31 December preceding the start of the respective scheme year)</b>	<b>≥50,000</b>	<b>≥ 1,000</b>

This guidance (Warm Home Discount: Guidance for Suppliers) explains:

- when suppliers are obligated under WHD
- the core and non-core obligations, the latter of which are known as industry initiatives and specified activities in the E&W 2022 WHD Regulations, that make up WHD in England and Wales
- Ofgem's interaction with the Core Group 1 and 2, including administering the Core Groups' Reconciliation Mechanism, and Specified Activities
- how suppliers should provide a rebate to customers
- how suppliers should comply with Industry Initiatives
- how suppliers report progress towards achieving their obligations, and
- Ofgem's role as the WHD administrator.

This guidance document is designed to help participating licensed electricity and gas suppliers understand and deliver the WHD scheme. This document revokes and replaces version 7.2<sup>1</sup> of the guidance published on 31 March 2021. It provides additional clarity on the administration of the WHD scheme in light of our own and suppliers' experience of the scheme so far. It also reflects changes brought in by the Warm Home Discount (England and Wales) Regulations 2022.

It is the responsibility of each supplier to understand the provisions of the regulations and how those provisions apply to them. This guidance document is not a definitive guide to these provisions. Where there is any ambiguity or conflict between the guidance and regulations the regulations take precedence. Suppliers are responsible for ensuring that they comply with the applicable requirements of the law.

The Warm Home Discount Reconciliation Regulations 2022 were laid before Parliament on 9 November 2022 alongside The Warm Home Discount (England and Wales) Regulations 2022. The Warm Home Discount Reconciliation Regulations 2022 will come into force on 30 November 2022. The Reconciliation Regulations apply to the WHD England and Wales scheme as well as the WHD in Scotland scheme.

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<sup>1</sup> Ofgem <https://www.ofgem.gov.uk/publications/warm-homes-discount-whd-guidance-suppliers-version-72>  
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## Useful Links

### **The Warm Home Discount (England and Wales) Regulations 2022**

<https://www.legislation.gov.uk/ukdsi/2022/9780348235173/contents>

### **The Warm Home Discount (Reconciliation) (England and Wales) Regulations 2022**

<https://www.legislation.gov.uk/uksi/2022/1162/made>

### **The Warm Home Discount Guidance Version 7.2 (superseded by this document)**

[https://www.ofgem.gov.uk/sites/default/files/docs/2021/04/whd\\_scheme\\_guidance.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/04/whd_scheme_guidance.pdf)

### **The Department of Business, Energy and Industrial Strategy (BEIS) consultation on the Warm Home Discount Scheme from 2022**

<https://www.gov.uk/government/consultations/warm-home-discount-better-targeted-support-from-2022>

### **Warm Home Discount - The Government Response to the Warm Home Discount: Better targeted support from 2022 consultation**

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1065684/Warm\\_Home\\_Discount\\_Better\\_targeted\\_support\\_from\\_2022\\_Government\\_response.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1065684/Warm_Home_Discount_Better_targeted_support_from_2022_Government_response.pdf)

For further information on TrustMark, please refer to: <https://www.trustmark.org.uk/>.

Any queries on the TrustMark Framework should be directed to [eco@trustmark.org.uk](mailto:eco@trustmark.org.uk).

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# 1. Introduction

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- 1.1. This guidance details our administrative processes for the WHD scheme years (SY) 12-15 and sets out the requirements for suppliers in accordance with the regulations. The scheme year will run from the commencement date to 31 March 2026 (SY15).
- 1.2. Scheme year 12 starts with the commencement date as stated in the regulations and terminates on the 31 March 2023. The following scheme years 13, 14, and 15 each run from the 1 April for a 12-month period.

## What is the WHD scheme

- 1.3. The Warm Home Discount scheme, first introduced in 2011, places a legal obligation on suppliers to deliver support to persons on low-income and who are vulnerable to cold-related illness or living wholly or mainly in fuel poverty.
- 1.4. The WHD scheme is based on three key elements: Core Group 1 (CG1), Core Group 2 (CG2), and Industry Initiatives (II).
- 1.5. Core Group 1 and Core Group 2 rebates are provided by suppliers to customers who are low-income and are vulnerable to the impacts of living in a cold home. Certain criteria must be met to qualify for the rebate. The administrative process that needs to be in place to effectively manage these obligations is explained in Chapters 4 and 5.
- 1.6. Industry Initiatives provide a wider range of support to low-income customers that are vulnerable to cold homes. Chapter 6 of this guidance provides information to help suppliers deliver Industry Initiatives in line with the regulations.

**Figure 1: Summary of key elements of the WHD scheme**

Core Group 1	Core Group 2	Industry Initiatives
<ul style="list-style-type: none"> <li>•Fixed rebate payments of £150.</li> <li>•Eligibility based on receipt of Pension Credit Guarantee Credit.</li> <li>•On behalf of BEIS, DWP identify customers in fuel poverty or in a fuel poverty risk group. through a data matching process using DWP’s Pension Credit database.</li> <li>•Spending on CG1 is estimated based on the size of the eligible pool.</li> <li>•The cost of the Core Group 1 is reconciled between participating suppliers according to their market share.</li> </ul>	<ul style="list-style-type: none"> <li>•Fixed rebate payments of £150.</li> <li>•Eligibility based on high energy costs and receipt of benefits defined in table 4.</li> <li>•As with Core Group 1, spending on Core Group 2 will be estimated based on size of eligible benefit groups using DWP benefits forecasts.</li> <li>•Similarly to CG1, costs are reconciled between participating suppliers in regards to their market share.</li> <li>•CG2 size will be adjusted in accordance with the II budget and adjustment of high energy cost threshold.</li> </ul>	<ul style="list-style-type: none"> <li>•£40 million mandatory spend in 2022/2023. Spend will rise with inflation and be further adjusted yearly.</li> <li>•Supplier funded programmes and partnerships which assist those in, or at risk of, fuel poverty (e.g. energy advice, energy efficiency measures).</li> <li>•Supplier obligations determined by market share.</li> </ul>

1.7. If a supplier fails to meet the requirements of the regulations, we may take enforcement action and record non-compliance on our Supplier Performance Report<sup>2</sup>.

### Fuel Poverty

1.8. To determine which households are eligible for the WHD scheme, the England and Wales governments use proxies to identify and measure fuel poverty. A household is defined as being in fuel poverty in the following scenarios:

<sup>2</sup> <https://www.ofgem.gov.uk/supplier-performance-report-spr>

- **In Wales**<sup>3</sup>: A household is in fuel poverty if they spend 10% or more of their income on energy costs, including Housing Benefit, Income Support or Mortgage Interest or council tax benefits on energy costs.
- **In England**<sup>4</sup>: Fuel poverty is measured using the 'Low Income Low Energy Efficiency' (LILEE) measure. This defines Fuel Poverty as a household which:
  - o Has a residual income below the poverty line<sup>5</sup> (after accounting for required fuel costs), and
  - o Lives in a home that has an energy efficiency rating below Band C.

## Supplier roles and responsibilities

1.9. There are three types of participants in the WHD scheme, which are established ahead of the start of that scheme year.

### Compulsory Suppliers<sup>6</sup>

1.10. A licensed electricity supplier is a compulsory supplier in SY12 if the supplier, including any connected licensed gas and electricity suppliers, had at least 50,000 domestic customers on 31 December preceding the start of that scheme year.

1.11. From SY13, all suppliers with 1,000 or more domestic customers on 31 December preceding the start of SY 13, 14 and 15 will be considered compulsory suppliers.

### Voluntary Suppliers<sup>7</sup>

1.12. A licensed electricity supplier that is not a compulsory supplier may notify Ofgem of its intention to be a voluntary supplier. The application to participate in the WHD must be made no later than 21 days after the start of the scheme in SY 12

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<sup>3</sup> Fuel Poverty in Wales: <https://gov.wales/sites/default/files/statistics-and-research/2018-12/050301-fuel-poverty-en.pdf>

<sup>4</sup> Fuel Poverty Methodology Handbook (Low Income Low Energy Efficiency) [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/981739/fuel-poverty-methodology-handbook-2021-lilee-with-projection.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/981739/fuel-poverty-methodology-handbook-2021-lilee-with-projection.pdf)

<sup>5</sup> Defined as an equivalised household disposable income of less than 60% of the national median <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2017>

<sup>6</sup> In this guidance, 'compulsory supplier' has the meaning of 'Compulsory Scheme Electricity Supplier' in the regulations. A compulsory supplier is statutorily obligated to deliver the WHD scheme under regulation 5(1)(3-5), 6(f)(i) to the Electricity Act 1989 and 28(8) and Schedule 4B, 4(e)(i) to the Gas Act 1986

<sup>7</sup> In this guidance, 'voluntary supplier' has the meaning of 'Voluntary Scheme Electricity Supplier' in the regulations

and before 1 February for the other scheme years. Notifications should be submitted as part of the customer data notification described in Chapter 3. We will assess the voluntary supplier’s application and get back to the supplier within 20 days of their notification or within 12 weeks of the commencement date if the notification was issued in the first eight weeks of the scheme commencement. If successful, a voluntary supplier will have an obligation under Core Group 1 and 2 and must comply with all aspects of Core Group 1 and 2 for the relevant scheme year.

1.13. Prior to the start of SY12, we will contact all domestic suppliers as part of the customer number exercise to confirm whether they intend to be a Voluntary Supplier in line with the notification process as set out in Chapter 3.

### Scheme Gas Suppliers (SGS)

1.14. A licensed gas supplier is an SGS in a scheme year if it supplied domestic customers on 31 December preceding the start of the scheme year and is connected to a licensed electricity supplier which is a compulsory supplier in that scheme year. A SGS can spend on behalf of a compulsory supplier for Industry Initiatives but does not have an obligation of its own.

**Table 2: Summary of WHD obligations for compulsory and voluntary suppliers**

	<b>Core Spending Obligation</b>	<b>Core Spending Obligation</b>	<b>Non-Core Spending Obligation</b>
	<b>Core Group 1</b>	<b>Core Group 2</b>	<b>Industry Initiatives</b>
<b>Compulsory suppliers</b>	✓	✓	✓
<b>Voluntary suppliers</b>	✓	✓	x

1.15. It is possible for a participant to move between being a compulsory and voluntary supplier in different scheme years.

## The roles of Ofgem, BEIS, and TrustMark

### Ofgem

1.16. Ofgem’s role in the WHD scheme is to administer the non-core elements of the scheme and to monitor and facilitate suppliers’ compliance with all elements of the scheme. Our functions include:

- receiving suppliers’ customer data notifications,
- calculating the market share of each compulsory supplier (both for the Core Groups and the non-core spending obligation) and each voluntary supplier (for the Core Groups only),
- setting compulsory supplier spending obligations and caps for the non-core obligation,
- receiving proposals from compulsory suppliers for Industry Initiatives and approving, rejecting, or seeking more information on the proposals,<sup>8</sup>
- monitoring and assessing suppliers’ compliance with the scheme, including through the use of external auditors,
- determining whether suppliers’ obligations are met,
- undertaking Core Group 1 and 2 Reconciliations to ensure that scheme costs are shared equitably between the participating suppliers and no supplier is disadvantaged as a result of having a disproportionately high number of consumers eligible for the rebate,
- publishing an annual report detailing supplier achievements against their obligations for the previous scheme year, and
- working with TrustMark to confirm measures delivered under WHD are compliant.

1.17. For further information on our guidance or administration of the WHD scheme please contact the WHD inbox: [whd@ofgem.gov.uk](mailto:whd@ofgem.gov.uk)

### BEIS

1.18. The Department for Business, Energy and Industrial Strategy (hereafter “BEIS”) maintains overall responsibility for the coordination and oversight of the WHD scheme and any policy and regulatory changes. It also oversees the delivery of the Core Group 1 and 2 and Specified Activities.<sup>9</sup> BEIS also provides certain information to Ofgem and

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<sup>8</sup> Ofgem has extensive powers to request further information under regulation 28 of the 2022 E&W WHD Regulations

<sup>9</sup> Please see Chapter 6 for Specified Activities

suppliers to enable them to undertake the WHD scheme duties and functions. For example, BEIS is responsible for publishing eligibility statements for each scheme year.<sup>10</sup>

- 1.19. Instructions from BEIS to carry out actions come from the Secretary of State (SoS). Functions carried out by the SoS for BEIS in respect to the regulations are described in Chapter 2 below.
- 1.20. Questions on the above should be directed to BEIS via the following email: [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk). There is also information online on the government website at <https://www.gov.uk/the-warm-home-discount-scheme>.

### TrustMark

- 1.21. In October 2018, TrustMark was launched as the new government-endorsed quality scheme, providing greater consumer protection for energy efficiency measures. TrustMark was incorporated into WHD under Industry Initiatives from 1 April 2021.
- 1.22. Installation and repairs of boilers and central heating systems<sup>11</sup> under Industry Initiatives must be installed by, or under the responsibility of, a person who is registered with TrustMark (or equivalent) from 1 April 2022 in order to be eligible under WHD.

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<sup>10</sup> As detailed in regulation 9

<sup>11</sup> 'Central heating system' is defined in regulation 3 (1) as a system:

- (a) which provides heat for the purposes of space heating through a boiler or other heat source connected to one or more separate heat emitters, and
- (b) where the heat source and heat emitters are all situated in the same domestic premises or building

## 2. Spending profile and limits

### The WHD scheme estimated spend profile

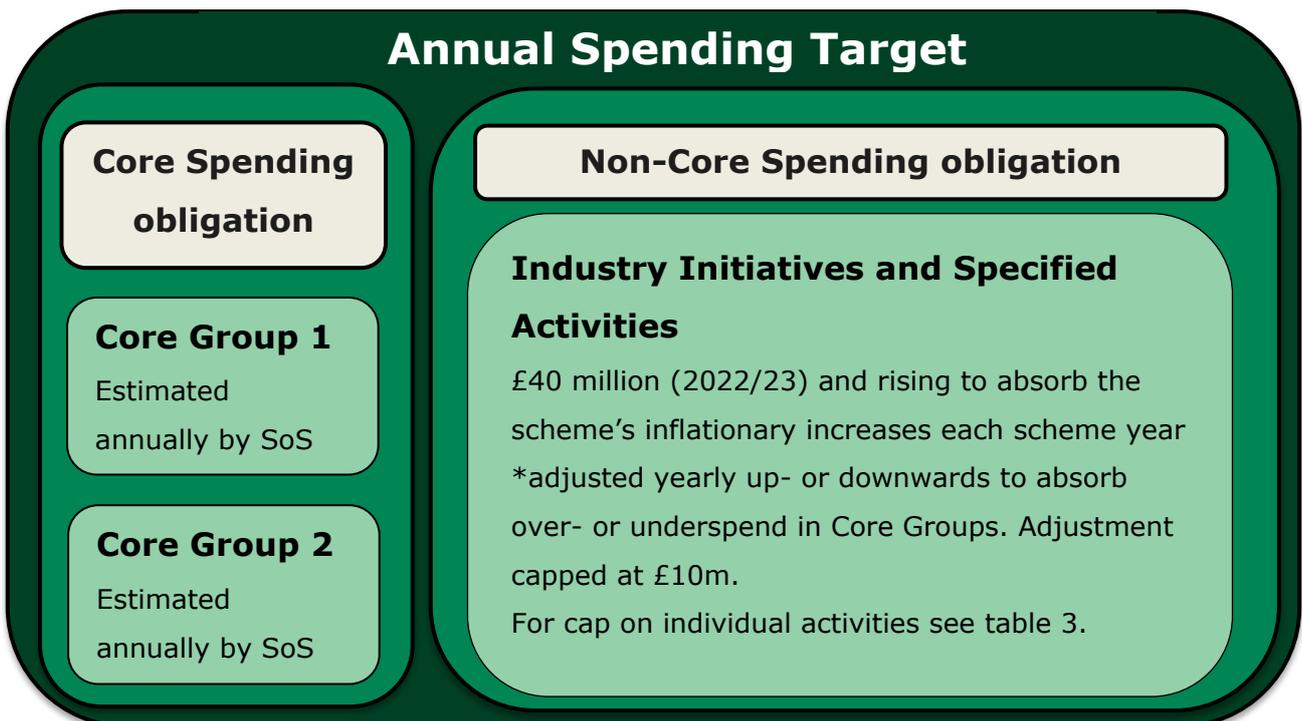
2.1. For scheme year (SY) 12 onwards, the WHD spending targets are:

- £474 million for scheme year 12;
- £494 million for scheme year 13;
- £501 million for scheme year 14;
- £511 million for scheme year 15.

2.2. This target is set for England and Wales. Based on a proportionate division, 9.4% of the total spending envelope is apportioned to Scotland from April 2022, or £49 million (in 2020 prices) of the overall scheme value. The management of the spending envelope for Scotland supersedes the scope of the regulations and this guidance.

2.3. The annual spending target may also be adjusted to take into account under- or overspend on the Core Groups in previous scheme years. This will be determined by the SoS and included in Ofgem’s notification of suppliers’ spending obligations at the start of a scheme year.

**Figure 2: WHD spending target breakdown**



- 2.4. We report the actual spend for each scheme year to the SoS and publish these reports on our website.<sup>12</sup>

### The Core Groups spending estimate

- 2.5. Before the beginning of each scheme year the SoS provides an estimate of each scheme year's spend on both Core Groups. The spending on rebates for CG1 and CG2 are estimated based on the expected sizes of the eligible pools.
- 2.6. Core Group 1 spending is estimated using the latest Department for Work and Pensions (DWP) forecasts of the number of claimants of the Pension Credit Guarantee Credit. This estimated number will be adjusted based on the expected data-matching rates with suppliers and claim rates through the sweep-up process. Core Group 2 will also be estimated each year based on the size of the eligible benefit groups using DWP benefits forecasts. The CG2 size will be adjusted according to the expected data-matching rates with suppliers and claim rate through the sweep-up process. Industry Initiatives will offset the changes in the CG1 and CG2 pools. However, if the Industry Initiatives adjustments are not sufficient, the CG2 high energy cost threshold will be altered to level out the number of rebates and to ensure that the spending target is met.
- 2.7. Overall total Core Group spending estimate is based on the estimated number of customers falling within the relevant eligibility criteria for each Core Group outlined in Chapter 4 'Core Group 1 and 2 overview'.<sup>13</sup>
- 2.8. BEIS publish an eligibility statement annually that sets out the criteria on which the Core Group 2 rebate payments are allocated to persons living in fuel poverty or in a fuel poverty risk group<sup>14</sup>. This eligibility statement includes the household income thresholds, adjusted according to household composition ('equivalisation'). The statement can be issued for one scheme year or several scheme years and can be amended by the SoS.

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<sup>12</sup> <https://www.ofgem.gov.uk/environmental-programmes/social-programmes/warm-home-discount/warm-home-discount-reports-and-statistics>

<sup>13</sup> See regulation 10 of the 2022 E&W WHD Regulations

<sup>14</sup> <https://www.gov.uk/government/publications/warm-home-discount-eligibility-statement-england-and-wales>

## Non-core spending obligation

- 2.9. The non-core spending obligation is met by spending incurred on Industry Initiatives and Specified Activities. This is a mandatory part of the WHD. The aggregate value of WHD spending that is to be attributed to approved Industry Initiatives is £40m for scheme year 12, which is set in reference to the CG1 and CG2 estimates and the overall spending obligation.
- 2.10. Industry Initiatives spending will also absorb some of the overspending or underspending in the Core Groups. The spending target for Industry Initiatives will be adjusted each year accordingly - either downwards or upwards as appropriate - with the starting objective of £40 million. This adjustment is capped at £10 million per scheme year. The base spending obligation for each year will increase or reduce in line with the inflationary increases to the overall scheme, as in paragraph 2.1 above and Schedule 1 regulation 2 of the 2022 E&W WHD Regulations. For example, a large change in the size of the eligible benefits pool affecting either of the Core Groups may otherwise lead to the scheme substantially exceeding or falling short of its overall spending obligation. To counter this, the non-core spending obligation may be adjusted to take into account:
- Any expected increase or decrease in the spending for CG1 and CG2 in each scheme year compared with the previous scheme year.
  - Any expected increase or decrease in the CG1 and CG2 spending for the previous scheme year compared with the previous scheme year's estimated CG1 and CG2 spending (taking into account any in-year adjustment in the previous scheme year).
  - Any actual overspend or underspend in the CG1 and CG2 spending from the previous two years compared with the estimated spending.<sup>15</sup>
  - These adjustments will be communicated before the start of each scheme year by the SoS and Ofgem will calculate the proportion of each compulsory supplier's non-core spending obligation for each scheme year based on each supplier's market share. There are certain spending limits on different Industry Initiatives explained in the following sections. See table 3: Industry Initiatives Activities Caps.

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<sup>15</sup> See Schedule 1 of the 2022 E&W WHD Regulations  
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## Cap on boiler and central heating system replacements

- 2.11. From scheme year 12 (2022/23) onwards there is a spending limit on all boiler and central heating system replacements under Industry Initiatives. The spend on boiler and central heating system replacements is limited to £8 million per scheme year. Repairs of boilers and central heating systems however are not subject to this £8m aggregate cap.
- 2.12. Industry Initiatives are intended to provide funding for longer-term solutions and give customers long-term relief from fuel poverty. The replacement of boilers, however, provides more immediate support for households in need, which is why boiler and central heating system replacements under Industry Initiatives are intended to be provided to households in distress or emergency situations. Other government schemes, such as the Energy Company Obligation (ECO) for instance, can provide households with non-emergency support for boilers and central heating systems.

## Cap on debt write-off activities

- 2.13. The total value of WHD scheme spending that can be attributed to debt write-off is £6 million per scheme year. Debt write-off is defined in the regulations as the provision of assistance to reduce debts for electricity or gas supply to domestic premises by cancelling or reducing the debts.<sup>16</sup> There is no minimum obligation to deliver debt write-off activities as part of Industry Initiatives.
- 2.14. An amount of £3 million of the debt write-off cap is to be allocated to customers supplied by a pre-payment meter (PPM) who are self-disconnecting or at risk of self-disconnecting. The remainder of the amount can be apportioned to any customer. In practice, this means that suppliers can only spend up to £3 million in aggregate per scheme year providing debt write-off to customers who are not supplied by a PPM.
- 2.15. We calculate the proportion of each compulsory supplier's non-core spending obligation that can be delivered through debt write-off activities. This is based on each supplier's market share for the non-core obligation.
- 2.16. Suppliers must ensure debt write-off for a customer is no more than £2,000. If a supplier spends above its individual cap of £2,000 for debt write-off, then the additional spend will not be counted towards its WHD non-core spending obligation.

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<sup>16</sup> See regulation 3(1) of the 2022 E&W WHD Regulations

- 2.17. Alongside a debt write-off measure, suppliers are expected to provide a wider package of measures to customers aimed at providing longer-term support from fuel poverty.<sup>17</sup>
- 2.18. This cap is on debt write-off only. This includes the reduction or cancellation of debt on a customer's electricity or gas account and any associated administration costs. Debt assistance activities which have a more holistic and long-lasting impact on households, are not affected by the cap. These may include advice and support for vulnerable customers on financial management and smart meters, energy efficiency and other non-monetary measures to keep down energy bills.

### Cap on financial assistance with energy bills

- 2.19. The amount of spending for financial assistance with energy bills is set at:
- A minimum spend of £5m overall.
  - A cap of £10m overall.
- 2.20. Financial assistance payments are capped at £150 per customer per scheme year to maximise the number of households able to access the support.<sup>18</sup> This cap is on financial assistance with energy bills only.
- 2.21. We calculate the proportion of each compulsory supplier's non-core spending obligation that can be delivered through financial assistance with energy bills. This is based on each supplier's allowance under Industry Initiatives.
- 2.22. If a supplier spends above its cap for financial assistance with energy bills, the additional spend will not be counted towards its WHD non-core spending obligation.
- 2.23. This measure offers support to households that are in particular need and at risk of fuel poverty. This includes eligible households who are in receipt of a WHD rebate as part of the Core Group 1 or 2. More details on the required targeting of this assistance and overlaps with debt write-off are set out under 'permitted activities' in section 6.15. For example, this could be providing vouchers for customers in fuel poverty who are struggling to top up their pre-payment meters during winter months, or a rebate for customers with a long-term health issue which increases their heating needs and makes

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<sup>17</sup> See Schedule 2 Part 1 of the 2022 E&W WHD Regulations

<sup>18</sup> See regulations under Schedule 2 part 1

them more susceptible to a cold home. This could also include funding a third party-run scheme which provides financial assistance to eligible households.

**Table 3: Industry Initiatives Activities Caps**

Industry Initiatives Activity	Cap
<b>Boiler and central heating system replacement</b>	<ul style="list-style-type: none"> <li>• A cap of £8m spend overall</li> </ul>
<b>Debt write-off</b>	<ul style="list-style-type: none"> <li>• Cap of £6m as total spend</li> <li>• £3m of the debt write-off cap to be allocated to pre-payment meter customers who are self-disconnecting or at risk of self-disconnecting</li> <li>• Max. debt write-off per individual £2,000</li> </ul>
<b>Financial Assistance</b>	<ul style="list-style-type: none"> <li>• A minimum spend of £5m overall</li> <li>• A cap of £10m overall</li> <li>• Maximum financial assistance per customer capped at £150</li> </ul>

## 3. Determining WHD obligations

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- 3.1. The supplier obligation threshold for mandatory participation in WHD for SY12 (2022/23) is 50,000 domestic customer accounts. The supplier obligation threshold will be reduced to 1,000 domestic customer accounts from SY13 (2023/24). The staged reduction to the 1,000 accounts threshold in SY13 gives the smallest suppliers additional time to prepare for participating in the scheme, providing rebates, and delivering Industry Initiatives measures.
- 3.2. The Secretary of State will set the aggregate non-core spending obligation on or before the 7th day after the start of the scheme in SY12 and by 14 February for the other scheme years.

### Customer definition

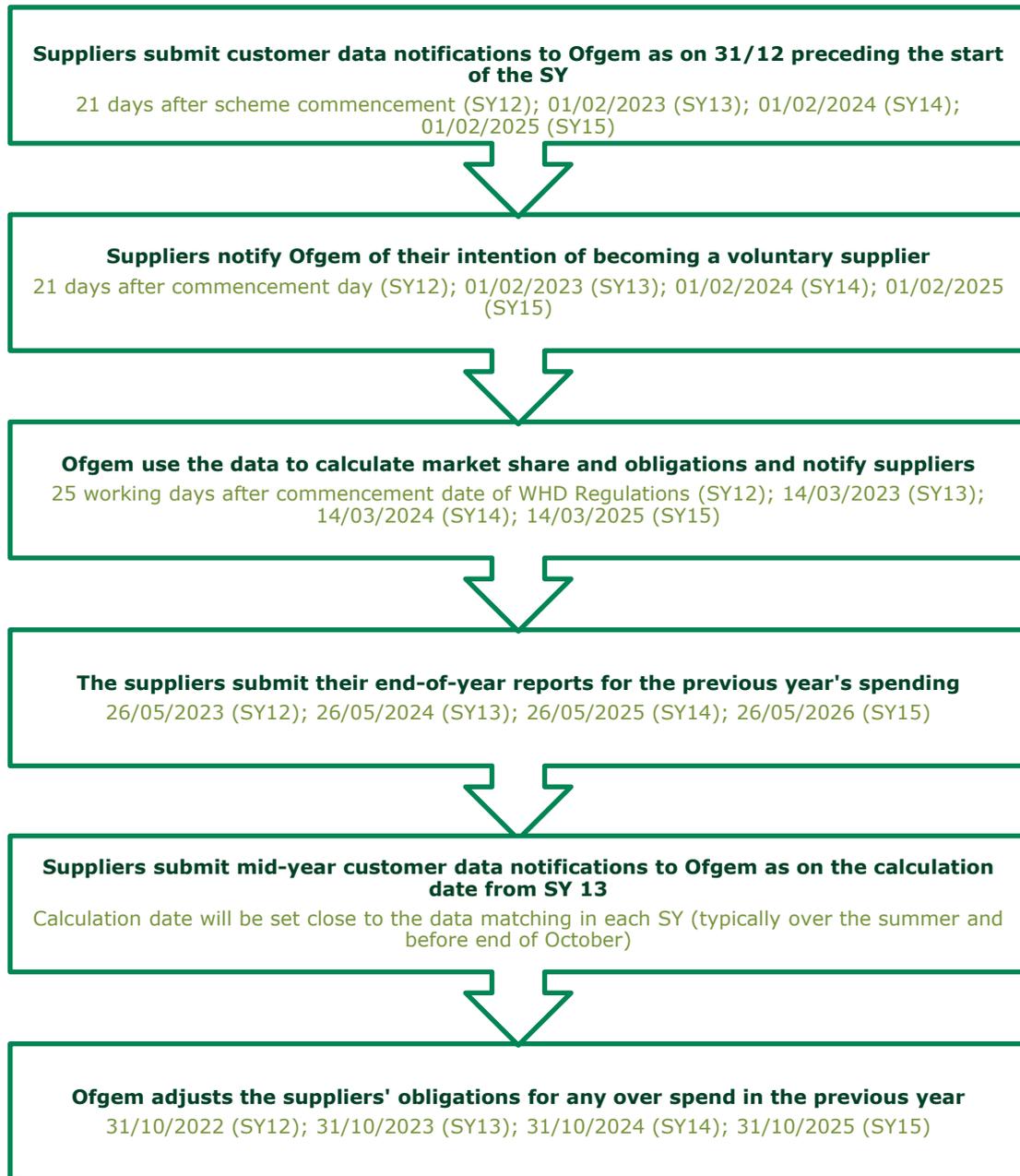
- 3.3. The 2022 E&W WHD Regulations define customers as follows:

- "E&W domestic customer" means an owner or occupier of domestic premises in England or Wales, who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes.<sup>19</sup>
- "Dual fuel" means where both electricity and gas are supplied to a domestic customer at the same domestic premises, by a person who is both a licensed electricity supplier and a licensed gas supplier. The supply of dual fuel to a E&W domestic customer is treated as a supply to two E&W domestic customers.

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<sup>19</sup> See regulation 2(2) of the 2022 E&W WHD Regulations

**Figure 3: The process for determining obligations**



### Market share calculations

3.4. Suppliers are obligated to notify their GB customer numbers at the end of a scheme year for the purposes of calculating suppliers’ WHD obligations. See chapter 7: Reporting for further information on customer number reporting.

3.5. We use the customer data notifications to calculate the market share of each compulsory and voluntary supplier for Core Group 1 and Core Group 2. We then use the

data to inform the reconciliation of the Core Groups' spending (see Chapter 4 Core Groups 'Reconciliation').

- 3.6. For compulsory suppliers, we use the data provided by the customer data notifications regarding the number of domestic customers it had on the 31 December preceding the start of a scheme year to calculate the market share for the non-core element of the scheme. We will also contact all other domestic suppliers asking them to confirm whether they wish to be a voluntary supplier.
- 3.7. At the start of each scheme year, we notify a Scheme Gas Supplier<sup>20</sup> of its status, and confirm to each compulsory supplier and voluntary supplier its market share for Core Group 1 and Core Group 2: In addition, each compulsory supplier will be notified of:
  - its market share for the non-core obligation,
  - the value of its non-core spending obligation, ie Industry Initiatives obligation, including the minimum and maximum amount of spending on specific industry initiatives activities that may be attributed to the obligation.
- 3.8. We will notify suppliers of the above information by the 25th working day after the commencement of the 2022 E&W WHD Regulations in SY12 and by 14 March preceding the start of each of the following scheme years.
- 3.9. For compulsory suppliers, this notification will only provide an initial non-core spending obligation calculation. Compulsory suppliers' non-core spending obligations may be adjusted, as described below.
- 3.10. We will notify each compulsory supplier of its final adjusted non-core spending obligation by:
  - 31 October 2022 (SY12);
  - 31 October 2023 (SY13);
  - 31 October 2024 (SY14);
  - 31 October 2025 (SY15).

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<sup>20</sup> Scheme Gas Supplier is defined in Chapter 1 'Supplier roles and responsibilities'

- 3.11. This amount can potentially be adjusted within the scheme year if an obligated supplier goes into administration and Ofgem is required to reallocate their spending obligation across the remaining suppliers. See paragraphs 4.78 - 4.81 on further information on how the revocation of a supplier licence mid-way through the year.

### Adjustments for overspend on the non-core obligation

- 3.12. Where suppliers participated in the GB wide WHD scheme in scheme year 11, the overspend on supplier GB obligations are apportioned appropriately for SY12 in line with their overall spending obligation for the reformed E&W scheme. The remaining scheme years will only take into account spending in England and Wales. Relevant suppliers would be required to adjust their non-core obligation by 90.6% of their overspend obligations in England and Wales and their appropriate obligation in Scotland by 9.4% for that scheme year.
- 3.13. An adjustment can be made to a supplier's initial non-core spending obligation if that supplier has overspent on its non-core obligation in the previous scheme year.
- 3.14. Compulsory suppliers can carry over up to 5% overspend of their previous scheme year's non-core spending obligation towards the following scheme year's non-core obligation. Overspend up to 5% will be subtracted from a supplier's initial non-core spending obligation to provide an adjusted non-core spending obligation for the following scheme year. Whilst there is no limit to the amount a supplier can overspend on its non-core activities, only 5% can be carried over unless this is as a result of their appointment as a Supplier of Last Resort (SoLR). For more details on this please see paragraphs 3.20 - 3.21.

### Adjustments for underspend on the non-core obligation

- 3.15. Where suppliers participated in the GB wide WHD scheme in scheme year 11, the underspend on supplier GB obligations are apportioned appropriately for SY12 in line with their overall spending obligation for the reformed E&W scheme. The remaining scheme years will only take into account spending in England and Wales. Relevant suppliers would be required to adjust their non-core spending obligation by 90.6% of

their underspend obligations in England and Wales and their appropriate obligation in Scotland by 9.4% for that scheme year.

- 3.16. An adjustment will be made to a supplier's non-core spending obligation if it did not meet its non-core obligation in the previous scheme year.
- 3.17. Not achieving the overall non-core spending obligation in a scheme year will mean that a supplier is non-compliant. As well as adding any underspend to the supplier's obligation in the following scheme year, we may take enforcement action.

### Adjustments for undelivered rebates

- 3.18. An adjustment will be made to a supplier's non-core spending obligation to account for rebates provided but not delivered in the previous scheme year. The total value of undelivered Core Group 1 and Core Group 2 rebates from the previous SY is added to the adjusted non-core obligation for the next SY. The information on undelivered rebates will be taken from the redemption reports that are submitted by suppliers by 31 August in a scheme year. See Chapter 5 'Providing a rebate where the account is not credited directly' for further information on undelivered rebates.
- 3.19. A new fully obligated compulsory supplier's undelivered Core Group 1 and Core Group 2 rebates from the previous scheme year will be carried forward and added to their non-core obligation for the scheme year in which they become fully obligated. This will apply in respect of suppliers that become newly fully obligated in SY12 (2022/23) and in future scheme years.

### Adjustment for non-core additional overspend for Supplier of Last Resort

- 3.20. If following their appointment by Ofgem as the Supplier of Last Resort (SOLR), a supplier chooses to meet the failed supplier's non-core spending, an overspend of up to 10% of the supplier's original non-core spending obligation can be carried over towards their non-core spending obligation of the next scheme year.
- 3.21. Any additional overspend allowance will be subject to the SOLR having notified Ofgem of their intention to meet all or part of the failed suppliers non-core spending by no later than 15 February of the respective scheme year in order to ensure any additional Core Group and Industry Initiatives can be reviewed by Ofgem and approved for that scheme year.

3.22. For further information on the SOLR process, please see the Ofgem Supplier of Last Resort: Revised Guidance 2016<sup>21</sup>.

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<sup>21</sup> <https://www.ofgem.gov.uk/publications/supplier-last-resort-revised-guidance-2016>

## 4. Core Groups

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### Supplier obligations

- 4.1. A supplier's core obligation is made up of the Core Group 1 and Core Group 2. Suppliers will be told by the Secretary of State (SoS) which of their customers to provide a Core Group 1 and which a Core Group 2 rebate to, based on the respective eligibility criteria.
- 4.2. For Core Group 1, the SoS provides a list of relevant customers<sup>22</sup> following an initial 'data matching' with data from DWP and the supplier, and then weekly list of relevant customers to each supplier, that has had duplicates removed. Each entry on this list is known as an 'instruction'. The matched customers are expected to receive an energy bill rebate automatically and are informed in a letter from the Government that they do not need to take any action. If a customer cannot be matched between DWP and energy supplier data, the SoS will send the relevant Pension Credit Guarantee Credit recipient a letter referring them to contact a helpline<sup>23</sup> to confirm their details and claim the rebate.
- 4.3. Suppliers are required to also provide energy bill rebates automatically to Core Group 2 eligible customers, which are also determined through data matching. For Core Group 2, the following data is matched to identify low-income households with high energy costs who are customers of a participating supplier:
  - benefits and Tax Credit receipt, which are held by DWP;
  - property characteristics, primarily obtained by VOA; and
  - customer accounts provided by the participating suppliers.

This way the eligible households are identified by the SoS to which suppliers then provide as many rebates automatically as possible. Where some data is missing, other data sources will be used as described in section 4.28 - 4.30 on imputation.

- 4.4. A supplier must provide a rebate to the appropriate Core Group customer for each instruction that is sent to them. Occasionally, a supplier may not be able to provide a rebate. See Table 5: Customers not provided with a Core Group 1 or 2 rebate for further information on scenarios where this might occur and what suppliers should do in such instances.

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<sup>22</sup> Regulation 8(5)

<sup>23</sup> Contact details of the helpline are provided on the WHD gov.uk pages

- 4.5. Suppliers should aim to provide rebates as early as possible during the winter months, as the customer will get most benefit from this.
- 4.6. Suppliers who leave the scheme as they fall under the participation threshold for the following scheme year, would still need to report undelivered rebates to Ofgem. The value of the undelivered rebates will not count towards the supplier's contribution to the scheme obligation for the purposes of the end-of-year determination.
- 4.7. Generally, rebates can only be paid to a supplier's own customers.<sup>24,25</sup> See 4.15 regarding what actions to take when a customer switches supplier.
- 4.8. For further information on providing rebates, including delivery and provision requirements, please refer to Chapter 5.

### Eligibility Notice

- 4.9. The rebate notice will specify a person who is:
  - an E&W domestic customer of the scheme electricity supplier;
  - lives at a domestic premises as their main or only residence, where the person is supplied with electricity; and
  - the person or the person's partner meets the eligibility criteria described below for either the Core Group 1 or 2.
- 4.10. In circumstances where the eligible person is in a hospital, hospice or staying at a care home, the person is considered as continuing to be resident in their premises, if their stay in a hospital does not exceed 52 weeks from when they were admitted, or their stay in care is temporary.<sup>26</sup>
- 4.11. For the purpose of WHD, an individual is understood to be the partner of an eligible person if they are married or civil partners that live in the same household. If they are not married or civil partners, they are considered to be partners if they are living together in the same household as spouses or civil partners. The domestic customer

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<sup>24</sup> Regulation 10(2)

<sup>25</sup> DWP appointees who hold an account on behalf of an eligible customer are also eligible

<sup>26</sup> See regulation 2(6) and (7) for the definition of a care home and hospice in the 2022 E&W WHD Regulations

must be associated on DWP's benefit system as the partner of the person in receipt of the relevant benefit.

### Qualifying date

- 4.12. A qualifying date is set to decide whether a person meets the low-income and high-cost eligibility criteria and to enable the data matching to take place.
- 4.13. The qualifying dates will be set closely to the commencement of the data matching each scheme year in order to minimise gaps between identifying eligible households, matching customers with suppliers and awarding the rebates. The qualifying date for each scheme year is the same for Core Group 1 and Core Group 2.
- 4.14. A 'mop up' process ensures that households whose benefits claim is awarded later in the year but is backdated to before the qualifying date are picked up. This way customers will be ensured to receive a rebate.
- 4.15. In case customers eligible for a Core Group 1 or 2 rebate switch energy supplier after the qualifying date, the supplier on the qualification date continues to hold the obligation to deliver the WHD rebate to the customer that switches suppliers after the qualifying date and is responsible for ensuring the customer receives the rebate. If the customer is a dual fuel customer of the supplier and switches suppliers for their electricity account only, so that the supplier continues to provide gas to the customer, the WHD rebate has to be issued to the customer's electricity account, unless requested differently by the customer.
- 4.16. See section 3.20 - 3.22 in the event of a SOLR situation.

### Core Group 1 overview

- 4.17. The Core Group 1 uses data sharing between government and suppliers to target rebates at low-income pensioners.
- 4.18. Customers are eligible for the Core Group 1 if:
  - their electricity supplier is a compulsory or voluntary supplier;

- their name is on the electricity bill;<sup>27</sup> and
- they or their partner receive the Guarantee Credit element of Pension Credit (PCGC).

4.19. Customers identified as eligible for the Core Group 1 must be provided with a rebate. For information on the value of the rebate, and how to provide a rebate, please see Chapter 5.

4.20. The Core Group 1 administration is led by the Department for Business, Energy and Industrial Strategy (BEIS) and the Department of Work and Pensions (DWP). For further information, contact BEIS at [warmhomediscount@beis.gov.uk](mailto:warmhomediscount@beis.gov.uk).

4.21. We determine each supplier’s compliance with its Core Group 1 obligation following the end-of-year reporting process (see Chapter 7).

## Core Group 2 overview

4.22. Customers are eligible for Core Group 2 if they are on low income and have high energy costs. Customers are considered low income under the criteria if they are in receipt of the benefits or Tax Credits listed in table 4.

**Table 4: Core Group 2 qualifying benefits**

Core Group 2
Income related Employment and Support Allowance
Income based Jobseeker’s Allowance
Income Support
Housing Benefit
Universal Credit
Child Tax Credits*
Working Tax Credits*
Pension Credit Savings Credit (PCSC) **

<sup>27</sup> A DWP appointee can apply on behalf of a Core Group customer

\*Households in receipt of these Tax Credits must be below a household income threshold, adjusted according to household composition ('equivalised'). They will be part of the eligibility statement issued by BEIS.

\*\* Pension Credit Guarantee Credit (PCGC) is not eligible as they would be eligible for a rebate under Core Group 1. A household cannot receive a rebate under both Core Groups.

- 4.23. Universal Credit is and will remain sufficient to be considered as low income under these reforms. There will be no need to qualify under a household earnings threshold in that case. More information on Universal Credit can be found on the government website.<sup>28</sup>
- 4.24. Customers will be identified through data matching with DWP benefits and HMRC Tax Credit data.
- 4.25. These means-tested and income-related benefits comprise the low-income criteria. Low-income households are then subject to the high energy cost criteria, explained below.
- 4.26. BEIS will publish an eligibility statement, as outlined in paragraph 2.8. As part of this, BEIS will set a high energy cost threshold. Properties with an energy cost score above this threshold will be considered 'high cost', while those with an energy cost score below this threshold will be considered 'low cost'.
- 4.27. Government data on property characteristics is used to identify whether the determined low-income households are likely to have high energy costs. The following three property characteristics are used, which are held by the VOA for England and Wales:
- **Floor area:** Greater floor area leads to higher energy costs. Those with low incomes in larger properties will face greater challenges meeting their high energy needs;
  - **Property age:** How old a property is, is also a strong indicator of energy requirements. The age of a property is correlated to the rate of fuel poverty and average fuel poverty gaps as older properties are likely to have lower than average energy efficiency ratings and higher than average floor area.<sup>29</sup> In contrast, decreasing energy costs are likely to occur in more recently built properties; and

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<sup>28</sup> <https://www.gov.uk/universal-credit/eligibility>

<sup>29</sup> Warm Home Discount: Better targeted support from 2022  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/999412/warm-home-discount-reform.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/999412/warm-home-discount-reform.pdf)

- **Property type** is another strong indicator of high energy requirements. For example, detached houses are more costly to heat, mainly due to having more external walls, the properties being larger and less energy efficient.

### Imputation methodology

- 4.28. Where one or more of a property's characteristics are missing in the VOA data, BEIS will use an imputation methodology to fill in missing data. BEIS will run this imputation once per scheme year, as part of calculating properties' estimated energy costs.
- 4.29. Imputation would draw on alternative evidence where available and statistical methods. Imputed characteristic will derive from the following where available:
- Probabilistic calculations from neighbouring properties;
  - Energy Performance Certificate (EPC);
  - Information from the Land Registry and Office for National Statistics.
- 4.30. This method enables the government to estimate properties' likely energy cost and compare their cost against the high-energy cost threshold.

### Sweep-up process

- 4.31. In the very small percentage of cases where BEIS and DWP have been unable to match a DWP benefits record with a VOA property record, their property characteristics will not be imputed and therefore they will not have an estimated energy cost score. These households will be contacted directly in writing by DWP to allow them to come through the sweep-up process.
- 4.32. DWP will write letters to households identified as 'low income with high energy costs', but who are unmatched with a participating energy supplier, to inform them that they may be eligible for a rebate and that they may call the WHD helpline to confirm their details about their energy supply and determine if they are eligible.
- 4.33. Please see the government website for further information on how customers can check their eligibility for a WHD rebate according to the Core Group 2 criteria.<sup>30</sup>

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<sup>30</sup> <https://www.gov.uk/the-warm-home-discount-scheme>

## Customers not provided with a Core Group 1 or Core Group 2 rebate

- 4.34. In almost all cases, we expect a supplier to provide a rebate to all customers that are identified through the data matching process. Table 5 summarises some of the reasons why a Core Group rebate may not be paid and what suppliers should do in these scenarios.
- 4.35. Rebates that are provided but not redeemed by the customer are considered *undelivered*. The value of undelivered rebates required to make up a supplier's spending obligation will be added to the supplier's non-core obligation for the following scheme year.<sup>31</sup> Suppliers should also make one reasonable attempt, in addition to what has been outlined in the process as notified to Ofgem, to deliver outstanding rebates to customers. Any rebates that are not delivered and where the supplier has not made one additional reasonable attempt to deliver them, may be treated as non-compliance.

**Table 5: Customers not provided with a Core Group 1 or 2 rebate**

Scenario	Supplier actions to take
a) The customer instruction has been sent to the wrong supplier.	The customer instruction must be returned to the SoS within 30 days of receiving the instruction. <sup>32</sup>
b) The customer is deceased, and their account is closed. The supplier has not been able to contact a relative or executor.	Situations (b) and (c) are confirmed as Exceptions under regulation 11.

<sup>31</sup> Regulation 18(6)

<sup>32</sup> Regulation 11(6)

Scenario	Supplier actions to take
<p>c) The customer is no longer living at that property, has closed their account and has no forwarding address.</p>	<p>Where suppliers do not provide the rebate to one or more Core Group customers under regulation 10, the supplier must notify us of:</p> <ul style="list-style-type: none"> <li>the number of Core Group customers the supplier has not provided the rebates to;</li> <li>the reasons why the supplier has not provided the rebate to those customers; and</li> <li>any steps taken by the supplier to attempt to provide the rebate to those customers.<sup>33</sup></li> </ul> <p>These exceptions are determined by the SoS and so may be subject to change.</p> <p>The application of regulation 11 will be determined by us on a case-by-case basis.</p> <p>Suppliers are required to report the number of exceptions applied as part of the end-of-year reports.</p>
<p>d) A supplier's information does not match the data supplied ie the MPAN number does not match.</p>	<p>Suppliers should rectify and credit the correct domestic account.</p>

<sup>33</sup> Regulation 12(7)(c)

Scenario	Supplier actions to take
<p>e) A supplier's information does not confirm that the customer is eligible ie this is a domestic property on a commercial tariff (eg farmhouse) or the customer is believed to be of commercial origin.</p>	<p>Suppliers should seek further information from the customer to clarify whether they meet the definition of a domestic customer:</p> <p>"an owner or occupier of domestic premises in England or Wales, who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes".</p> <p>If a supplier has evidence that this customer does not meet the definition of 'domestic customer', it should not provide the rebate. A section in the end-of-year reporting template is available to record these cases.</p> <p>This is not an 'exception', but a decision by a supplier that the information available about the customer does not meet the 'domestic customer' definition.</p> <p>Suppliers should keep a detailed record of the discussions and write to the customer to confirm why they will not receive the rebate.</p>
<p>f) The customer does not redeem or accept their rebate.</p>	<p>The rebate will still be considered '<i>provided</i>' but not '<i>delivered</i>'.</p> <p>Refer to Chapter 5, 'Providing a rebate where the account is not credited directly'.</p>
<p>g) Any other reason not outlined above.</p>	<p>Suppliers should contact DWP<sup>34</sup>, or us, at the earliest opportunity.</p>

## Core Groups Reconciliation

4.36. This section is based on The Warm Home Discount Reconciliation Regulations 2022<sup>35</sup>.

4.37. From WHD SY12, the reconciliation mechanism encompasses both Core Group 1 and Core Group 2 expenditures and will be reconciled across suppliers of both Core Groups.

<sup>34</sup> <https://www.gov.uk/the-warm-home-discount-scheme/guarantee-pension-credit>

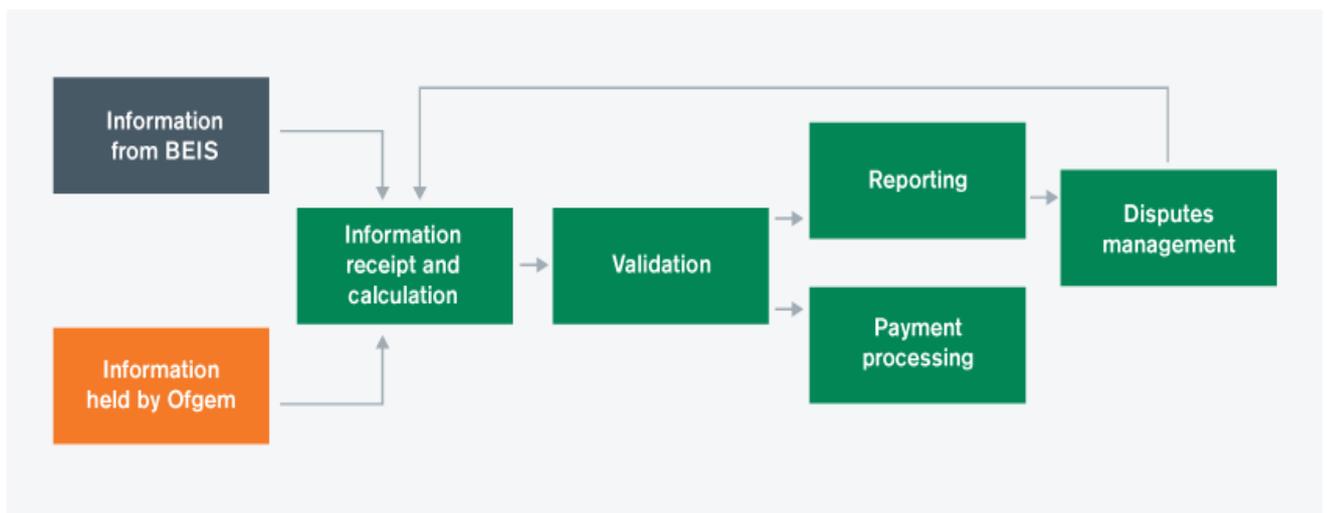
<sup>35</sup> <https://www.legislation.gov.uk/ukxi/2022/1162/made>

The total costs of Core Group 1 and 2 rebates are shared among all participating suppliers according to their market share.

- 4.38. The reconciliation regulations also apply to the WHD Scotland scheme but are separate from WHD England and Wales. For suppliers that participate in both schemes, Ofgem has a set-off provision which means payments can be combined so that only one payment is due or will be received. Ofgem may reduce the supplier's payment up to the amount of the payment the supplier is liable to make under these regulations.
- 4.39. The WHD scheme assumes that the total cost of the Core Group rebates is shared among all participating suppliers according to their market share. In reality, however, one supplier may have a higher or lower proportion of Core Group customers than is reflected by its market share. This may occur because of various factors, including the social-economic make up of their customer base.
- 4.40. The purpose of the reconciliation mechanism is to ensure that:
- scheme costs are shared equitably between the participating suppliers, and
  - no supplier is disadvantaged as a result of having a disproportionate number of consumers eligible for the rebate.
- 4.41. Ofgem operates the reconciliation mechanism using:
- market share information and suppliers' customer numbers collected as part of our regulatory and administrative duties,
  - records of Core Group 1 and 2 instructions sent to suppliers, and
  - records of rebates provided and delivered by suppliers to consumers.
- 4.42. We calculate and process the reconciliation payments to be made or received by participating suppliers. We also aim to resolve any disputes arising from a reconciliation process.
- 4.43. Suppliers must submit their customer data notification prior to the reconciliation so that the data can inform the total Core Group spending.
- 4.44. For SY12, we will use customer account number data as on 31 December 2021 as already submitted to determine the reconciliation payments.

- 4.45. For SY13-15, BEIS SoS may specify an additional calculation date, so that the market shares are calculated as close as possible to the data matching taking place. Ofgem will notify suppliers of the calculation date and reporting deadline each scheme year. If the SoS does not add an additional calculation date, we will use 31 December preceding the scheme year.
- 4.46. The WHD Reconciliation Regulations establish the process through which Core Groups' expenditure will be reconciled across scheme suppliers.
- 4.47. For newly obligated suppliers, we will require banking details for money to be paid into or money to be paid out of the reconciliation. The banking details required are a copy of the business bank account statement showing bank account, sort code and bank account name written on supplier's letter headed paper which is signed by an authorised signatory. Any other confidential information should be redacted. The banking details are to be uploaded onto the supplier's Huddle account which Ofgem will create ahead of submitting the banking details.

**Figure 4: Simplified process for Core Group Reconciliation**



**The Annual timetable**

- 4.48. Ofgem will process an interim reconciliation run when the SoS formally requests us to do so and a final reconciliation as soon as reasonably practicable after the end of a scheme year. We expect to process two reconciliations per scheme year. Ofgem will process the CG1 and CG2 reconciliation at the same time.

- 4.49. The first reconciliation is an interim reconciliation whilst the second reconciliation is the end-of-year reconciliation, the latter of which is taking into account the end of year reporting.
- 4.50. We will notify all scheme suppliers as soon as we receive a request to carry out a reconciliation run and advise suppliers of the detailed timetable for that run. We will also share the timetable with BEIS.

### Interim reconciliations

4.51. We have outlined in detail the process of interim reconciliations below:

- Step 1** BEIS submit a formal request for Ofgem to run interim reconciliation.
- Step 2** Ofgem collates relevant data from BEIS and DWP (the number of eligible customers for each supplier identified in the initial data matching and in the 'sweep' exercise. This exercise is where BEIS undertakes further data matching later in the year to identify people whose benefit claims have since been awarded and backdated to the qualifying date and therefore may now be eligible for a rebate. There will be two sweep exercises in SY12, the first concluding at the end of November 2022, and the second concluding in early January 2023. The supplier's Core Group market share and total number of live run and total number of Instructions to Pay (live run and mop-up) will be sent via credit notes and invoices. Ofgem requests suppliers to submit their customer account numbers as their mid-year customer reporting (except for SY12). For more information on the mop-up process, please see 4.14.
- Step 3** Ofgem produces a timetable for the reconciliation run, including payment dates, and sends this to BEIS and each of the WHD scheme suppliers.
- Step 4** Ofgem processes and validates the calculation described in the WHD Reconciliation Regulations<sup>36</sup>. A simplified calculation of the interim reconciliation can be found below.
- Step 5** Ofgem provides reconciliation notices to scheme suppliers according to the process outlined in the WHD Reconciliation Regulations. As part of the notices Ofgem issues invoices and credit notes, confirms supplier's market share and confirms the incoming and outgoing payment dates. Any

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<sup>36</sup> <https://www.legislation.gov.uk/ukxi/2022/1162/made>

outstanding amounts (such as distribution of interest) will also be included in the invoices and credit notes.

- Step 6** Suppliers will then make payments to Ofgem after at least 3 working days.
- Step 7** Ofgem processes all the incoming payments.
- Step 8** Within 10 working days of receipt of the incoming payments, Ofgem will process all of the outgoing payments to suppliers.
- Step 9** Ofgem to share core group reconciliation results with BEIS.

4.52. We expect suppliers to make payments within the timeframes provided. If suppliers anticipate being late with a payment, they should contact Ofgem immediately and provide details of the reasons for the delay and when they expect to be able to make the payment. Suppliers should note that they will be subject to interest charges as stated in the WHD Reconciliation Regulations.

#### Interim reconciliation calculation

4.53. As the purpose of the reconciliation mechanism is to ensure scheme costs are shared equitably between participating suppliers, the interim liability for a period must be calculated for each supplier. Then, dependent on whether the interim liability for each supplier exceeds or is less than their respective market share, an interim reconciliation payment is received or made by participating suppliers.

4.54. The following is a simplified description of the calculations used for the interim reconciliation process.

### **Interim Core Group Reconciliation**

We operate the reconciliation mechanism using market share information and suppliers' Great Britain domestic customer numbers. An interim reconciliation requires information to be sought from BEIS or DWP for each respective Core Group. This information shows the number of rebates suppliers have been instructed to provide up to a cut-off date.

For the interim reconciliation, if a supplier's liability exceeds the amount of their interim market share liability for that period, then that supplier is entitled to receive a payment equal to the difference between those amounts.

Similarly, if a supplier's interim liability for an interim reconciliation period is less than the amount of their interim market share liability for that period, a supplier must make a payment equal to the difference between those amounts.

### **Final Core group Reconciliation**

A final reconciliation, carried out after completing the End of Year compliance determination, uses the number of rebates which we have determined each supplier to have delivered to consumers in the scheme year.

Once the information has been received/determined, we calculate the amount that each supplier has spent and the total amount spent by all suppliers in aggregate. We then use the Core Group market shares for each supplier to determine how much of the total aggregate spending should have been met by each supplier.

For each supplier, we then calculate the difference between the amount spent by the supplier, and the amount that should have been spent according to their market share of the aggregate spend. For each supplier, if the supplier has spent less than their market share of the aggregate spend, we issue an invoice for a payment. For each supplier who has spent more than their market share of the aggregate spend, we issue a credit note which will be funded from payments by other suppliers.

4.55. The above information can be summarised in the following formulas:

Number of rebates supplier has been instructed to provide (based on their number of eligible England & Wales domestic customers) x £150 = interim liability.

Each supplier's market share liability for a period is  $£150 \times (M\% \text{ of } T)$ , where:

- "M" is that supplier's England & Wales market share, and
- "T" is the total number of eligible customers for all suppliers.

Rebates value provided by all suppliers x Market Share = Expected liability

Expected liability - Rebates value provided = Amount to pay/receive.

### Final reconciliation

4.56. After the end-of-each scheme year, Ofgem will use the following information to produce a reconciliation timetable for the final run:

- the value of Core Group 1 and Core Group 2 rebates delivered by each of the WHD scheme suppliers to domestic consumers; and
- total value of rebates delivered by all scheme suppliers.

4.57. Ofgem will then complete the calculation as is described in the WHD Reconciliation Regulations to establish the final adjustment payments from or to each scheme supplier.

4.58. In relation to each scheme year a scheme electricity supplier's contribution is—

$$A - (£150 \times F)$$

where—

- "A" is the total amount of rebates delivered, or treated as being delivered, to Core Group customers in the scheme year by the scheme electricity supplier.
- "F" is the sum of the undelivered rebates provided, or treated as being provided, in the scheme year by the supplier.

4.59. Once we have calculated these numbers, we will follow steps 5 to 9 of our interim reconciliation process.

### Accrued interest

4.60. Ofgem will distribute any interest accrued over the year across the scheme suppliers, in proportion to their market share. This interest can be accrued through either Bank Interest or Interest received from suppliers as a result of a late payment. Late payment

interest is to be calculated at a rate of two percentage points above the Bank of England base rate.

4.61. A supplier who fails to make the whole or part of any payment by the date on which it is due must pay interest on the unpaid amount for the period:

- beginning with the day after the date on which the amount is due; and
- ending with the date on which the amount is paid.

4.62. Interest payments due to suppliers will be incorporated into invoices or credit notes as appropriate (step 5 of interim reconciliation process).

### Exceptions to missed payments

4.63. A number of exceptions are possible during the processing of these reconciliation runs.

The key exceptions are:

- 1) A supplier misses a payment
- 2) A supplier believes that their invoice or credit note is incorrect
- 3) An error is confirmed in our calculations and the payments need to be corrected
- 4) A supplier licence is terminated mid-way through the year

4.64. If any of these exceptions occur, we will contact all scheme suppliers and BEIS, and outline the next steps. The following sections describes the basic processes in each instance.

### Missed Payment

4.65. If a scheme supplier (or suppliers) fails to make a reconciliation payment to CG1 or CG2 or makes a part payment only, Ofgem will process a mutualisation, whereby other scheme suppliers who made their payment in full make up the shortfall, based on their market share. The steps for the mutualisation process are as follows:

- Issue a notice to BEIS and all scheme suppliers stating that Ofgem are processing a mutualisation, and will provide the timetable for this mutualisation within two working days;
- Calculate the mutualisation amount by allocating the missing payment(s) between all the scheme suppliers other than the defaulting suppliers, in proportion to their market share. Mutualisation notices will be given to non-defaulting suppliers according to the WHD Reconciliation Regulations.

4.66. The mutualisation notice will include:

- the amount of the mutualisation payment, and
- the date by which the mutualisation payment must be made, which will be given at least 3 days after the notice was given, and
- the supplier's market share used to calculate the mutualisation payment.

4.67. If we receive the missing payment or partial missing payment from the defaulting supplier before we receive the mutualisation payments, we will cancel the mutualisation process by issuing a notice to BEIS and all scheme suppliers and continue with the normal reconciliation process. If not, we will process the payments in line with steps 4 to 9 in the interim reconciliations process.

4.68. If the missing payment is made after mutualisation payments have been provided by suppliers, Ofgem will pay back the suppliers who provided additional funds as part of the mutualisation (within 10 working days).

4.69. The amount of the payments deferred may not exceed the total of the overdue amounts. Where these circumstances apply, Ofgem will:

- cancel the mutualisation notice and
- if any overdue amounts still remain unpaid, give a new mutualisation notice in relation to those amounts.

### Potential error in an invoice or credit note

4.70. If a supplier queries one of Ofgem's calculations, we will discuss their query with them and seek to resolve the issue. If they are still not satisfied with the results, then they can ask Ofgem to **raise a dispute**.

4.71. To raise a dispute, a request must be made in writing within 10 working days after the scheme supplier is notified of the determination.

4.72. If we identify that an error has been made in a determination of an England & Wales interim or final reconciliation payment, or a mutualisation payment, we will calculate a 'make-right amount' that each electricity supplier is liable to pay, or is entitled to receive, to give effect to the substituted determination or to correct the error.

4.73. The make-right payment for a scheme electricity supplier is the sum of:

- the difference between the amount already paid or received by the supplier (“amount A”), and the amount which the supplier would have been liable to pay or entitled to receive if the error had not been made (“amount B”); and
- interest on the difference between amount A and amount B from the date of payment or receipt of amount A, calculated at a rate of two percentage points above the Bank of England base rate.

### Raising a dispute

4.74. To raise a dispute, you should email [whd@ofgem.gov.uk](mailto:whd@ofgem.gov.uk).

4.75. Disputes will be analysed by a separate team within Ofgem who are independent of the individuals who undertook the reconciliation calculations. If a dispute is raised, we will follow these steps:

- Step 1** Within 2 working days, Ofgem will notify BEIS and all WHD obligated scheme suppliers that a dispute has been raised.
- Step 2** Within 5 working days of Step 1, Ofgem will confirm a timetable for investigating and reporting on the dispute.
- Step 3** A Formal Dispute Officer (FDO), who will be of equal or greater seniority to the original decision maker, will be introduced. All dispute requests will be passed on to the FDO. The FDO will be independent and have no previous involvement in the original decision-making process.
- Step 4** The FDO will have the opportunity to raise queries or request clarification. The supplier will also have the opportunity to respond to these queries and make further representations. The timescale for this is 10 working days from the point at which the dispute is raised.
- Step 5** The FDO will aim to reach a ‘minded to’ decision within 10 working days following the period of clarification (step 4) and contact the affected supplier. If it is not possible to do so in that time, the FDO will explain this in writing to the affected person with an update within this timeframe. The update will give a timescale for when we will next be in contact about the review request.
- Step 6** Suppliers will then have 5 working days to make any written representations on the FDO’s ‘minded to’ decision. Any written representations should be submitted via [whd@ofgem.gov.uk](mailto:whd@ofgem.gov.uk).

- Step 7** The FDO will review any representations received under Step 6 and proceed to make a final decision by either revoking or varying, or confirming the original decision. The FDO will communicate the final decision to the supplier concerned within 5 working days.
- Step 8** Ofgem will circulate the FDO's decision, redacting any confidential and commercially sensitive information, sharing the decision notice with BEIS and all WHD obligated scheme suppliers.

4.76. Affected scheme suppliers should note that raising a dispute marks the final stage of our internal review process. Should the affected supplier be dissatisfied with the FDO's response, they may take their own legal advice on any next steps, and/or take their complaint to the Parliamentary and Health Service Ombudsman who carries out independent investigations into complaints about public bodies. Details of how to make a complaint can be found on their website at [www.ombudsman.org.uk](http://www.ombudsman.org.uk).

### Make Right Amount

- 4.77. If the dispute is upheld, or a review concludes that Ofgem made an error in an interim, final or mutualisation calculation; we will follow the 'make right amount' process below:
- Step 1** Advise scheme suppliers that a 'make right amount' payment run will be made, in the same way we will do for interim reconciliation runs (step 3).
- Step 2** Recalculate the amounts attributed to each scheme supplier (including the interest applicable) to match the direction from the Secretary of State.
- Step 3** Compare the original payments by the scheme suppliers to these correct amounts, and issue requests for difference or a credit note, by following the same process as for interim reconciliations (steps 4 to 8).

### Supplier licence termination mid-way through the scheme year

4.78. Ofgem has put in place a process to work with suppliers delivering the Warm Home Discount who are experiencing financial difficulties. Suppliers should contact Ofgem as soon as they are aware they may not be able to deliver their Warm Home Discount obligation. In addition to this, as set out within Ofgem's Supplier Licensing Review,

suppliers should include details of where their Warm Home Discount scheme payments are held as part of the 'Customer Supply Continuity Plans'.<sup>37</sup>

4.79. If an obligated supplier's licence is terminated midway through the scheme year, Ofgem will recalculate the market share of each remaining scheme supplier by discarding the market share of the supplier(s) who have had their licence terminated mid-way through the scheme year. Ofgem will contact the suppliers at the start of the interim and/or final core group reconciliation to inform them of their re-calculated market share. This re-calculated market share shall only be used for Core Group 1 and 2 reconciliation purposes and the suppliers' non-core spending obligations will not be affected.

4.80. The supplier will not be treated as a scheme electricity supplier for the purposes of any of the following events which takes place after the termination of its licence:

- an interim or final reconciliation,
- mutualisation, or
- a distribution of interest

4.81. After the termination of an obligated supplier's licence, the market share of each remaining scheme electricity supplier will be recalculated in accordance with the formula below:

$$M2 = M1 \times \left( \frac{100}{100 - E1} \right)$$

where—

- "M2" is the remaining scheme electricity supplier's recalculated market share for the relevant scheme year;
- "M1" is the remaining scheme electricity supplier's original market share for the relevant scheme year;
- "E1" is a scheme electricity supplier's original market share for the relevant scheme year.

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<sup>37</sup> Supplier Licensing Review: Ongoing requirements and exit arrangements - Decision  
[https://www.ofgem.gov.uk/system/files/docs/2020/11/201117 - slr\\_decision\\_doc\\_final\\_v.2.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/11/201117_-_slr_decision_doc_final_v.2.pdf)

- 4.82. If the supplier is both an E&W scheme electricity supplier and a Scotland scheme electricity supplier, we will recalculate both the E&W market share and the Scotland market share of each remaining scheme supplier.
- 4.83. If, before the termination of the supplier's licence, they received an England and Wales interim reconciliation payment ("England and Wales IRP") for the relevant scheme year—
- any final reconciliation payment that a supplier is entitled to receive on a final reconciliation for the relevant scheme year is to be adjusted by subtracting M2% of England and Wales IRP;
  - any final reconciliation payment that a supplier is liable to pay on a final reconciliation for the relevant scheme year is to be adjusted by adding M2% of England and Wales IRP.
- 4.84. If, before the termination of the supplier's licence, they paid an England and Wales interim reconciliation payment ("England and Wales IRP") for the relevant scheme year—
- any final reconciliation payment that a supplier is entitled to receive on a final reconciliation for the relevant scheme year is to be adjusted by adding M2% of England and Wales IRP;
  - any final reconciliation payment that a supplier is liable to pay a final reconciliation for the relevant scheme year is to be adjusted by subtracting M2% of England and Wales IRP.

## Governance and Management

- 4.85. We expect suppliers to have robust governance and management processes in place to be satisfied that the Core Group 1 and 2 element of the scheme is being delivered in line with the regulations. We seek evidence that a supplier can:
- Oversee, at an appropriate level of senior management, the implementation of the Core Groups schemes and rebate payments.
  - monitor and report on implementation progress at management level;

- and ensure at an operational level that there is sufficient management and administrative capacity to pay rebates on time.

## 5. Provision of rebates

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### The value of the rebate

- 5.1. The value of the rebate provided to Core Group 1 and Core Group 2 customers is £150 in each scheme year.
- 5.2. The value includes VAT. VAT should be applied to rebate payments when crediting an account or providing the rebate to a customer.<sup>38</sup>
- 5.3. The supplier must provide the rebate by 31 March in a scheme year if a notification of a rebate is issued on or before 1 March of that scheme year. If notified after 1 March the supplier has 30 days to provide the rebate and it will be treated as provided in the scheme year when the notice was given.<sup>39</sup> We encourage suppliers to provide the rebates as early as possible, however, to provide maximum benefit to the recipients during the winter months.

### Payment methods

- 5.4. Providing a rebate means:
  - crediting the amount of the rebate to the customer's electricity or gas account,
  - providing a customer who prepays for electricity or gas with credit against future energy use, or
  - tendering payment to the customer.<sup>40</sup>
- 5.5. Crediting against future use may include using the rebate to reduce debts on customer electricity accounts. If requested by the customer, suppliers can reduce rebates on customer gas accounts. See paragraph 5.9 - 5.13 for further information on when a customer's gas account can be credited.
- 5.6. The preferred methods are to directly credit the customer account or provide credit (including rebates through tokens) to the prepayment device. Tendering the payment

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<sup>38</sup> Regulations 10(3)

<sup>39</sup> Regulation 10(5)

<sup>40</sup> Regulation 10(3)(c)

by cheque or electronic transfer should be a last resort (minimising the opportunity for fraud).

- 5.7. A supplier must specify on the recipient's energy bill, or otherwise notify in writing, that the rebate was made under the WHD scheme.<sup>41</sup>
- 5.8. Suppliers may provide rebates through a smart meter. In this scenario, the supplier must notify the customer in writing that the rebate was made under the WHD scheme.

### Rebates to the electricity or gas account

- 5.9. For customers with dual fuel accounts, the default approach is to provide the rebate to a customer's electricity account. Customers can request for the rebate to be paid to their gas account. The rebate can only be provided to a customer's gas account if a customer has requested so.
- 5.10. Following a customer request, the supplier may credit a customer to their gas account, or where the customer prepays for gas, the supplier may provide the credit to the customer PPM for future gas use.<sup>42</sup> We encourage the suppliers to act in the customer's interest and accommodate the request.<sup>43</sup>
- 5.11. Where there is not a separate account for gas and electricity, the suppliers should consider the rebate as being applied to the electricity account.
- 5.12. Suppliers must ensure that each customer is provided with the correct rebate amount, regardless of how this is distributed across accounts.
- 5.13. In the end-of-year reports we ask suppliers to provide the amount credited to each account type. This information should be provided where the rebate is directly applied to the gas account on the customer's request. Where the rebate is applied to an electricity account and then transferred to the gas account, suppliers do not need to report this.

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<sup>41</sup> Regulation 10(7)(b)

<sup>42</sup> Regulation 10(3)

<sup>43</sup> See The Government Response to the Warm Home Discount Consultation 2016/2017  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/531871/DECC\\_WHD\\_Government\\_response\\_FINAL\\_22\\_06\\_16.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/531871/DECC_WHD_Government_response_FINAL_22_06_16.pdf)

## Providing a rebate where the account is not credited directly

- 5.14. Some customers, for example prepayment meter (PPM) customers or Core Group customers who have since switched supplier, often receive their rebate via a voucher, cheque or Special Action Message (SAM). Sending a rebate is deemed as a rebate being *provided*. If the voucher/SAM/cheque is cashed or the account is successfully credited the rebate is considered *delivered*. If this payment is not redeemed or accepted the rebate is considered provided but not delivered.<sup>44</sup>
- 5.15. A supplier's end-of-year report must notify us of:
- the number of rebates that were provided but not delivered, and
  - the steps the supplier intends to take to deliver any outstanding rebates.
- 5.16. Where rebates are not delivered, suppliers must make at least one reasonable attempt, in addition to the process as notified to Ofgem, to deliver rebates to customers (ie, to make sure that the voucher is redeemed), and retain evidence of this. This should be distinct from the initial attempt(s) of delivery. For example, if a supplier originally made provision for the rebate through a voucher but this was not redeemed, an acceptable additional attempt could be telephoning the customer to remind them to redeem the rebate or issuing a SAM. Simply reissuing the voucher would not count as an additional reasonable attempt. The additional reasonable attempt must have been made before suppliers report on the delivery of rebates.
- 5.17. Suppliers must provide the rebate to customer accounts before the end of a scheme year. Suppliers must report on the rebates that are delivered between:
- 1 April to 31 August 2023 (SY12);
  - 1 April to 31 August 2024 (SY13);
  - 1 April to 31 August 2025 (SY14);
  - 1 April to 31 August 2026 (SY15).

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<sup>44</sup> Regulation 12(9)(b)

**Figure 5: Timelines for monitoring rebate redemption in SY12**



5.18. Figure 5 shows the timelines for monitoring rebate redemption in SY12. For the following scheme years, the dates apply respectively, ie 31 March is the end of a scheme year and 31 August end of reporting period. For rebates that are not delivered when a supplier provides its rebate redemption report, there are three possible outcomes for the supplier:

- If one additional attempt has been made to deliver the rebates, the supplier will be compliant with the Core Group 1 or Core Group 2 obligation for that scheme year (if all other requirements are met), but the value of any undelivered rebates will be added to a supplier’s non-core obligation for the following scheme year. If this is not possible (for example for voluntary suppliers), we will assess this on a case-by-case basis.
- Undelivered rebates of voluntary suppliers will be added to the non-core obligation in the following scheme year should they become fully obligated. This will apply in respect of suppliers that become newly fully obligated in scheme year 2022/23 and in future scheme years.
- If one additional attempt has not been made to deliver the rebates by the reporting deadline, this is non-compliance. The value of the undelivered rebates will be added to a supplier’s non-core obligation for the following scheme year, and we may take enforcement action.

### Dealing with suppliers no longer participating

- 5.19. Where a supplier participates in one scheme year and then does not participate in the following scheme year, for example, as a result of falling beneath the obligation threshold, the supplier is required to notify their customers that they will no longer be participating in the scheme.<sup>45</sup>
- 5.20. A supplier must notify its former Core Group customers in writing that the supplier is not participating in the Warm Home Discount scheme no later than one month after the start of the scheme year.
- 5.21. The supplier must also publish a statement on its website detailing that they are not participating in the Warm Home Discount scheme. This should be readily accessible on the supplier's website during the remainder of the scheme year.

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<sup>45</sup> Regulation 7(2) in the 2022 E&W WHD Regulations

## 6. Industry Initiatives

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6.1. Industry Initiatives are projects that help customers who are fuel poor or at risk of fuel poverty through a variety of activities. This section describes the permitted activities, the approval process and how the projects are administered.

### Industry Initiatives overview

6.2. Compulsory suppliers are expected to meet their non-core spending obligation through Industry Initiatives. Spending on Industry Initiatives can be done by either licensed electricity or connected licensed gas suppliers<sup>46</sup>. There are criteria that must be complied with to ensure that the Industry Initiatives spending will be counted towards a supplier's non-core obligation.

6.3. The overall spending on Industry Initiatives will be set for £40 million in 2022/23 across all compulsory suppliers and split between these suppliers according to their market share (see Chapter 2).

6.4. Where electricity suppliers are connected to more scheme gas suppliers the following applies:

- If a compulsory scheme electricity supplier (C) is **not** connected to other scheme electricity suppliers, then C can treat any amount spent by a connected scheme gas supplier as part of C's industry initiatives spending.
- If a compulsory electricity supplier (C) is connected to other scheme electricity supplier(s) (connected compulsory scheme electricity supplier), C can count spending incurred by a connected scheme gas supplier as part of C's II spending up to a certain percentage. This percentage is equal to C's number of GB customers of the combined customer numbers of C and its connected compulsory scheme electricity supplier(s).<sup>47</sup>

6.5. The Industry Initiatives spending will take into account some of the overspending or underspending in the Core Groups. The spending target for Industry Initiatives will be

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<sup>46</sup> Regulation 23

<sup>47</sup> Regulation 24

adjusted on a yearly basis, either downwards or upwards as appropriate, considering inflationary increases.

- 6.6. The adjustment of the Industry Initiatives spending will be capped at a difference of £10 million to the base Industry Initiative spending for the respective scheme year.
- 6.7. For SY12, suppliers may count spending incurred on Industry Initiative activities from 1 April 2022 even if the scheme year starts on a later date with the commencement of the 2022 E&W WHD Regulations, if we subsequently confirm that the spending meets all the requirements for Industry Initiatives.<sup>48</sup>
- 6.8. Spending on Industry Initiative activities must be incurred by a supplier by the end of the scheme year to be counted towards its non-core spending obligation for that scheme year.
- 6.9. If the activity is a requirement under a supplier's electricity or gas supply licence, or if the activity is being used by a supplier in order to meet spending obligations or targets imposed in another scheme, then spending will not count towards a supplier's non-core spending obligation for WHD.
- 6.10. Spending will also not count towards the fulfilment of a supplier's non-core spending obligation if the activity is part of a settlement between Ofgem and a supplier to provide consumer redress as a result of previous licence breaches or failure to meet a target under a licence condition.
- 6.11. Suppliers must complete a declaration in the Industry Initiative notification to confirm that the activities undertaken in the Industry Initiative are not also being counted as part of another obligation or licence condition.
- 6.12. It is not necessary for recipients of support funded by a supplier through Industry Initiatives to be a customer of that supplier.
- 6.13. An Industry Initiative must:
  - be permitted in the regulations;

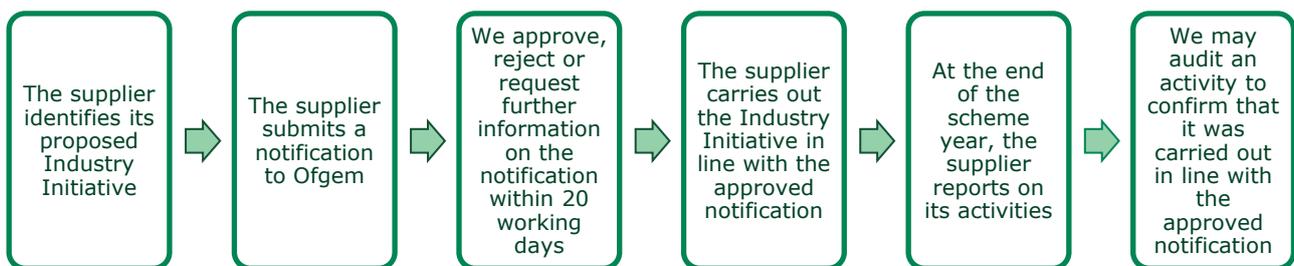
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<sup>48</sup> Regulation 23(2)

- provide energy advice and smart meter advice, so far as is reasonably practicable, to every customer benefitting from the Industry Initiative;
- be provided wholly or mainly to people in fuel poverty or in a fuel poverty risk group, and;
- provide value for money.

6.14. A supplier may run a new Industry Initiative activity as a pilot for one scheme year. If an Industry Initiative is notified as a pilot, we can be more flexible when assessing the success of targeting and value for money. See 'Pilot Industry Initiatives' under paragraphs 6.51-6.54.

**Figure 6: Process for confirming Industry Initiatives**



### Permitted activities

6.15. An Industry Initiative must be an activity permitted under Schedule 2 to the regulations. The notification should clearly identify the different eligible activities and provide information describing how the service will be provided. Permissible activities are summarised below, including a description of what types of spend can be counted towards a supplier’s non-core obligation:

#### **1) Providing energy advice and smart meter advice.**

Energy advice and smart meter advice should be provided, so far as is reasonably practicable, to every customer benefitting from an Industry Initiative. Energy advice means advice on reducing or preventing the wastage of energy in domestic premises. This includes advice on fuel options, tariffs and energy bills, as well as thermal efficiency advice and energy efficiency advice.

Research has shown that energy advice services offer the best outcomes for vulnerable and poor consumers when the service is bespoke, offers additional support and is delivered in their home.<sup>49</sup> Where possible we encourage suppliers to consider delivering energy advice services in this way.

Smart meter advice means advice on the benefits of using a smart meter in domestic premises.

**2) Paying organisations to refer customers who are in fuel poverty or a fuel poverty risk group and are, or may be, eligible to receive assistance through the WHD or for any other assistance from the supplier.**

**3) Providing benefit entitlement checks and/or assistance in claiming benefits.**

**4) Providing or funding the provisions by other parties to domestic energy consumers of:**

- energy efficiency measures,
- thermal efficiency measures,
- energy efficient appliances or
- microgeneration.

A supplier must ensure that any measures provided through an Industry Initiative are not also counted towards any other obligation, and that it has a robust process in place for identifying potential overlaps.

A supplier may only count the costs from the installation of a boiler or a central heating system, which is wholly fuelled by mains gas or gas hybrid, if at least one person resident in the household is:

- aged 65 or over,

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<sup>49</sup> Warm Home Discount - Energy Advice: Consumer Experiences (published 2014)  
<https://www.ofgem.gov.uk/publications-and-updates/warm-home-discount-whd-research-consumer-experiences-receiving-energy-advice>

- under the compulsory school age<sup>50</sup>,
- or is suffering from significant health problems or has a disability that may be exacerbated by cold which makes the person more vulnerable to impacts of a cold home.

Repairs aren't within this restriction nor are renewable/mainly renewable boilers and central heating systems.

A supplier cannot count cost arising from the installation of a high-risk boiler or any central heating system unless the boiler and central heating system is:

- installed by or under the responsibility of, a person who is registered with TrustMark;
- a certificate of lodgement is issued; and
- installed along with arrangements for quality assurance and consumer protection, including arrangements for repairs and other remedies and compliance with PAS 2030:2019 and PAS 2035:2019, which are equivalent to the requirements under TrustMark.

The installation of new LPG or oil boilers and central heating systems is not allowed under the WHD. Repairs of existing boilers and central heating systems running on LPG, oil, and other fuels are permitted under WHD.

#### **5) Funding training for people to provide energy advice.**

A supplier may not count costs of energy advice or training its own employees or contractors, or the employees or contractors of a company in the same group of companies as the supplier. For training initiatives, we would look for evidence that the trainees were from organisations that would be providing a service to fuel poor or low-income households, eg:

- charitable organisations working with people with particular vulnerabilities,
- advice agencies that can show that their customers comprise wholly or mainly low income or fuel poor clients,

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<sup>50</sup> The compulsory school age begins at 5 based on Section 8 of the Education Act 1996. So 'under compulsory school age' means under 5 years old.

- organisations solely operating in geographies with low scoring multiple deprivation indices.<sup>51</sup>
- A supplier also may not count costs of funding training for people to provide smart meter advice.

### **6) Providing assistance to reduce or cancel energy debts, as part of a package of measures aimed at giving customers long-term relief from fuel poverty.**

A supplier may not count costs arising from a billing error, or back-billing that falls within the Ofgem criteria.<sup>52</sup>

There is a cap on the amount of debt write-off that a supplier can count towards its non-core spending obligation as described in Chapter 2 paragraphs 2.10-2.14.<sup>53</sup> There is also an additional individual customer cap of £2,000 for debt write-off.

Debt write-off is the provision of assistance to reduce debts for electricity or gas supply to domestic premises by cancelling or reducing the debts, and the administrative costs associated with this. Debt assistance activities are not affected by this cap. Debt assistance may include advice and support for vulnerable customers on financial management and smart meters, energy efficiency and other measures to keep down energy bills.

Insolvency and bankruptcy fees cannot be included as attributable spend as part of an Industry Initiatives activity.

### **7) Provision of rebates to eligible occupants of mobile homes.**

A supplier may provide rebates to eligible occupants of mobile homes who would qualify under Core Group 1 or 2. This includes buildings, such as Park Homes, which fall under the meaning given in Section 5 of the Mobile Homes Act 1983.<sup>54</sup>

Rebates should be of the same value as, and made in line with, Core Group 1 and 2

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<sup>51</sup> Multiple Deprivation Indices in:

England: <https://www.gov.uk/government/collections/english-indices-of-deprivation>

Wales: <http://gov.wales/statistics-and-research/welsh-index-multiple-deprivation/?lang=en>

<sup>52</sup> <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/who-contact-if-its-difficult-paying-energy-bills/energy-back-billing-your-rights>

<sup>53</sup> Regulation 19(4)(b)

<sup>54</sup> <https://www.gov.uk/government/collections/park-homes>

rebates. See Chapter 5 for information on how to provide a rebate.

Most occupants of mobile homes do not have a direct relationship with an energy supplier, and as such it will not be possible in the majority of cases to apply a rebate directly to an energy account. To encourage these recipients to use the rebate to pay for future energy use or to reduce debts on energy accounts, we expect that correspondence attached to the WHD rebate would state that the rebate is used to assist with energy costs. We also expect the notification to clearly show how the risk of fraud or abuse on these rebates will be minimised. This should include plans to counter fraud, abuse and misuse in relation to applications and interception of the rebate

**8) Providing energy advice or energy efficiency measures** to customers who are:

- living in off-gas grid homes;
- living in households with a person who has a significant health problem or disability; or
- living in communities where residents are wholly or mainly in fuel poverty.

**9) Providing financial assistance to be spent towards energy bills, including rebates, to households that are particularly at risk of fuel poverty or in emergency situations.**

Suppliers may make payments of up to £150 per household towards the gas or electricity bills of consumers who meet at least one of the following criteria:

- living in off-gas grid homes;
- living in a household with a person who has significant health problems or a disability;
- living in communities where residents are wholly or mainly in fuel poverty;
- supplied with gas or electricity through a pre-payment meter; or
- in emergency situations such as households in one of the risk groups described above who don't have sufficient credit, or where a heating system is broken, and households are forced to use more expensive temporary heating.

Payments in relation to charges incurred by an E&W domestic customer before the date on which the financial assistance payment was made cannot be counted towards a supplier's industry initiatives obligation.<sup>55</sup>

The targeting of assistance can work well with ECO flexible eligibility declarations.

The limit on the amount of spending allowed for financial assistance is described in Chapter 2.

Suppliers will not be able to count debt write-off spending under financial assistance, though financial assistance can be given in combination with other Industry Initiatives, such as debt reduction advice. In the cases where both types of assistance are provided, suppliers will need to set out clearly the level of support provided as financial assistance and the level of support provided as debt write-off.

### Specified Activities

6.16. BEIS will provide further guidance on Specified Activities as required. Specified activities will be detailed and published in a notice by BEIS. The same criteria apply to specified activities as to Industry Initiatives in general, as set out in chapter 6 of this Guidance.<sup>56</sup>

### Eligibility criteria

6.17. The outcomes of Industry Initiatives must be delivered, as far as reasonably practicable, wholly or mainly to people in or at risk of fuel poverty.

6.18. We interpret wholly or mainly to mean significantly more than half. We expect suppliers to show that a significant proportion of Industry Initiatives beneficiaries are in or at risk of fuel poverty. Fuel poor households are defined in Chapter 1 'Eligibility criteria' paragraph 1.8.

6.19. Groups who may be at risk of fuel poverty could include vulnerable households who because of frailty, particular needs or medical conditions require heating their home for longer or to a higher ambient temperature. If suppliers provide alternative definitions or criteria these will be fully examined and considered.

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<sup>55</sup> Schedule 2 Part 1 of the 2022 E&W WHD Regulations

<sup>56</sup> Regulation 24 in the 2022 E&W WHD Regulations

6.20. We will check the notification to ensure that the supplier has clearly described how the initiative will be targeted and how evidence will be gathered to support targeting. Where a supplier conducts a financial assessment as part of its service, we expect this to form part of the evidence proving the number of recipients on low income. If this type of information is not routinely collected about individuals, then we will look for evidence that the group targeted are wholly or mainly in or at risk of fuel poverty. This evidence could include:

- working with organisations that operate in areas of deprivation, or
- working with client groups that are likely to be wholly or mainly fuel poor, or
- listed in a declaration from a local authority (LA)<sup>57</sup> stating that the households meet one of the four eligibility routes listed under ECO4 Flex:
  - Route 1: Household Income,
  - Route 2: Proxy Targeting,
  - Route 3: NHS Referrals,
  - Route 4: Bespoke Targeting.

6.21. To make LA declarations,<sup>58</sup> a LA must produce a valid statement of intent (SoI) regarding its delivery of the ECO flexible eligibility provision. This SoI should be publicly available (eg published on an LA's website) so that it can be easily accessed by interested parties.

6.22. The supplier must be able to evidence that:

- 1) the SoI was published prior to any declarations being made by that LA, and
- 2) the SoI confirms that the LA intends to adhere to the four routes available under ECO4 Flex.
- 3) The SoI has been signed by the CEO or dedicated responsible person.

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<sup>57</sup> The LA declaration must be valid in the respective scheme year, or valid under ECO4

<sup>58</sup> Further information on LA declarations can be found in the ECO4 Guidance on LA Flex. This will be available on: <https://www.ofgem.gov.uk/environmental-and-social-schemes/energy-company-obligation-eco/contacts-guidance-and-resources/eco-guidance-and-associated-documents>.

- 6.23. We encourage any supplier that uses a method of group verification to also randomly sample individual beneficiaries of an initiative to confirm that the group is wholly or mainly fuel poor or at risk of fuel poverty.
- 6.24. Financial assistance payments to domestic customers are allowed under Industry Initiatives if the customer is also eligible for a rebate under the Core Group 1 or 2.

### Value for money

- 6.25. In assessing value for money, we may take into account:
- the administration cost per applicant, awardee, or trainee
  - the average amount of each award or benefit
  - the spend versus the outputs, and
  - any additional value.
- 6.26. The type of information that a supplier should provide to demonstrate value for money depends on the nature and scope of the proposal. Administration costs must be provided if they are attributed to the non-core obligation. This should include the costs (where applicable) of the direct service, central overheads, publishing, advertising, equipment costs, accommodation costs, etc. We expect that activities like referrals, benefit entitlement checks, energy advice and training should be able to itemise their running costs within this overall heading. If the administration cost will not be attributed to the non-core obligation, the notification should confirm this.
- 6.27. For debt write-off schemes if the administration costs are included in the notification, these will count towards the cap on debt write-off.
- 6.28. For debt assistance schemes there should be information on the range and average income of the beneficiaries and awards made to them. Information should also be included on the number of applicants that receive benefits or financial advice, energy efficiency advice, smart meter advice, and other assistance whether this is energy efficiency measures, other financial assistance, etc.
- 6.29. For energy efficiency measures, in addition to providing separate information on the administration of the scheme, information on costs of the individual measures, the number of each type of measure provided, and the number of awardees should be included.

6.30. The cost breakdown detailed above should be provided as a minimum.

### Interaction with other schemes

6.31. Any measure delivered under Industry Initiatives should not be used to meet any other obligation, including, but not limited to, the Energy Company Obligation (ECO), the Boiler Upgrade Scheme (BUS) or Home Upgrade Grant (HUG).

6.32. The 2022 E&W WHD Regulations do not anticipate co-funding of WHD with other schemes. BEIS' policy position is that WHD measures must not be the beneficiary of other government funding. As such, support cannot be provided for any measures that have received other government funding. Accordingly, appropriate action will be taken against installers who breach these conditions.

### Governance and management

6.33. We expect a supplier's governance and management processes to be strong enough to satisfy themselves that the Industry Initiatives element of the scheme is being operated in line with the regulations. Suppliers must provide evidence that they can:

- oversee at senior management level the implementation of Industry Initiatives schemes and rebate payments
- monitor and report on implementation progress at management level, and
- ensure that there is sufficient management and administrative capacity to deliver the Industry Initiatives at operational level.

### Delivery Agents

6.34. We recognise that suppliers may appoint third parties or engage in partnerships with organisations to effectively administer Industry Initiatives activities. We expect suppliers to be prudent when choosing a third party to carry out any of its functions as a compulsory supplier. Suppliers are responsible for ensuring that any third party spends the money correctly.

6.35. Suppliers should be able to demonstrate that a third party is the most appropriate organisation to deliver the activity. This can be either an explanation of why the organisation is the preferred provider, or through a tendering process demonstrating that the organisation provides the best value for money.

6.36. For Industry Initiatives that involve third parties the following information is required:

- a description of which organisation is responsible for which activities
- evidence that a contract or formal agreement is in place with the third party / parties, including instructions from suppliers to third party partners as to what the money must be spent on, relevant scheme restrictions and reporting and confirmation that the money was spent correctly by the third-party partner;
- the frequency and nature of reporting between a supplier and the third-party organisation(s);
- other information eg on the internal governance structures of the third party organisation(s); and
- if a supplier provides a donation or other payment to a trust fund or charitable trust, we expect the supplier to record details that the payment was made within the relevant scheme year, and to keep a record of this for audit;
- if applicable, data relating to the TrustMark lodgement including but not limited to the TrustMark Business Licence Number and Certificate Number for the measures installed and whether they were installed in a High or Low Risk Property.

6.37. If a supplier uses a third party, including a trust, the supplier is ultimately responsible for ensuring adequate controls and compliance.

6.38. We are able to discuss initiatives with third parties and advise them on proposals or reporting, if we receive confirmation from a supplier that they want us to do so.

6.39. If a supplier has any concerns regarding its obligations when working with third parties or trusts, it should contact the WHD team.

## TrustMark

6.40. TrustMark was incorporated in WHD from 1 April 2021. The boiler and central heating measure must be installed by, or under the responsibility of, a person who is registered with TrustMark. Only a lodged measure will count towards the energy supplier's non-

core spending obligation. TrustMark will set out the process for lodgement in their Framework Operating Requirements.<sup>59</sup>

### Relevant standards

- 6.41. This section refers to the inclusion of the Publicly Available Specification (PAS) standards PAS 2035:2019 and PAS 2030:2019<sup>60</sup> into WHD.
- 6.42. PAS 2035:2019 covers the whole life cycle of a retrofit project, from the initial engagement with a client, through the assessment, design, installation and evaluation stages that should be undertaken to ensure that suitable energy efficiency measures are installed appropriately to the right premises.<sup>61</sup>
- 6.43. PAS 2030:2019 sets out how the installation of specific energy efficiency measures should be carried out in existing domestic buildings.
- 6.44. Suppliers should ensure all boilers in high-risk properties<sup>62</sup> and central heating systems in all homes must be installed in accordance with PAS 2030:2019 and PAS 2035:2019. Definition on what is considered high risk can be found in PAS 2030:2019 and PAS 2035:2019, table B.1. The following can be classed as high-risk properties:
- Park homes,
  - High rise building and building that are both traditionally constructed and protected as defined in PAS 2030:2019 and PAS 2035:2019.
- 6.45. All installers carrying out measures installed in accordance with PAS 2030:2019 and PAS 2035:2019 must be TrustMark registered before or from 1 April 2021. However, TrustMark may have further requirements beyond just evidencing that an installer is PAS 2030 and PAS 2035 certified and can be found within TrustMark's Framework Operating Requirement document.<sup>63</sup>

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<sup>59</sup> Helpful Information, Guidance & Advice For Work Done Around Your Home.

<https://www.trustmark.org.uk/aboutus/useful-links>

<sup>60</sup> 2022 E&W WHD Regulations Schedule 2 Part 2 regulation 1(3)

<sup>61</sup> This is available for purchase on the BSI website: <https://shop.bsigroup.com/products/retrofitting-dwellings-for-improved-energy-efficiency-specification-and-guidance-3/standard>

<sup>62</sup> High-risk properties are: park homes as defined in the Mobile Homes Act 1983, and high rise buildings and buildings that are both traditionally constructed and protected as defined in PAS 2030:2019 and PAS 2035:2019

<sup>63</sup> [https://www.trustmark.org.uk/docs/default-source/scheme-documents/framework\\_operating\\_requirements-v2-5-1-11-21.pdf](https://www.trustmark.org.uk/docs/default-source/scheme-documents/framework_operating_requirements-v2-5-1-11-21.pdf)

- 6.46. To provide assurance that the relevant measures are installed in accordance with PAS 2030:2019 and PAS 2035:2019, TrustMark will issue a Certificate of Lodgement once the project Retrofit Coordinator has signed off the project and submits a lodgement.
- 6.47. For every measure, suppliers must obtain the following information for the purpose of the WHD end-of-year report:
- TrustMark Business Licence Number
  - Certificate Number
  - Lodged by TrustMark installer name
  - TrustMark installer name
  - Measure handover date
  - Measure type
  - Measure standard
  - Unique Measure Reference
  - Lodgement status
- 6.48. Suppliers will be required to submit the TrustMark Business License Number and the Certificate Number in order for Ofgem to validate this key regulative requirement. We will validate these against the TrustMark Data Warehouse.

### Fraud prevention

- 6.49. We expect suppliers to manage fraud and abuse. In its notification, a supplier will need to demonstrate how it plans to make sure that the funding committed to Industry Initiatives activity is used appropriately, and that the outcomes delivered by it are accurately represented. The WHD team needs to be satisfied with the fraud prevention measures in place before we approve an Industry Initiative.
- 6.50. Further details on audit and fraud prevention are in Chapter 8.

### Pilot Industry Initiatives

- 6.51. A supplier may run a new Industry Initiative activity as a pilot for one scheme year. If an Industry Initiative is notified as a pilot, we can be more flexible when assessing the success of targeting and value for money. This is intended to encourage more innovative schemes.

- 6.52. Suppliers should specify in the notification that the Industry Initiative is a pilot. The notification should be as thorough and robust as for any other initiative. This includes demonstrating how the initiative will meet all of the criteria on Value for Money, Targeting, Governance and Management, and Fraud Prevention outlined in this guidance.
- 6.53. Pilot Industry Initiatives can only run for one scheme year and should not have a value of more than £300,000.
- 6.54. Suppliers must submit an end-of-year report for pilot industry initiatives. We will assess the initiatives' successes against the outcomes described in Table 6. To clarify, if a supplier submits a new Industry Initiative that is valued over £300,000, it will not benefit from the more flexible approach designed for pilot initiatives.

### Notification and approval process

- 6.55. A supplier's Industry Initiative proposal must be submitted to the WHD inbox (whd@ofgem.gov.uk) using the notification template we provide. Ofgem will circulate the SY12 notification template to suppliers and WHD delivery partners ahead of the regulations coming into force. Notifications should be signed by an appropriate senior officer from the supplier who will be accountable for the activity outlined in the notification.
- 6.56. Within 20 working days of receiving a scheme notification we will approve or reject the proposal or request additional information.<sup>64</sup> If we ask for more information, we will provide a determination within 20 working days of receiving the information requested. In case the notification is received in the first eight weeks of the commencement of the scheme, we will get back to the supplier within 12 weeks of the start of the scheme.
- 6.57. An activity should only be conducted in line with the approved notification for spend to be eligible. If there is a problem in undertaking the Industry Initiative activity in line with its approved notification, the supplier should contact us as soon as possible.

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<sup>64</sup> Regulation 25(4)(b)

**Table 6: Possible outcomes for an Industry Initiative**

<b>Possible Outcome</b>	<b>Pilot Industry Initiatives</b>	<b>Non-Pilot Industry Initiatives</b>
<p>The Industry Initiative was successfully delivered and achieved the outcomes specified in the notification.</p>	<p>We will confirm this to the supplier as part of the end-of-year reporting process.</p> <p>If the supplier wants to continue the activity in future scheme years, it will be assessed against the usual rules with regards to value for money and targeting.</p>	<p>We will confirm this to the supplier as part of the end-of-year reporting process.</p>
<p>The value for money or targeting did not deliver to the extent outlined in the notification.</p>	<p>If a supplier can give evidence that they attempted to meet the criteria, and followed the processes outlined in its approved notification, we will accept the Industry Initiative as compliant for that scheme year and count all of the spending on this initiative towards the supplier’s non-core obligation.</p> <p>If a supplier intends to continue the activity in future scheme years, we expect it to make amendments to address any shortfalls. In this case the activity would be subject to our usual scrutiny and would no longer benefit from the more flexible pilot initiative approach.</p>	<p>We will count all of the spending on this initiative towards the supplier’s non-core obligation.</p>
<p>The Industry Initiative was not</p>	<p>We will not count all or part of the spending on this initiative</p>	<p>We will not count all or part of the spending on</p>

<b>Possible Outcome</b>	<b>Pilot Industry Initiatives</b>	<b>Non-Pilot Industry Initiatives</b>
successful for any other reason.	towards the supplier's non-core obligation.	this initiative towards the supplier's non-core obligation.

6.58. Multi-supplier Industry Initiatives, undertaken by one or more compulsory suppliers, are permitted under the WHD scheme. In this case, we will accept a single notification document on behalf of multiple suppliers, if each supplier confirms they are supporting the initiative and the level of funding they will provide through an accompanying cover letter.

6.59. A supplier should inform us of any funding provided to Specified Activities, so that we can monitor spending on its non-core obligation.

### Amending an approved Industry Initiative notification

6.60. Any amendments to Industry Initiative proposals must be submitted to Ofgem. This includes situations where anticipated spend or level of outputs has changed significantly from the original notification. Approval of amendments will generally follow the process outlined above for initial proposals. An amendment should not be put into effect by the supplier until we have approved it.

## 7. Reporting

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### Customer data notification

- 7.1. In each customer data notification, we require the number of customers for the licensed domestic electricity suppliers and any licensed domestic gas suppliers connected to the licensed domestic electricity supplier.<sup>65</sup> Domestic dual fuel customers need to be counted twice (once as an electricity customer and once as a gas customer). To reduce the administrative burden on suppliers, we encourage joint notifications from connected licensed domestic suppliers as long as they detail each licensed supplier's relevant customer data separately.
- 7.2. The number of GB customers on the 31 December or calculation date entails the number of customers that a supplier provides electricity, gas or dual fuel to on that date.<sup>66</sup> If a supplier is connected to any other scheme gas suppliers, the customer numbers of the connected suppliers are to be included. Where a supplier is connected to any other scheme gas as well as scheme electricity supplier, the supplier's share is also to be calculated.
- 7.3. In case a supplier does not communicate its customer numbers by the appointed reporting date, or we consider that a notification is inaccurate, Ofgem will calculate the supplier's GB domestic customer number on the calculation date.<sup>67</sup> Along with any relevant action, we will record this as a WHD scheme non-compliance on our Supplier Performance Report and record it in our annual report. We may also take enforcement action, if appropriate.
- 7.4. Suppliers can consolidate their obligations under a single licence once they have submitted their customer number data to Ofgem and their obligations have been determined.

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<sup>65</sup> For the purposes of the regulations, an electricity supplier or gas supplier (A) is connected to an electricity supplier or gas supplier (B) if A and B are companies belonging to the same group of companies

<sup>66</sup> See regulation 5 of the 2022 E&W WHD Regulations

<sup>67</sup> Regulation 5(3)

## End-of year customer number reporting

- 7.5. Each licensed domestic electricity supplier, and any licensed domestic gas supplier connected to a licensed domestic electricity supplier, is required to notify Ofgem of the number of domestic customers it had on the 31 December preceding the start of a scheme year.
- 7.6. This notification needs to take place by the 21st day after the commencement date for SY12, and by the 1 February for the following scheme years 13, 14, and 15.<sup>68</sup>
- 7.7. We will use the information notified by suppliers to determine who is obligated and calculate the size of their non-core obligations for the subsequent scheme year as well as for running the Core Groups' reconciliation for the current SY.

## Mid-year customer number reporting

- 7.8. From SY13, a second customer number reporting date is introduced for suppliers. This ensures that energy supplier obligations reflect up-to-date data and consider fluctuations in customer numbers.
- 7.9. The purpose of the second reporting date from SY13 onwards is for the Core Groups' reconciliation process only, so that the reconciliation of energy supplier spending on Core Group rebates is based on more recent market share data. The size of a supplier obligation will not be adjusted.
- 7.10. Ofgem will send a notice to suppliers in each scheme year asking the suppliers to report their customer number. The date appointed in this notice will be at least 14 days after the notice is given. The mid-year reporting date will be set closer to the qualifying date for the Core Groups. See paragraphs from 4.12 onwards for more information on the qualifying date. The notice will specify a calculation date for a supplier's customer number which will be at least a month before the specified reporting date.

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<sup>68</sup> Regulation 5(1)(b)

## End-of-year report

- 7.11. Following the end of each scheme year we will write to each compulsory and voluntary supplier asking it to confirm that it complied with its Warm Home Discount obligations and include a bespoke reporting template.
- 7.12. Suppliers must complete the template and return it to the WHD mailbox (whd@ofgem.gov.uk) in the original format as provided (usually MS Excel). This format is used to reduce the risk of calculating errors and manual checking. If suppliers are unable to use the template as provided, they should contact the WHD team as soon as possible to agree a suitably robust alternative.
- 7.13. Suppliers with multiple licences have the option to consolidate under one licence for the purpose of reporting, after the obligations are set. Ofgem determines at end of a year whether the spend has been met and caps adhered regarding the overall supplier group obligation rather than at individual licence level. Trading obligations will continue not to be permitted.
- 7.14. We also require suppliers to report on any spending incurred by a connected scheme gas supplier to confirm any WHD activities they have undertaken and outline how spending should be allocated to the suppliers, if a supplier wishes to count it towards its non-core spending obligation to the extent permitted by regulation 23.<sup>69</sup>
- 7.15. The end-of-year report must be provided by:
- 26 May 2023 (SY12),
  - 26 May 2024 (SY13),
  - 26 May 2025 (SY14),
  - 26 May 2026 (SY15).
- 7.16. Suppliers must submit accurate and correct information. Each end-of-year report we receive should include confirmation that the results reported by a supplier have been independently checked to be accurate and compliant with the regulations. We require each supplier to submit an audit report to accompany its end-of-year report. This should outline the audit assurances for compliance of the activities included in the end-of-year

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<sup>69</sup> As detailed in the 2022 E&W WHD Regulations regulation 23

report. For further information, see the 'Supplier internal audit requirements' section of Chapter 8.

7.17. If we ask for clarification or additional information it must be provided within 15 working days of our request, or by the deadline indicated in the request.

### End-of-year reporting process

7.18. We will initially review each of the individual reports for completeness (ie that the reports contain all the relevant information required to be able to determine compliance). If a supplier's report is considered incomplete, we will contact the supplier and request the relevant information. Once we are satisfied that the information is complete, we will send a confirmation letter to the supplier. This letter will be issued within 20 working days of a supplier submitting its final report, or within 20 working days of a supplier submitting any additional information requested.

7.19. After determining completeness, we will review the reports to determine compliance. This will include ensuring that a supplier's spending obligations have been met (taking spending caps into account where appropriate) and ensuring that compulsory suppliers have carried out activities as described in their approved notifications. If concerns are identified at this stage, we will raise them with the supplier immediately.

7.20. Should we determine that an activity is not compliant with the regulations, including where an Industry Initiative measure is rejected by TrustMark, we may not allow a supplier to attribute all or part of the spending towards its obligation.

7.21. We may choose to take action, including enforcement action against a supplier deemed non-compliant with its spending obligation or where it fails to complete other duties required under the regulations.

7.22. We will conduct end-of-year compliance checks, and report our final determination to suppliers, as soon as possible, and no later than:

- 30 September 2023 (SY12),
- 30 September 2024 (SY13),
- 30 September 2025 (SY14), and
- 30 September 2026 (SY15).

## Core Group 1 and 2 report

### Spend

7.23. Compulsory and voluntary suppliers are required to provide us with their total spending on the Core Group 1 and 2. We will check that the spending is in line with the rebates provided.

### Rebates

7.24. Each supplier must provide details on the total number of Core Group rebates it has provided. This will include a breakdown of how many were provided as a result of the data match, and how many were provided through the sweep-up and imputation exercises. We will use this data to cross-check against information provided by the SoS.

7.25. Suppliers must also provide details of the total number of rebates delivered, and the steps it intends to take to deliver any outstanding rebates.

7.26. A breakdown of the value of rebates provided to electricity accounts and gas accounts must be provided where this information is available. This data will be used to monitor how the scheme is being delivered but will not be considered as part of our compliance assessment.

7.27. We will require confirmation that all Core Group rebates were provided by the end of the scheme year, or within 30 days of receiving the customer instruction from the SoS if this was provided after 1 March of that scheme year. If any late payments were made, the supplier should provide the reasons for this.

7.28. Where an instruction to pay a customer was returned to the SoS we need confirmation that this took place within 30 days. If any instructions were not returned or were returned late, the supplier should provide reasons for this.

7.29. The geographical breakdown of rebate provision between England and Wales should be provided by suppliers. Suppliers may use their own methods, or the postcode areas

given in our 'Guidance on monitoring supplier's performance in relation to domestic customers'.<sup>70</sup>

- 7.30. Suppliers must confirm that all Core Group customers were notified that the rebate was provided as part of the WHD scheme and that rebates were delivered by one of the methods outlined in the 'Payment Methods' section of Chapter 5.

### Exceptions

- 7.31. Suppliers must provide us with the total number of Core Group customers where they think a regulation 11 exception should apply (see Chapter 4, Table 5). We require suppliers to explain the efforts they have taken to provide the rebates before the exception was determined.
- 7.32. In cases where a supplier is not able to provide a rebate and an exception is not available under regulation 11, the supplier should set out the circumstances, provide the number of customers that fall under each circumstance and outline the steps taken in attempting to provide each of the rebates. The application or otherwise of any exemption under the 2022 E&W WHD Regulations is a matter of discretion for Ofgem.

### Industry Initiatives reports

- 7.33. Suppliers must provide reports for each individual Industry Initiative as part of the end-of-year reporting process. All spending figures provided in each report should exclude any VAT.

### Spend

- 7.34. Suppliers are required to provide details on how much was spent on the Industry Initiatives, and how much of that spend is to be attributed to the WHD scheme. A supplier should further notify Ofgem of the amount of spending on Industry Initiatives and the amount of each Industry Initiative activity dedicated to households with at least one person with significant health problems or a disability.
- 7.35. If there is a variance of more than 5% between the spending projected in the notification and the actual spend, a supplier should explain this.

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<sup>70</sup> [https://www.ofgem.gov.uk/sites/default/files/docs/2019/09/sor\\_guidance\\_decision\\_v2.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2019/09/sor_guidance_decision_v2.pdf)

Postcode areas are listed in Appendix 4 of the document

- 7.36. Where there is a variance, suppliers should contact the WHD team (at whd@ofgem.gov.uk in the first instance) as soon as possible and not rely on reporting this at the end of the scheme year.
- 7.37. Suppliers should provide evidence that the spending was incurred within the scheme year.
- 7.38. We will check whether a supplier's Industry Initiative cap is exceeded (including the cap on individual activities). If any cap is exceeded, we will only attribute the maximum allowable spend to a supplier's obligation.
- 7.39. Suppliers should provide confirmation from BEIS of any spending on Specified Activities.

### Targeting

- 7.40. Suppliers need to confirm that the targeting used was the same as approved in the scheme notification, and that any conditions put in place during the approval process have been met. We will review the percentage of people evidenced as being in fuel poverty or in a fuel poverty risk group.

### Activities

- 7.41. Suppliers must confirm that the activity carried out is in line with what was approved in the scheme notification. This will also include confirmation that:
- the spending or activity was not a requirement under a supplier's electricity or gas supply licence, and that the activity is not being used by a supplier to meet spending obligations or targets imposed in another scheme, and
  - the activities fall within the first column of the table in Schedule 2 to the regulations, and do not fall within an exception in the second column.
- 7.42. If a supplier fails to provide such evidence, the spend may not be eligible under the WHD scheme and the supplier may be found non-compliant.
- 7.43. For Industry Initiatives that have been counted toward a supplier's non-core obligation, but where the activities being funded have not been concluded at the reporting date, we will seek to complete the full end-of-year compliance checking later in the following scheme year.

7.44. Suppliers must provide estimates of the proportion of Industry Initiatives spending to households where at least one person has significant health problems or a disability on.<sup>71</sup> This has to include estimates of:

- the proportion of overall Industry Initiatives spending, and
- the proportion of spending on each type of Industry Initiative.

### Value for money

7.45. We look for evidence that any provisions put in place around value for money during the approval process are met. We will look at the spend versus the outputs to help us determine that value for money was delivered. We will also assess any evidence of additional value.

### Final rebate redemption report

7.46. Following the scheme year suppliers must notify us of the total number of rebates delivered. The report must be provided by:

- 31 August 2023 (SY12),
- 31 August 2024 (SY13),
- 31 August 2025 (SY14), and
- 31 August 2026 (SY15).

7.47. Suppliers must confirm that they have made at least one reasonable attempt to deliver the rebates to customers who have not redeemed the rebate.

7.48. Suppliers must confirm that the data has been independently checked through an internal verification process.

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<sup>71</sup> See regulation 27(2)

## 8. Fraud and Auditing

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8.1. We carry out audits to help suppliers meet the requirements of the WHD and monitor compliance. This section describes the requirements for the WHD scheme, including Ofgem's programme of audits, and the requirement for suppliers to conduct internal audits.

### **Ofgem's audit programme**

8.2. Our audit programme could cover any element of the scheme. We take a risk-based approach to audit and assurance. Although any supplier's activities may be audited, it is more likely that we will audit a new scheme activity, a newly obligated supplier or where earlier audits have identified recommendations.

8.3. Our audits aim to establish that:

- suppliers have robust processes for administering WHD
- suppliers are following the processes outlined in notifications Industry Initiatives, and
- information provided by suppliers has been prepared accurately using appropriate evidence.

8.4. We will appoint an independent auditor to conduct WHD audits on our behalf. Suppliers will be notified at least two weeks in advance of when these will take place, along with the detail of the scheme activity we intend to audit. Audits will generally take place at four key stages:

- Customer data notification: we may audit the customer data provided by suppliers to inform the market share calculations. This is conducted because any variation in a single supplier's data affects every supplier's obligation. This audit usually takes place in February.
- Mid-year audit: this is to minimise the risk of supplier non-compliance at scheme year end. If the audit highlights problems with delivery of an obligation, the supplier will have to agree remedial actions, and confirm that these have been resolved before the end of the scheme year.

- End-of-year audits: may be conducted to verify specific information provided by suppliers in their annual reports. This audit would usually take place in the month following the end-of-year reporting deadline.
- Rebate delivery audit: to verify the number of rebates delivered and check any exceptions. This audit would usually take place in the month following the final reporting deadline for rebate delivery.

- 8.5. After an audit, a meeting will take place between the auditor and the audited party to share and discuss the main findings. If the audit report contains any significant findings, we will highlight these to suppliers as soon as possible, so remedial action can be taken.
- 8.6. Suppliers will receive a copy of the draft audit report to consider within eight weeks of the date of visit. Key findings will be highlighted in the audit report, with associated recommendations to mitigate any issues. The supplier response to this should cover management’s proposed actions to address these recommendations, including timescales and who is responsible for which actions.
- 8.7. Once the finalised audit report has been agreed and issued, we will track the progress of agreed recommendations.
- 8.8. We may also request to conduct observation visits to selected supplier scheme activities during the scheme year. This helps us to assess the risk of non-compliance or fraud. We will notify suppliers before any visits and provide them with our expectations.

### Supplier internal audit requirements

- 8.9. Suppliers must do their own internal audits to make sure that information in their end-of-year reports, and final rebate redemption reports, is correct. Ofgem will be specifically looking for confirmation and assurance on the areas outlined in Table 7.

**Table 7: Supplier internal audit requirements**

Scheme Element	Summary of confirmation required in the internal audit report
All	The information submitted is accurate.

Scheme Element	Summary of confirmation required in the internal audit report
Core Group 1 and 2	<p>Core Group rebates were provided to all customers instructed by the Secretary of State on time, subject to any exceptions.</p> <p>All Core Group customers were notified, either through their bill or in writing, that the rebate payment was made under the WHD scheme.</p> <p>Incorrect customer instructions were returned to the Secretary of State within 30 days.</p> <p>Exceptions have been reported in line with those identified in Table 5 of this guidance.</p>
Industry Initiatives	<p>Total eligible spend is accurate.</p> <p>The targeting used is consistent with the approved notification.</p> <p>The activity cost breakdown and outputs achieved are accurately reported.</p> <p>The activities were undertaken in line with the approved notification and spending was after the date of approval.<sup>72</sup></p>
Rebate Redemption	<p>Where accounts are not credited directly (eg PPM customers), the number of rebates delivered is correct and 'one reasonable attempt' in addition to usual processes has been made where these have not been redeemed. This audit will be required alongside the final rebate redemption report due by 31 August of each respective scheme year.</p>

8.10. Staff employed on this activity do not need to hold professional audit qualifications. However, they need to be competent to perform such functions. They should also be

<sup>72</sup> More information on spending can be found in Chapter 6 'Industry Initiatives'

able to demonstrate their independence from company management and supplier WHD operational staff.

- 8.11. The audit report should accompany the end-of-year report and rebate redemption report and should include details of the results of the verification, the independence and competence of the party who did the audit, and when it was done.
- 8.12. Suppliers must ensure that audit assurance can be provided for the accuracy of the information reported for each activity under the WHD scheme, to support compliance assessment.

### Fraud, misuse and abuse prevention

- 8.13. Ofgem takes a zero-tolerance approach to fraud. A dedicated Counter Fraud team detects, prevents, and deters fraudulent activity across the schemes we administer. In the context of WHD, fraudulent activity is any dishonesty or misrepresentation of the regulations that undermines the government's policy intent or our administration of the scheme.
- 8.14. It is important that suppliers have robust fraud prevention controls to maximise the benefits for consumers in or at risk of fuel poverty. Suppliers should work closely with us to reduce the risk of fraud, and the risk of reputational damage to them and us. We expect that Core Group 1 and 2 rebate payments are only provided to customers identified by the Secretary of State and expect that suppliers will have effective internal management controls to allow for such assurance to be reached.
- 8.15. Suppliers should design and implement fraud, misuse and abuse prevention controls and details as a pre-requisite of approval for Industry Initiatives. The Ofgem WHD and Counter Fraud teams will help suppliers do this.
- 8.16. Where Core Group 1 and 2 rebates are not provided directly to a customer account (such as for those customers with prepayment meters) any alternative process should be strong enough that it cannot be intercepted by someone other than the recipient. Suppliers must outline how such payments are to be made and the controls they have that minimise the risk of cheques being fraudulently cashed. Suppliers should promptly report any instances of suspected fraud to the Ofgem Counter Fraud team at: [counterfraud@ofgem.gov.uk](mailto:counterfraud@ofgem.gov.uk). Suppliers must ensure that their investigations are

thorough and completed promptly, and they should contact us if they have any questions about their investigation or findings.

## 9. Appendix

This guidance document has been updated to take account of recent amendments to the WHD through 'The Warm Home Discount (England and Wales) Regulations 2022'. These regulations extend the scheme for a duration of four years and introduce the below changes to the WHD obligation.

Other amendments have been made to make the document more user friendly and clarify existing requirements. Where we have changed our administrative processes or supplier requirements, this is listed below.

**Table 8: Summary of key changes to the WHD guidance final version 1**

Paragraph	Summary of change	Areas of guidance impacted
<i>Overview of amendments</i>	Supplier obligation threshold changes and scheme years updated.	Throughout.
<i>1 (4-6)</i>	Updated to include the three elements of WHD: Core Group 1, Core Group 2, and Industry Initiatives.	Throughout.
<i>Figure 1</i>	Fixed rebate payments have been updated to include the £10 increase and the estimation of Core Group 2 spending is now based on the size of the eligible benefits groups using DWP benefits.	Throughout.
<i>1 (8)</i>	Updated 'Fuel Poverty' definitions across England and Wales.	Chapter 1: Introduction.
<i>1 (9-13)</i>	Updated customer account figures for Compulsory Suppliers and the responsibilities of Compulsory and Voluntary Suppliers have been updated to reflect their obligations as part of Core Group 2.	Chapter 1: Introduction and Chapter 4: Core Group 1 and 2.

<b>Paragraph</b>	<b>Summary of change</b>	<b>Areas of guidance impacted</b>
2 (1-2)	Spending target figures have been updated for Great Britain throughout the WHD scheme.	Chapter 2: Spending profile and limits.
2 (5-10)	Core Group and Industry Initiative spending estimate updates.	Chapter 2: Spending profile and limits, Chapter 4: Core Group 1 and 2, Chapter 6: Industry Initiatives.
2 (13-14)	New paragraphs added that £6 million debt write-off cap will be allocated under WHD for electricity and gas suppliers. Added information that a maximum of £3 million of the £6 million debt write-off cap can be allocated to people which are not supplied by a pre-payment meter (PPM).	Chapter 2: Spending profile and limits.
2 (19)	Removed Industry Initiatives percentage as the financial assistance changes are set at a minimum of £5 million and a maximum of £10.	Chapter 2: Spending profile and limits.
2 (20)	Wording updated to reflect the financial assistance cap at £150 per household per SY.	Throughout.
<i>Table 3</i>	New table added outlining the caps on boiler replacements, debt write-off and financial assistance.	Chapter 2.
3 (6)	New paragraph explaining licence obligation changes from SY12.	Throughout.

<b>Paragraph</b>	<b>Summary of change</b>	<b>Areas of guidance impacted</b>
3 (17- 19)	New paragraph on the adjustments made to overspend on the non-core obligation.	Chapter 3: Determining WHD obligations.
3 (20- 22)	New paragraph on the adjustments made to underspend on the non-core obligation.	Chapter 3: Determining WHD obligations.
3 (24- 26)	New paragraph on adjustments for non-core additional overspend for Supplier of Last Resort (SOLR).	Chapter 3: Determining WHD obligations.
4 (2)	New paragraph on customers who are data-matched between DWP and energy supplier data.	Chapter 4: Core Group 1 and 2.
4 (3)	New guidance on providing rebate to low-income households with high energy costs who are Core Group 2 customers of a participating supplier.	Chapter 4: Core Group 1 and 2.
4 (9-11)	New guidance around the rebate notice and a customer's eligibility for WHD.	Chapter 4: Core Group 1 and 2.
4 (15)	New paragraph on the supplier obligation to deliver rebate to Core Group 1 and 2 customers if they switch energy providers after the qualification date.	Chapter 4: Core Group 1 and 2.
4 (16-20)	New guidance on Core Group 1 customer eligibility, administration and end-of-year reporting.	Chapter 4: Core Group 1 and 2.
4 (22-25)	New guidance added on Core Group 2 obligations and customer eligibility. New guidance on Universal Credit too.	Chapter 4: Core Group 1 and 2.

<b>Paragraph</b>	<b>Summary of change</b>	<b>Areas of guidance impacted</b>
4 (27-30)	New guidance on government data on property characteristics and the VOA data methodology.	Chapter 4: Core Group 1 and 2.
Table 5	Customers not provided with a Core Group 1 or 2 rebate.	Chapter 4: Core Group 1 and 2.
4 (36-44)	New guidance on the reconciliation mechanism for Core Group 1 and Core Group 2 expenditures and suppliers.	Chapter 4: Core Group 1 and 2.
4 (69-73)	New guidance on supplier licence termination mid-way through the scheme year.	Chapter 4: Core Group 1 and 2.
5 (3)	New paragraph on the date on which suppliers must provide their customers' rebate.	Throughout.
5 (5)	New paragraph on suppliers reducing rebates on customer gas and electricity accounts.	Chapter 5: Provision of Rebates.
5 (9-11)	New guidance on providing rebates to customers with dual fuel accounts or PPM.	Chapter 5: Provision of Rebates.
6 (2-3)	New guidance reflecting the updated spending target for Industry Initiatives and Compulsory Suppliers' obligations.	Throughout.

<b>Paragraph</b>	<b>Summary of change</b>	<b>Areas of guidance impacted</b>
6 (4)	New guidance on where a compulsory scheme electricity supplier is, or is not, connected to other scheme electricity suppliers.	Chapter 6: Industry Initiatives.
6 (15)	New guidance on restrictions to repair boilers and central heating systems, funding provision and benefit entitlement checks, financial training, and the provision of rebates to fuel poor households and debt-write off.	Chapter 6: Industry Initiatives.
6 (20)	Updated information on local authority eligibility route.	Chapter 6: Industry Initiatives.
6 (49)	New examples of data collection needed for suppliers end of year report.	Chapter 6: Industry Initiatives.
<i>Figure 5</i>	Scheme year update for monitoring rebate redemption.	Throughout.
7 (1 – 4)	Shifted information from chapter 2 on customer number reporting to chapter 8. Updated customer data notification dates to reflect the process for determining supplier's obligations from SY12.	Chapter 7: Reporting, Chapter 2: Spending profile and limits.
7 (5-13)	New guidance on mid-year and end-of-year reporting dates and Ofgem's end-of-year compliance checks.	Chapter 7: Reporting.
7 (40)	New guidance for supplier's providing estimates of Industry Initiatives spending to households where at least one person is vulnerable to health problems.	Chapter 7: Reporting.

<b>Paragraph</b>	<b>Summary of change</b>	<b>Areas of guidance impacted</b>
<i>Table 7</i>	New table inserted outlining internal audit requirements across scheme elements.	Chapter 8: Fraud and Auditing.