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for energy consumers



Warm Home Discount Annual Report 2021-2022

Foreword

Since its launch in 2011 the government's Warm Home Discount (WHD) scheme has been providing targeted support to those that are on low-incomes, are vulnerable to cold-related illness or are living wholly or mainly in fuel poverty. Ofgem, as scheme administrator, has played a critical role in ensuring that the benefits of this important scheme are delivered.

To date, we have overseen suppliers' delivery of 25 million direct energy bill rebates as part of more than £3.5 billion in investments to support some of the most vulnerable in our society. In the last year alone (Scheme Year 11 (SY11)) vulnerable consumers were supported through the delivery of nearly £360 million in WHD measures. This included over 2.3 million direct rebates to energy bills and other forms of support, including providing energy efficiency measures to households and monetary and non-monetary assistance with consumer debt.

In recent years, many suppliers have increased efforts to support vulnerable customers and in WHD SY11 all obligated suppliers achieved compliance and all but one over-delivered on their obligations – often under challenging circumstances.

In the context of the current cost of living crisis this support for vulnerable customers has never been more critical. Alongside recently introduced government schemes to address rising energy costs¹, the WHD scheme remains an important tool to tackle fuel poverty during this period of high energy costs. The scheme itself has been evolving. In the current scheme year (SY12), which runs from 1 April 2022 to 31 March 2023, the rebate value has increased from £140 to £150 and annual support for around 750,000 additional households is being provided. SY12 also sees the threshold for compulsory supplier participation fall from a minimum domestic customer base of 150,000 to 50,000, ensuring an even greater number of consumers have access to the scheme.

Now, more than ever, every penny matters and the scheme delivers real benefits to those most in need. To ensure these benefits are realised we will continue to have strong expectations of suppliers, and will be carefully monitoring their performance throughout WHD SY12.

¹ [Information on Help for Households](https://helpforhouseholds.campaign.gov.uk/help-with-your-bills/): <<https://helpforhouseholds.campaign.gov.uk/help-with-your-bills/>>

I expect all suppliers to meet their obligations on time and in full, including ensuring they are proactive in meeting deadlines for reporting. It was disappointing that one supplier failed to meet our expectations in this regard in SY11. I also expect suppliers to closely track their delivery against plans and to be proactive in raising and addressing delivery risks at an early stage. We will continue to work with suppliers to ensure delivery of their scheme obligations but we will have an increasingly low tolerance for any failures to engage with us effectively – the stakes for individual households are too high.

Philippa Pickford

Director, Delivery and Schemes



£359.4 million
of support

In SY11 suppliers delivered over **£359 million** in WHD support to customers, an increase on the £351 million spent during SY10.

2.3 million
Rebates

During SY11, energy bill rebates of £140 were provided to nearly **2.32 million vulnerable customers**.

£134.3 million
Core Group spend

Just under **960,000** eligible low-income pensioners received Core Group rebates with a value of **£134.3 million** in SY11.

£187.4 million
Broader Group spend

Almost **1.34 million** customers who were in or at risk of fuel poverty received Broader Group rebates with a value of **£187.4 million** in SY11.

£34.8 million
Industry Initiative spend

Suppliers delivered a combined **£34.8 million** across **40 Industry Initiatives** to support consumers in SY11.

£3.5 billion
Lifetime support

Since the start of the scheme in 2011, **£3.5 billion** has been spent supporting vulnerable consumers through energy bill rebates and Industry Initiatives.

Executive Summary

The Warm Home Discount Scheme (WHD) requires participating domestic energy suppliers, including those who volunteer for the scheme, to provide support to persons on low-income and who are vulnerable to cold-related illness or living wholly or mainly in fuel poverty in Great Britain. We are publishing this report to help provide transparency around activity on the scheme, and to provide information on the work taking place to keep the operation of the scheme, and suppliers' compliance with their obligations under review. This report covers Scheme Year 11 (SY11) – 25 June 2021 to 31 March 2022².

During SY11 suppliers provided approximately £359.4m worth of eligible support, including delivering £140 rebates to 2.32 million vulnerable households.

Compliance in SY11

The scheme imposes annual obligations on licensed electricity suppliers (referred to as "suppliers" for the remainder of the report). All of the suppliers reporting end of year compliance for SY11 were found to have met their individual WHD spending obligations and all but one over-delivered on their obligations. This spending comprised of direct energy bill rebates through the Core and Broader Groups, and other support through Industry Initiatives. As a result, the overall scheme spending obligations were met.

Several suppliers were found to have minor contraventions with the scheme regulations, where we determined that individual customers and delivery under the scheme had not been significantly affected. The vast majority of these in SY11 were related to short delays to customers receiving their rebates. These contraventions were not substantial enough to affect overall compliance, and we ensured that suppliers took remedial action to avoid vulnerable consumers losing out on support.

Participating suppliers

There were 24 suppliers obligated under the WHD scheme at the start of SY11. However, seven subsequently exited the energy market and failed to report compliance at the end of the year. The Supplier of Last Resort (SoLR) process was implemented in each case resulting in customers of those suppliers joining another supplier.³ This meant that there were 17 suppliers participating at the end of SY11, against whom compliance with the scheme regulations was assessed. Of these, 12 were compulsorily obligated, three were smaller obligated suppliers and

² Scheme years normally run from April to March the following year. However, SY11 started on 25 June due to the Warm Home Discount (Miscellaneous Amendments) Regulations 2021 coming into force in June 2021.

³ [Information on supplier exits from the electricity market](https://www.ofgem.gov.uk/news-and-views/blog/how-youre-protected-when-energy-firms-collapse): <<https://www.ofgem.gov.uk/news-and-views/blog/how-youre-protected-when-energy-firms-collapse>>

two joined on a voluntary basis. Compulsory smaller obligated suppliers, and those that volunteer to participate in the WHD scheme, can only participate in the Core Group element.

Core Group

In SY11, the Core Group assisted less well-off pensioners, through a direct rebate of £140 to their electricity or gas account. Customers are eligible for the rebate if they receive Pension Credit Guarantee Credit. Low-income pensioners received 959,475 £140 individual rebates through the Core Group. More than 95% of these were provided to customers identified through data sharing between suppliers and the Department for Work and Pensions (DWP). No action was required from these customers in order for their rebates to be provided. The remaining Core Group customers contacted the 'Warm Home Discount helpline' to provide required information before their rebates could be provided.⁴ There were 16 suppliers providing Core Group rebates in SY11, and of these four were providing rebates as a compulsory smaller supplier or on a voluntary basis. The seventeenth supplier, Rebel Energy was obligated to provide rebates to customers in the Core Group, however, none of its customers were identified as being eligible.

Customers eligible for the Core Group are identified by DWP and spending on this element is balanced between suppliers through a reconciliation process in proportion to their market share. For example, a supplier with a higher than average percentage of customers eligible for a Core Group rebate will receive money through the reconciliation process, this ensures the costs of the scheme are distributed fairly. The SY11 interim reconciliation run took place between February and March 2022, with the final reconciliation due to be finalised by end of January 2023.

Broader Group

In SY11, obligated suppliers were required to provide rebates of £140 to a wider group of individual customers who were in or at risk of fuel poverty. As such, further 1,338,741 individual customers received Broader Group rebates. These customers received their rebates by applying directly to their supplier and providing evidence that they met the eligibility criteria.

All obligated suppliers were found to have complied with their Broader Group obligations during SY11, providing a greater number of rebates than the minimum requirement set for them. We note that SY11 was shorter than previous years, and suppliers started delivering at their own risk from April 2022 to June 2022, and ultimately all suppliers over-delivered on their Broader Group obligations.

⁴ [Information on applying for a Core Group rebate](https://www.gov.uk/the-warm-home-discount-scheme/guarantee-pension-credit): <<https://www.gov.uk/the-warm-home-discount-scheme/guarantee-pension-credit>>

Industry Initiatives

The Industry Initiative element of the WHD scheme encourages innovation and allows suppliers to help fuel-poor customers through a variety of activities, including through third parties. The total non-core spending obligation for SY11 was £213.35m; spending on Industry Initiatives by fully-obligated suppliers was capped at £40m. Fully obligated suppliers are not obliged to fund Industry Initiatives but 11 of the 12 chose to do so. Of these 11, one spent its entire Industry Initiative cap and a further six spent over 95%.

Suppliers spent a combined £34.8m across 40 Industry Initiatives to support fuel-poor consumers. These provided support such as energy advice, the installation of energy efficiency measures, help to reduce and manage energy debts, and help identifying unclaimed benefits that households were eligible for.

Suppliers spent around £0.8m more on Industry Initiatives during SY11 compared to SY10, however they chose to meet a smaller proportion of their non-core spending obligations through Industry Initiatives spending (16.4% in SY10 and 15.5% in SY11).

Engaging with Ofgem as scheme administrator

We note that all suppliers over-delivered on their obligations, often under challenging circumstances. In this context, suppliers generally engaged well with Ofgem throughout SY11. Unfortunately one supplier, Utility Warehouse failed to meet our expectations in respect of meeting deadlines for reporting. It is extremely important that suppliers are proactive in their engagement with us, and ensure they meet their reporting obligations on time and in full. We expect suppliers to be proactive in their engagement and will have an increasingly low tolerance for any failures to engage with us effectively.

Please note: we publish a spreadsheet containing the data used in this report alongside the report on our website.

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Feedback

We value your feedback on this report. Please contact us at SchemesReportingFeedback@ofgem.gov.uk with any comments or suggestions.

About the Scheme

The Warm Home Discount Scheme (WHD) requires participating domestic energy suppliers, including those who volunteer for the scheme, to provide support to persons on low-income and who are vulnerable to cold-related illness or living wholly or mainly in fuel poverty in Great Britain.

This support may be direct, through energy bill rebates to eligible customers. Indirect support is available through a variety of activities that help customers by offering them services to reduce fuel poverty and the associated impacts – these are known as Industry Initiatives.

In order for someone to benefit from the WHD rebate, they must buy their energy from an obligated energy supplier and meet certain eligibility requirements. Even if they don't buy their energy from an obligated supplier, they may be able to benefit under the Industry Initiative element of the scheme since these tend to target wider groups of fuel poor consumers.

This report covers the eleventh year of the scheme – with support delivered between 1 April 2021 and 31 March 2022⁵ (SY11). In SY11 the value of the WHD rebate was £140 per eligible household.

Operation of the Warm Home Discount Scheme

The WHD scheme began in 2011 and places obligations on licensed electricity suppliers who have either passed a threshold for compulsory participation or who have volunteered to join the scheme. The threshold for participation is based on the number of domestic customers of the licensed supplier and any other licensed suppliers in the same group of companies⁶. Within the eleventh year, any licensed supplier within a corporate group, which had at least 250,000 domestic customers for gas and/or electricity (calculated annually), was obligated to fully participate in the WHD scheme. In addition, any licensed supplier within a corporate group, which had at least 150,000 domestic customers for gas and/or electricity (calculated annually), was obligated to participate in the Core Group only.⁷ Voluntary suppliers also only participate in the Core Group part of the scheme.

⁵ SY11 started on 25 June due to the Warm Home Discount (Miscellaneous Amendments) Regulations 2021 coming into force in June 2021, however, suppliers started delivering at their own risk from April 2022 to June 2022.

⁶ Suppliers with the same owner are treated as a group for the purposes of determining obligation.

⁷ Suppliers with at least 150,000 but less than 250,000 domestic customers are referred to as compulsory small suppliers.

The scheme imposes annual obligations on licensed electricity suppliers, which must be delivered within defined scheme periods. These periods generally last 12 months, running from April to the following March. However, in this scheme year due to delays bringing amended regulations into force, the scheme period was shorter and lasted from 25 June 2021 to 31 March 2022 (9 months).

Ofgem's role is to administer the non-core elements of the scheme (Broader Group and Industry Initiatives) and to monitor suppliers' compliance with all elements of the scheme. The Department for Business, Energy and Industrial Strategy (BEIS) maintain overall responsibility for the coordination and oversight of the WHD scheme and any policy changes. It also oversees the delivery of the Core Group.

The components of the scheme

The main method of support through the scheme is by giving rebates towards customer energy bills. Support is also provided through a variety of other initiatives. The three different elements that make up the WHD scheme are: The Core Group, Broader Group, and Industry Initiatives.

Core Group

The Core Group assisted less well-off pensioners, through a direct rebate of £140 to their electricity or gas account in SY11. Customers are eligible for the rebate if they receive Pension Credit Guarantee Credit. The Department for Work and Pensions works with participating suppliers to identify those who receive Pension Credit among their customers. Most eligible Core Group customers are identified in this way and their rebate is received automatically.

Broader Group

Obligated suppliers had to provide rebates of £140 to a wider group of customers who were in or at risk of fuel poverty. In addition to mandatory eligibility criteria, suppliers had some discretion to vary the eligibility criteria to address their specific customer base, however the support must have been directed at those in or at risk of fuel poverty.

Support under the Broader Group element of the scheme was generally delivered on a first come, first served basis, with customers of participating suppliers applying directly for support.

Industry Initiatives

The Industry Initiative element of the scheme encourages innovation and allows suppliers to help fuel-poor customers through a variety of activities. Different types of support could be provided through Industry Initiatives and could include for example; advice on energy saving, the installation of energy efficiency measures, and help with reducing energy debts.

Not all obligated suppliers support Industry Initiatives as they were able to meet their obligations under the WHD through Core and Broader Group rebates alone.

Rebate Provision and Delivery

We treated a rebate as being 'provided' when a supplier attempted to give a rebate to a customer, and 'delivered' when the customer has successfully received it. In a small number of cases, the customer may not redeem a voucher or cheque sent to them. These rebates are considered to be 'provided' but not 'delivered'.

Related to this, suppliers have to show that they made reasonable efforts to deliver the rebate to customers who had not redeemed their voucher or cheque. To do this, we would expect suppliers to make additional attempts to deliver rebates using alternative methods.

The value of rebates that are not redeemed by customers during a scheme year are added to supplier obligations for the following year. This allows suppliers to use unredeemed rebates to support additional customers in future scheme years.

WHD scheme budget and obligations

The WHD Regulations⁸ set an overall obligation for each year of the scheme, to be shared among the participating suppliers for that year. The size of the Core Group is estimated by BEIS each year before the start of the scheme year, with the remaining obligation forming the non-core obligation.

The non-core obligation can be met through a combination of Broader Group and Industry Initiative spending. However, the WHD Regulations place a maximum cap on the amount that can be spent on Industry Initiatives, which effectively creates a minimum obligation for Broader Group spend.⁹

The scheme budget rises with inflation, so the sum spent on support is maintained in real terms. For SY8-11, the spending cap on Industry Initiatives was £40m and spending on writing

⁸ The Warm Home Discount Regulations 2011 (as amended).

⁹ Regulation 15A(2) of the WHD Regulations

off customer debt was limited to £6m¹⁰ in each of SY10 and SY11 which was a decrease of £2m¹¹ from SY9.

The development in scheme budget

| | SY8 | SY9 | SY10 | SY11 |
|---|------------|------------|-------------|-------------|
| Overall non-core scheme year target | £185m | £194m | £207m | £224m |
| Overall scheme Industry Initiative limit | £40m | £40m | £40m | £40m |
| Overall scheme Industry Initiative debt write-off cap | £10m | £8m | £6m | £6m |
| Overall Broader Group minimum | £145m | £154m | £167m | £184m |
| Overall spending target | £340m | £347m | £351m | £354m |
| Core and Broader Group individual rebate value | £140 | £140 | £140 | £140 |

¹⁰ Regulation 15A(5)(d) of the WHD Regulations

¹¹ Regulation 15A(5)(b) of the WHD Regulations

1. Compliance in Scheme Year 11

- 1.1. In total, obligated suppliers provided almost £359.4 million worth of eligible support to consumers, with all suppliers reporting end of year compliance meeting their respective spending obligations. We note that SY11 was shorter than previous years, and suppliers started delivering at their own risk from April 2022 to June 2022. The support provided was made up of energy bill rebates through the Core and Broader Groups, and other support through Industry Initiatives.
- 1.2. There were 17 suppliers reporting compliance under the WHD scheme at the end of SY11. Of these, 12 were compulsorily obligated, three were compulsory smaller supplier obligated and two joined on a voluntary basis. It should be noted that compulsory small suppliers and voluntary suppliers are only obligated under the Core Group element of the scheme.
- 1.3. Of these, two suppliers became compulsory participants for the first time; this meant they passed the threshold of number of domestic customers required to become obligated to participate in the scheme.¹² Additionally, one supplier (Rebel Energy) joined on a voluntary basis for the first time, however, it was found that none of Rebel's customers were eligible for the Core Group rebate. Details of suppliers participating in the scheme can be found in Appendix 1.
- 1.4. Although 17 suppliers reported their compliance at the end of SY11, a total of 24 were obligated at the start of the scheme year. Seven of those originally obligated exited the market during the scheme year, which was before compliance with their obligations could have been determined, and as such, did not deliver under the scheme. In each case the Supplier of Last Resort (SoLR)¹³ process was implemented, and their customers were transferred to a new supplier. Details of the suppliers affected can be seen in **Figure 1.1**.
- 1.5. The seven SoLRs took on the Core Group obligations of the failed suppliers and provided, where relevant, Core Group rebates to the failed suppliers' eligible customers. This was counted towards their original WHD Core Group spend. SoLRs could voluntarily take on the non-core obligations of failing energy suppliers. However, it should be noted that only British Gas chose to do so.

¹² Suppliers are obligated to participate in the scheme if they have 250,000 or more domestic customers, or if they have between 150,000 and 249,999 domestic customers (compulsory small suppliers) they are only obligated to participate in the Core Group element of the scheme.

¹³ [Information on supplier exits from the electricity market](https://www.ofgem.gov.uk/news-and-views/blog/how-youre-protected-when-energy-firms-collapse): <<https://www.ofgem.gov.uk/news-and-views/blog/how-youre-protected-when-energy-firms-collapse>>

Figure 1.1: Suppliers exiting the market during SY11

| Date of exit | Supplier name (supplier exiting the market) | Supplier of Last Resort (supplier taking on customers) |
|--------------|--|---|
| 14/09/2021 | People's Energy | British Gas |
| 14/09/2021 | Utility Point | EDF |
| 22/09/2021 | Green Supplier Limited (Green) | Shell Energy |
| 22/09/2021 | Avro Energy | Octopus |
| 29/09/2021 | Igloo | E.ON |
| 13/10/2021 | Pure Planet | Shell Energy |
| 18/01/2022 | Together Energy (Bristol E.) | British Gas |

Determining compliance

- 1.6. Each supplier submitted a report summarising the WHD support provided to consumers during SY11.
- 1.7. To determine supplier compliance, we assessed whether they had provided all rebates in line with the requirements of the WHD scheme.
- 1.8. The non-core elements (the Broader Group and Industry Initiatives) have an obligation for each supplier to provide a minimum value of eligible support to customers in or at risk of fuel poverty. Suppliers must provide a minimum proportion of this support each year through Broader Group rebates, which for SY11 was 82.23% of the total non-core obligation. Suppliers may choose whether to provide the remaining support through additional Broader Group rebates, eligible Industry Initiatives, or a combination of both. Customers apply for these types of support directly via their supplier or an organisation working with the suppliers.

- 1.9. The WHD Regulations set specific requirements for how support through each element should be provided to eligible customers. For the direct rebates of the Core Group and Broader Group, these requirements primarily relate to the timing of rebate payments, how the rebates can be provided, and how customers are told they have received their rebate.¹⁴
- 1.10. We assessed whether the support that suppliers have provided can be attributed to the scheme. We also assessed whether the combined value of their activities for the year was sufficient to meet their overall non-core spending obligation.
- 1.11. Having made these assessments, we made an overall determination of each supplier's compliance with the WHD scheme for the year. All suppliers were compliant and all but one over-delivered on their obligations, in spite of the shorter scheme year. We took a proportionate approach to dealing with contraventions of scheme regulations, such that minor contraventions were not treated as an overall non-compliance. Although we still expect suppliers to take preventative actions in future. A summary of supplier compliance is shown in **Figure 1.2** below and further information on what we consider a minor contravention is given in paragraph 1.12.

¹⁴ Regulation 7 of the WHD Regulations

Figure 1.2: Supplier Compliance with Scheme Year 11 Obligations

| Supplier | Overall Compliance | Core Group | Broader Group | Industry Initiatives |
|-----------------------------------|--------------------|------------|---------------|----------------------|
| British Gas | Compliant | √ | 7,141 | √ |
| Bulb Energy | Compliant | 6 | √ | √ |
| E Energy | Compliant | √ | √ | √ |
| EDF Energy | Compliant | √ | √ | √ |
| E.ON Energy | Compliant | √ | √ | √ |
| Octopus | Compliant | 3 | 3 | √ |
| OVO Energy | Compliant | √ | √ | √ |
| Scottish Power | Compliant | 11 | √ | √ |
| Shell Energy | Compliant | √ | √ | √ |
| So Energy | Compliant | √ | √ | √ |
| Utilita | Compliant | 22 | √ | √ |
| Utility Warehouse | Compliant | √ | √ | √ |
| Ecotricity (only CG obligated) | Compliant | 2 | N/A | N/A |
| ESB (only CG obligated) | Compliant | √ | N/A | N/A |
| Foxglove (only CG obligated) | Compliant | √ | N/A | N/A |
| Green Energy (voluntary) | Compliant | √ | N/A | N/A |
| Rebel Energy (voluntary)* | N/A | N/A | N/A | N/A |

*None of Rebel Energy's customers were identified as being eligible for the WHD Core Group rebate.

Key to symbols

| | | | |
|-------------------|-------------------------------------|-------------------------------------|---------------------------------|
| √ | ∅ | ∅ | N/A |
| No contraventions | Minor contraventions (number of) | Major contraventions (number of) | Did not deliver this element |

Contraventions

1.12. Minor contraventions indicate that the supplier has, in some cases, failed to comply with all the requirements of the WHD Regulations. There are many scenarios where minor contraventions can occur but can include:

- not providing support to customers in an efficient way,
- not passing information to other organisations within set timescales,
- minor delays to the provision of a customer's rebate,
- poorly targeted support, or
- poor evidence of eligibility for targeted support.

1.13. For each contravention, we checked that the individual customers had not been significantly affected, that the administration or delivery of the scheme had not been affected as a whole and that the supplier had resolved the issue within a reasonable timescale. If contraventions were deemed as minor, we did not determine that the supplier was non-compliant overall.

1.14. We note the shortened delivery period in SY11 and were pleased to see that most obligations across suppliers were met with no contraventions of the WHD Regulations.

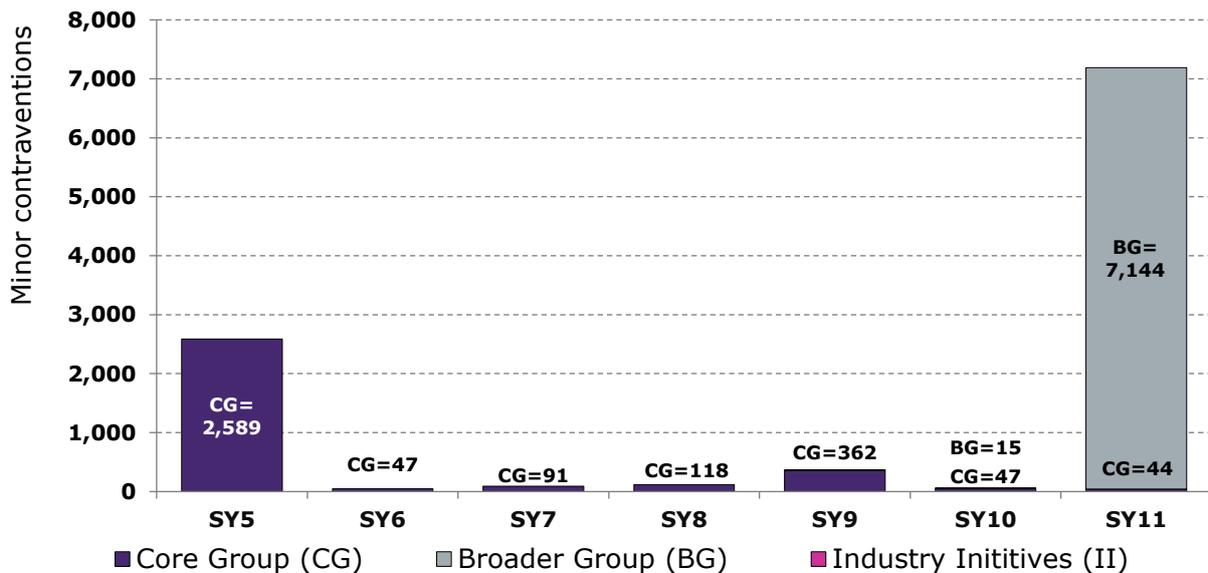
1.15. Six suppliers had minor contraventions, with 44 of the 7,188 total contraventions being within the Core Group. The 44 infringements in the Core Group represents a small fraction of the nearly one million rebates provided.

1.16. The remaining 7,144 minor contraventions were in the Broader Group obligation. 7,141 of these contraventions occurred with British Gas due to rebates not being provided on time. All rebates should have been provided to customers by the end of the scheme year (31st March 2022), but the rebates were not all received until 11th April 2022. To ensure this doesn't happen again, we engaged with British Gas to ensure they make significant improvements by adding additional controls for SY12. The British Gas Broader Group will also be selected as a part of mid-year audit to ensure, amongst other things, that the controls in place are working.

1.17. As shown in **Figure 1.3** the number of minor contraventions recorded annually varies significantly.

Figure 1.3: Minor contraventions SY5 to SY11

Stacked column chart presenting the number of minor contraventions occurring in the Core Group, Broader Group and Industry Initiatives in each scheme year (from SY5). Minor contraventions occurring in the Broader Group in SY11 are significantly higher than in previous years, rising from 15 in SY10 to 7,144 in SY11.



1.18. Bulb, Ecotricity, Octopus, Scottish Power and Utilita provided explanations for the specific issues that led to their minor contraventions. They also confirmed that they had resolved the errors on behalf of the affected customers. From our discussions with each supplier, we are satisfied that action plans are in place to prevent similar future contraventions.

1.19. Having assessed all supplier activities reported to us for SY11 and taking account of the number of minor contraventions, we determined that none of the compulsory participating suppliers was non-compliant. However, we did identify one case of administrative non-compliance significant enough to be recorded in our Supplier Performance Report (SPR)¹⁵. This incident concerned a missed deadline for reporting¹⁶. We take engagement with Ofgem as scheme administrator very seriously and expect all suppliers to be proactive in their engagement with us. This will be an increasing priority for SY12.

¹⁵ [Information about the SPR](https://www.ofgem.gov.uk/supplier-performance-report-spr): <https://www.ofgem.gov.uk/supplier-performance-report-spr>.

¹⁶ Utility Warehouse submitted their EOY (end of year) report for SY11 after the deadline; this was added to the SPR in our November 2022 update.

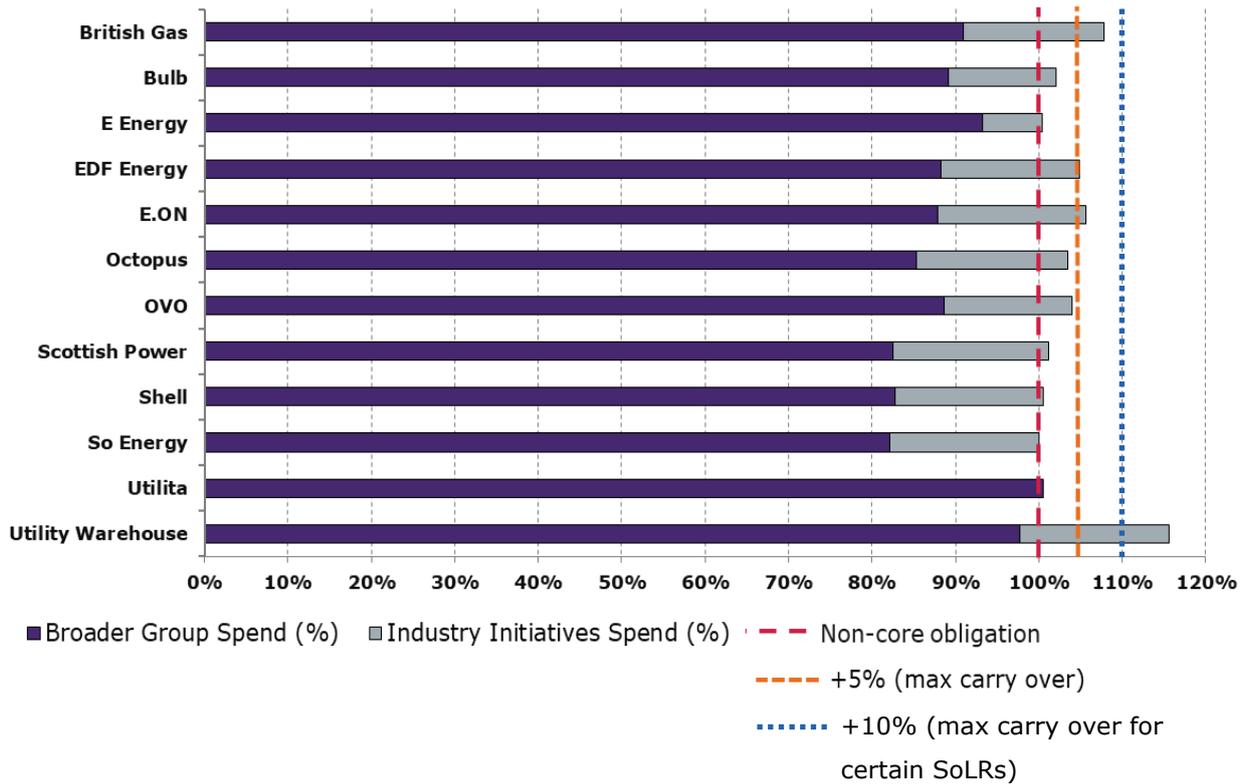
Non-core spending distribution and over delivery

- 1.20. As noted earlier, each supplier had a maximum value of eligible Industry Initiatives which could be attributed to their non-core obligation. Suppliers split their spending between Broader Group and Industry Initiatives in many ways and **Figure 1.4** illustrates the proportion of each supplier's chosen spend. This ranged from exclusively focusing on Broader Group to maximising the use of Industry Initiatives alongside the Broader Group. Both approaches, and others in between, are acceptable under the WHD Regulations and show the flexibility of delivery models available to suppliers.
- 1.21. Suppliers who exceeded their SY11 obligation by over delivering can carry over the excess to SY12, reducing their spending obligation that year. However, this carry over is limited to 5% of the SY11 obligation value¹⁷. For SoLRs that choose to meet the failed supplier's non-core spending obligations, the carry over limit is increased 10% of the SY11 obligation value.
- 1.22. For SY11, 11 suppliers reported over delivery of their obligation, allowing them to carry over eligible spend to SY12.

¹⁷ Regulation 14(3)(b)(iii) of the WHD Regulations

Figure 1.4: Supplier spend against non-core spending obligations

Stacked bar chart presenting suppliers' spending against their non-core obligations. All suppliers fulfilled their respective obligations, with three suppliers (British Gas, E.ON and Utility Warehouse) stepping over the maximum carry over limit of +5%. However, British Gas was subject to a higher carry over limit of +10% as they voluntarily took on the non-core obligations of Together Energy in their role as SoLR.



| Supplier | Broader Group Spend (%) | Industry Initiatives Spend (%) | Overall Achievement |
|--------------------------|-------------------------|--------------------------------|---------------------|
| British Gas | 90.93% | 16.92% | 107.85% |
| Bulb | 89.15% | 12.86% | 102.01% |
| E Energy | 93.27% | 7.15% | 100.42% |
| EDF Energy | 88.21% | 16.64% | 104.85% |
| E.ON | 87.94% | 17.72% | 105.67% |
| Octopus | 85.32% | 18.19% | 103.52% |
| OVO | 88.65% | 15.29% | 103.95% |
| Scottish Power | 82.58% | 18.65% | 101.23% |
| Shell | 82.76% | 17.78% | 100.54% |
| So Energy | 82.14% | 17.86% | 100.00% |
| Utilita | 100.49% | 0.00% | 100.49% |
| Utility Warehouse | 97.66% | 17.91% | 115.57% |

2. Core Group

- 2.1. The Core Group element of the WHD scheme is administered by BEIS, which works closely with the DWP and participating suppliers to identify eligible Core Group customers.
- 2.2. Ofgem is responsible for undertaking Core Group Reconciliations to ensure that scheme costs are shared equitably between the participating energy suppliers and no supplier is disadvantaged as a result of having a higher than expected number of consumers eligible for the rebate.
- 2.3. In SY11, the eligibility criteria for the Core Group remained the same as in the previous year. All customers of participating suppliers who received Pension Credit Guarantee Credit were eligible for a rebate of £140 each. Customers identified as eligible for the Core Group must be provided with a rebate.
- 2.4. In total, 968,452 customers were provided a Core Group rebate in SY11. This was 60,067 less than the previous scheme year. However, there was an increase in Broader Group rebates of 115,726, so overall the amount of rebate support provided to consumers increased from last year.
- 2.5. The decrease in Core Group rebates provided since SY4 (shown in **Figure 2.1**) can be attributed to the equalisation and then rise of the State Pension age, as well as the introduction of the new State Pension.¹⁸ The weekly full rate of the new State Pension is set above the standard minimum guarantee for a single person on Pension Credit.¹⁹

Data Matching

- 2.6. To identify customers eligible for the Core Group, suppliers share a limited amount of customer data with the DWP who match this against records of Pension Credit recipients. If there is enough information for the customer to be 'matched', the relevant supplier receives an instruction to pay a rebate to this customer in the scheme year. As shown in **Figure 2.1**, for SY11, 95.3% of Core Group customers received their rebate this way, without needing to take any action.
- 2.7. The remaining eligible customers, who could not be matched automatically, were asked to provide further information to a government call centre to confirm their electricity supplier. There were 45,457 'unmatched' customers (4.7% of the total) who needed to do this during SY11.

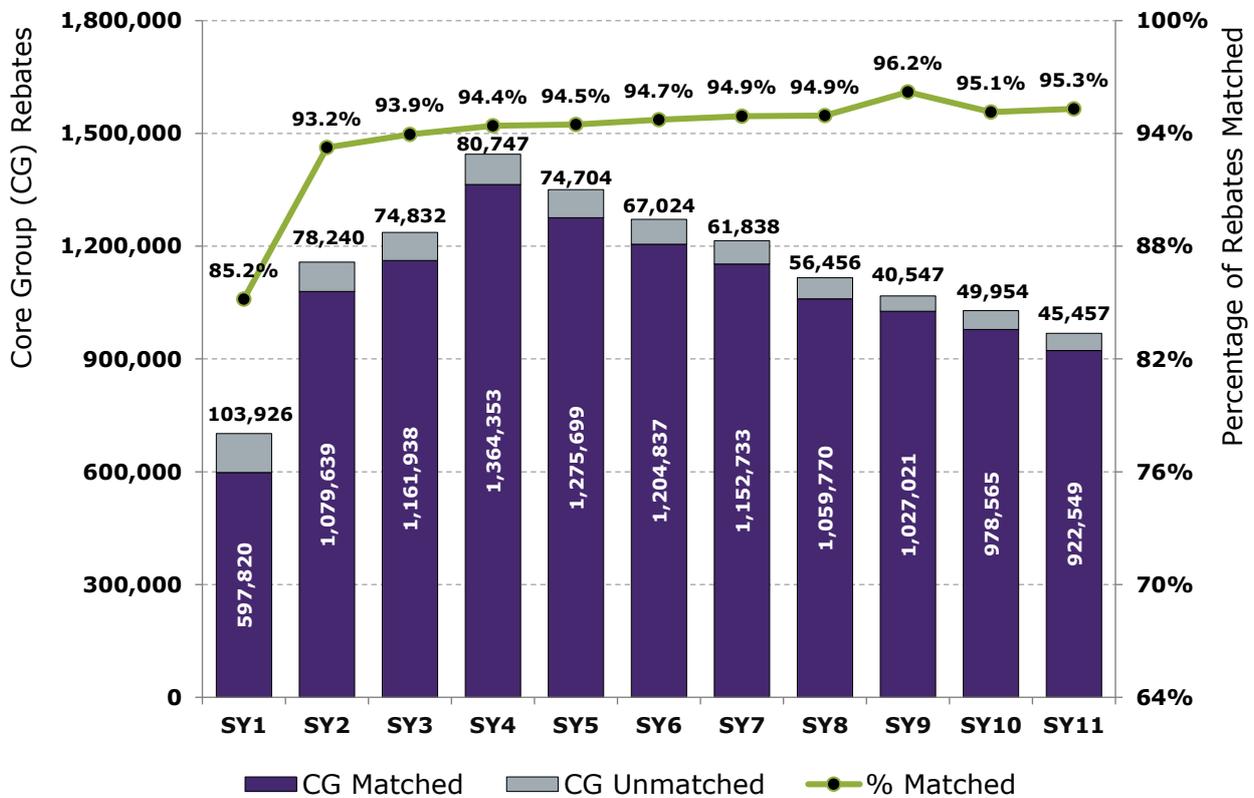
¹⁸ [Information on the new State Pension](https://www.gov.uk/new-state-pension): <<https://www.gov.uk/new-state-pension>>

¹⁹ Pensioners with income above the standard minimum guarantee level are not eligible for Pension Credit.

2.8. At 95.3% the percentage of matched rebates has remained high, with a slight increase compared to the past year. This is the second highest percentage of matched rebates since the scheme began.

Figure 2.1: Core Group rebates provided and matched SY1 to SY11

Stacked column and line chart presenting the number of matched and unmatched Core Group rebates from SY1 to SY11. The number of Core Group rebates provided has been gradually decreasing since SY4, however, a slight improvement in the proportion of matched rebates can be observed throughout the scheme years, with the exception of a small drop in SY10.



Exceptions

2.9. Suppliers are expected to fulfil each rebate instruction they are sent. However, the WHD Regulations recognise that there can be certain situations where this is not possible. ‘Regulation 8’ allows the Secretary of State (SoS) to determine situations where it would not be reasonably practicable to provide the rebate.

- 2.10. The SoS has determined that if a customer has died and their estate cannot be contacted, or if the customer has otherwise closed their account and cannot be contacted by any means, these instructions may be treated as exceptions and the supplier is not required to pay a rebate.
- 2.11. There may be other reasons why a supplier was not able to provide a rebate to the named domestic customer. If suppliers provide an explanation and we agree it is justified, these may also be treated as exceptions.
- 2.12. Suppliers treated 300 instructions as exceptions in SY11, about 0.03% of the total. We would expect suppliers to make additional attempts to deliver rebates using alternative methods, however, based on our review of information provided we are satisfied in all cases that reasonable efforts were made to provide the rebate and that the treatment as exceptions was justified.

Delivery

- 2.13. We treat a rebate as being 'provided' when a supplier has attempted to give a rebate to a customer, and 'delivered' when the customer has successfully received it. In a small number of cases, the customer may not redeem a voucher or cheque sent to them. These rebates are considered to be 'provided' but not 'delivered'. Suppliers have a requirement to report on the delivery of rebates.²⁰ The value of rebates that were not redeemed by customers during SY11 has been added to supplier non-core obligations for SY12, so that suppliers are using unredeemed rebates to support additional customers in future scheme years. Any rebates that are not 'delivered' where the supplier has not made one additional reasonable attempt to deliver may be treated as non-compliance.
- 2.14. In SY11, 968,452 Core Group rebates were provided with a value of just above £135.6m. The total value of the delivered Core Group rebates was £134.3m (99.07% of rebate value was delivered).
- 2.15. In addition to normal processes used to deliver outstanding rebates to customers, we ensured that suppliers followed this up and made one additional attempt to deliver the rebate. The outcome of this approach is reflected in the high redemption rates.
- 2.16. All suppliers reported on the number of rebates which had been provided and delivered. We were satisfied that suppliers made reasonable efforts to ensure customers could obtain the rebate that was provided to them.

²⁰ Regulation 9(6) of the WHD Regulations

- 2.17. Where there is not a separate account for gas and electricity, the suppliers consider the rebate as being applied to the electricity account. Where there are separate accounts for gas and electricity, the rebate would be delivered to the electricity account, unless otherwise requested by the customer.
- 2.18. In SY11, only a small number of customers asked their supplier to provide the rebate on the gas account, and the suppliers were able to meet these requests. For a number of the participating suppliers, customers could already ask for transfers to be made between their gas and electricity accounts. These suppliers did not provide separate reporting of WHD rebate transfers. We therefore have not reported the number of requests made specifically for WHD rebates to be provided to gas accounts. This applies to both Core and Broader Group rebates.

Core Group Reconciliation

- 2.19. Customers who are eligible for a Core Group rebate are not necessarily distributed evenly in proportion to their market share amongst suppliers. To manage the financial impact of this, an important part of the Core Group element is the mechanism to balance the cost of delivery across all suppliers participating in the Core Group element of the scheme. This process is known as the Core Group Reconciliation and is underpinned by the Warm Home Discount (Reconciliation) Regulations 2011 (as amended) (“the Reconciliation Regulations”).²¹ The Reconciliation Regulations set out the method by which the costs are reconciled and so fairly distributed between suppliers through a series of payments organised by a central party.²²
- 2.20. Due to the shorter scheme year, one interim Core Group Reconciliation took place between February and March 2022. All participating suppliers in the Core Group that were required to make payments made these in full. As a result, £13.6 million was collected and subsequently distributed to eligible suppliers in line with the Core Group Reconciliation process.
- 2.21. The final reconciliation commenced in December 2022 and is due to be completed by the end of January 2023.

²¹ [Warm Home Discount \(Reconciliation\) Regulations 2011:](https://www.legislation.gov.uk/ukxi/2011/1414/contents/made)
<<https://www.legislation.gov.uk/ukxi/2011/1414/contents/made>>

²² Starting with SY7, BEIS appointed Ofgem to operate the reconciliation process. Prior to this the process was operated by Elexon.

3. Broader Group

- 3.1. The Broader Group element of the WHD scheme requires suppliers to provide a minimum number of rebates to a wider group of fuel poor customers or those that are at risk of fuel poverty. Rebates are provided at the same value as the Core Group, which is £140 in SY11.
- 3.2. Broader Group rebates form part of the non-core spending obligation for suppliers. The other part of the non-core obligation, Industry Initiatives, is capped at a maximum value. This in practice sets a minimum spend on Broader Group for each obligated supplier.
- 3.3. In SY11, Industry Initiatives were capped at £40m, therefore after taking account of overspend from SY10, the Broader Group minimum spending obligation was £175.4m across all suppliers that remained obligated at the end of SY11. This equates to 82.23% of suppliers' total non-core spending obligation of £213.4m.

Broader Group Eligibility

- 3.4. The WHD Regulations include a mandatory set of criteria to assess claims which suppliers must use as a minimum²³; although further criteria may be added subject to approval by Ofgem. A supplier may elect to use only the mandatory criteria in a scheme year, but in most cases during SY11, suppliers included additional criteria in their proposals for Broader Group rebates.
- 3.5. We reviewed all sets of criteria in use during the scheme year and were satisfied that all obligated suppliers met the mandatory criteria and were consistent with the requirements of the WHD Regulations.
- 3.6. As well as setting clear eligibility criteria which target low income and vulnerable consumers, suppliers must ensure that rebates are provided only to people who are eligible and protect the scheme from fraud and abuse. In particular, the WHD Regulations require suppliers to obtain documentary evidence from a minimum of 5% of customers who receive a Broader Group rebate to verify the eligibility information on their application to the scheme.²⁴
- 3.7. Suppliers take a random selection of applicants and seek documentary evidence from each applicant selected, confirming their eligibility before paying the rebate. If an applicant cannot provide the evidence, the rebate is withheld.
- 3.8. For SY11, suppliers were collectively required to obtain evidence of eligibility from 67,522 Broader Group customers to meet this regulation.

²³ Regulation 19(5)(a) and Part 1 of Schedule 2 of the WHD Regulations 2011

²⁴ Regulation 19(7)(a) and Part 2 of Schedule 2 to the WHD Regulations

3.9. All suppliers met this requirement and in total 176,827 applicants for Broader Group rebates provided satisfactory evidence when asked – well over double the required number.

Banked SY10 spending

3.10. Under the WHD Regulations, suppliers who exceed their non-core spending obligations in a scheme year may carry over overspend, of up to 5% of their original obligation value to use against the following year's non-core obligation. Additionally, from SY11, Suppliers of Last Resort (SoLRs) that take on the non-core obligations of failed suppliers are permitted carry over overspend, of up to 10% of their original obligation value. In practice, this means that a supplier's non-core obligation will be reduced in the following year by any overspend carried over.

3.11. We amended each supplier's SY11 non-core spending obligation and minimum Broader Group spending for SY11 after completing our compliance assessment for SY10. In total, suppliers spent £4.4m above their non-core spending obligations during SY10.

3.12. Once these adjustments to obligations were issued, suppliers that were still participating in the scheme at the end of SY11 needed collectively to provide at least 1,253,128 broader group rebates to customers (equivalent to approximately £175.4m).

Delivery

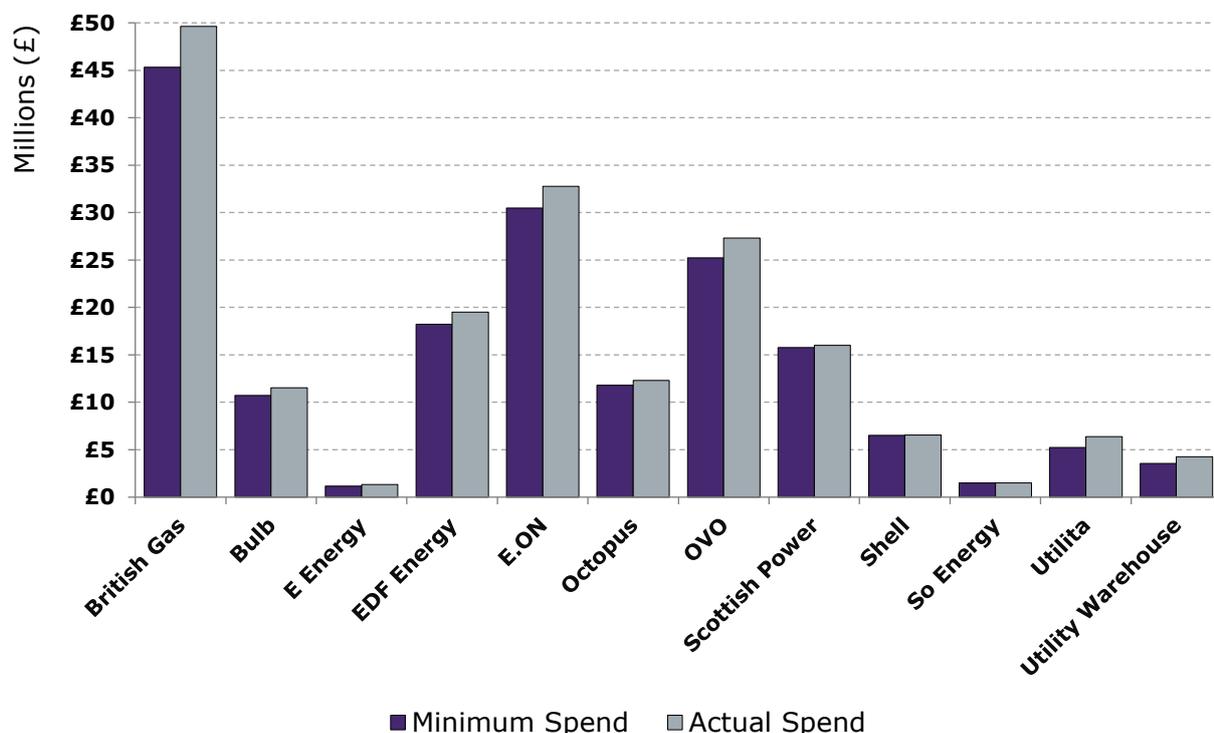
3.13. In SY11, suppliers provided 1,350,390 broader group rebates with a total value of approximately £189.1m. This ensured that all suppliers exceeded their SY11 non-core spending obligations.

3.14. The £189.1m spend made up 84.5% of total non-core spending in SY11, with the remaining non-core spending of £34.8m coming from Industry Initiatives. We look at Industry Initiatives in more detail in Chapter 4.

3.15. Details of Broader Group spend against the minimum by supplier can be seen in **Figure 3.1** below.

Figure 3.1: Broader Group spend against obligations in SY11

Clustered column chart comparing the minimum spending requirement (in £ million) and the actual spending by suppliers towards their respective Broader Group obligation in SY11. All suppliers exceeded their minimum spending targets.



| SY11 Suppliers | Minimum Spend | Actual Spend | Achievement |
|--------------------------|---------------|--------------|---------------|
| British Gas | £45,309,271 | £49,644,000 | 109.6% |
| Bulb | £10,705,195 | £11,527,740 | 107.7% |
| E Energy | £1,172,225 | £1,335,460 | 113.9% |
| EDF Energy | £18,215,279 | £19,497,520 | 107.0% |
| E.ON | £30,486,061 | £32,759,580 | 107.5% |
| Octopus | £11,785,360 | £12,298,020 | 104.3% |
| OVO | £25,234,257 | £27,304,340 | 108.2% |
| Scottish Power | £15,755,379 | £16,015,300 | 101.6% |
| Shell | £6,503,288 | £6,546,120 | 100.7% |
| So Energy | £1,513,132 | £1,513,260 | 100.0% |
| Utilita | £5,219,644 | £6,367,200 | 122.0% |
| Utility Warehouse | £3,538,942 | £4,246,060 | 120.0% |

- 3.16. We are aware that customers sometimes have difficulty redeeming rebates provided by suppliers. As such, the requirements imposed on suppliers ensure they make reasonable efforts to help customers get the benefit of rebates provided through the WHD scheme. We expect suppliers to treat customers fairly, including trying different ways to contact a customer where needed.
- 3.17. In addition to normal processes used to 'deliver' outstanding rebates to customers, we ensured that suppliers followed this up and made at least one additional attempt per customer to 'deliver' the rebate. The high redemption rates reflect this approach.
- 3.18. The value of rebates that a supplier 'provides' but does not 'deliver' to customers is added to the supplier's non-core obligation for the following scheme year.²⁵
- 3.19. In SY11, of the 1,350,390 rebates 'provided' with a value of £189.1m, the total number of the 'delivered' broader group rebates was 1,338,741 with a value of £187.4m (99.1% of rebate value provided). We are satisfied with the overall high redemption rate across suppliers.

²⁵ Regulation 14(3C) of the WHD Regulations

4. Industry Initiatives

- 4.1. Industry Initiatives can be used to contribute to meeting suppliers' non-core spending obligations. Suppliers do not have any minimum spend on Industry Initiatives and do not have to carry out any Industry Initiative activity. Eleven of the 12 obligated suppliers chose to meet some of their non-core obligation through Industry Initiative spending.
- 4.2. For this scheme year, as in all years of the WHD scheme, suppliers had a combined maximum attributable spend on Industry Initiatives. For SY11 this was £40m, divided among obligated suppliers according to their market share.
- 4.3. Suppliers are required to submit notifications to Ofgem outlining their Industry Initiative plans each scheme year. These must be approved before suppliers begin the activity.²⁶ We approve the Industry Initiative if the proposal is in line with the requirements of the WHD Regulations, and there are clear, robust plans in place to deliver the activity successfully.
- 4.4. 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 suitable customers and delivering value for money. This flexibility is intended to encourage suppliers to develop more innovative initiatives. However, there were no pilot initiatives run during SY11.
- 4.5. The WHD Regulations place four conditions on approval of Industry Initiatives. Before receiving approval at the notification stage, the supplier must demonstrate plans meet each of the four conditions for the proposed activity. At the end of the scheme year, suppliers must be able to provide evidence that each of the conditions were met.
- 4.6. The four conditions can be summarised as follows:
 - The activity funded must be one, or a combination of more than one, of the activities permitted in the WHD Regulations (and summarised in paragraph 4.7)
 - The activity must benefit target groups who are fuel poor, or at risk of fuel poverty
 - The activity must ensure, as far as reasonably practicable, that every domestic consumer provided with benefits under the initiatives will be provided with energy advice and smart meter advice
 - The activity should demonstrate value for money.

²⁶ Regulation 27 of the WHD Regulations

4.7. The WHD Regulations require that Industry Initiative spending must be on certain types of activity to be eligible.²⁷ Broadly, these activities fall into seven categories:

1. Providing **benefit entitlement checks** and/or assistance to claim benefits
2. Providing **energy efficiency measures** – e.g. energy efficient appliances, installation, and repairs of boilers
3. Providing **energy advice** & training to energy advisors
4. **Debt assistance**²⁸ (advice or monetary assistance)
5. **Financial assistance payments** - towards energy bills, including rebates
6. **Mobile home** energy rebates to residents of park homes etc who do not have a direct domestic supply account.
7. Funding **referral services** to sources of support

4.8. Suppliers can fund any of these types of activities and may fund more than one activity of the same or different types. Funded activities may offer more than one type of support at the same time.

4.9. Suppliers may also collaborate on Industry Initiatives – an activity can be funded by more than one supplier to provide a joint service. Each supplier then attributes the value of the funding they provided to their own obligation, and the activity is assessed through Ofgem’s compliance checking.

4.10. In SY11 there was an introduction of an individual cap for debt write-off. Suppliers had to ensure that debt write-off for individuals was no more than £2,000. If a supplier spent above its individual cap of £2,000 then the additional spend would not be counted towards its WHD non-core spending obligation.

4.11. The debt write-off cap included the reduction or cancellation of debt on a customer’s electricity or gas account and associated administration costs. The support 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, as well as measures which have a more holistic and long lasting impact on households. Debt assistance activities were not affected by the cap.

²⁷ Regulation 26 of the WHD Regulations

²⁸ Including non-monetary debt assistance and debt write-off.

- 4.12. For SY11, financial assistance payments to domestic customers were allowed under Industry Initiatives if the customer was also eligible for a rebate under the Core Group or in receipt of a Broader group rebate.
- 4.13. From 1 April 2021 TrustMark²⁹ was incorporated into the WHD scheme to help ensure that any boiler or central heating measure was installed by, or under the responsibility of, a person who is registered with TrustMark. Only a lodged measure would count towards the energy supplier's non-core spending obligation for SY11.
- 4.14. Suppliers were required to submit the TrustMark Business Licence Number and the Certificate Number in order for Ofgem to validate this key legislative requirement. This information would then be validated against the TrustMark Data Warehouse. Any activity determined to not comply with the regulations, including where an Industry Initiative is rejected by TrustMark, would then not allow the supplier to attribute all or part of the spending towards its obligation.

Delivery

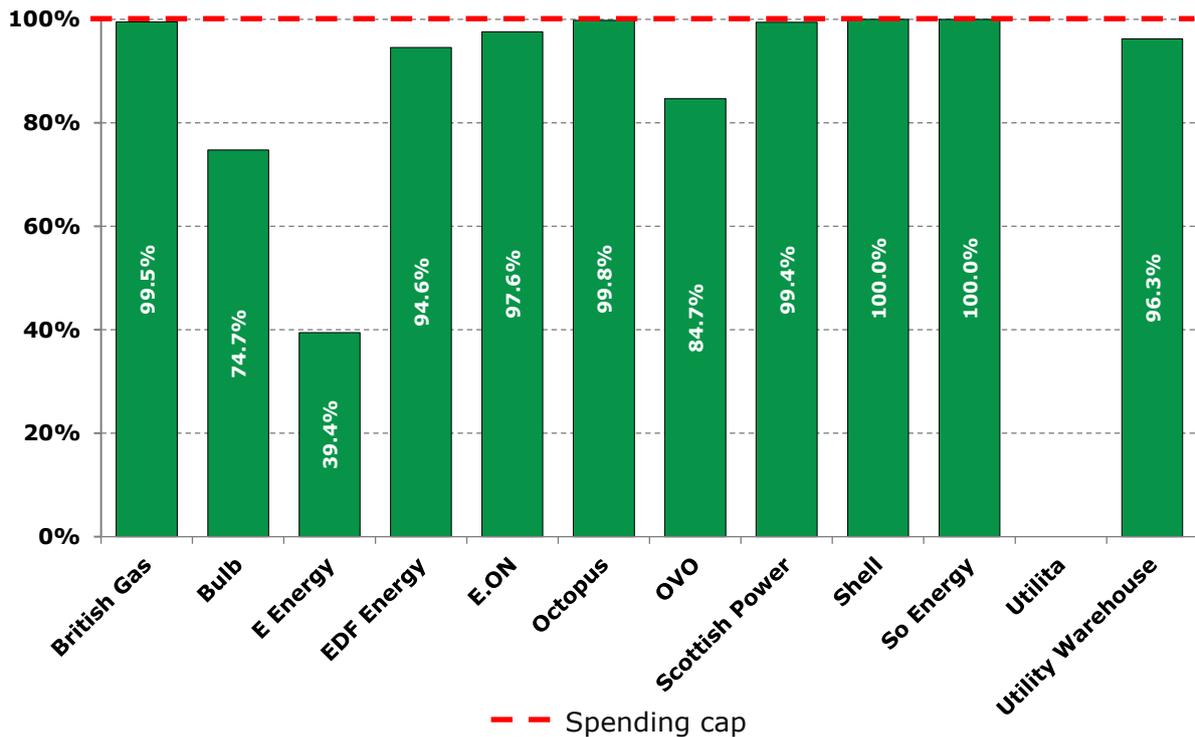
- 4.15. In total, suppliers spent £34.8m on attributable Industry Initiative activities in SY11, an increase of almost 2.5% from the £33.9m spent in SY10. These initiatives helped to provide support to a total of 327,217 consumers, a decrease of around 30% on the 468,382 consumers supported during SY10.³⁰
- 4.16. Suppliers' approach to using Industry Initiative allowances varied. Some focused their SY11 spending fully on the Broader Group (Utilita did not use any of their Industry Initiative allowance), while others split their allowance to provide customers with different types of support. Both approaches are acceptable. **Figure 4.1** below shows each supplier's Industry Initiative spend in relation to the spending cap.

²⁹ TrustMark is a Government Endorsed Quality Scheme covering work a consumer chooses to have carried out in or around their home. TrustMark Registered Businesses are thoroughly vetted and continually monitored to ensure they meet required standards in technical competence, customer service and trading practices: <<https://www.trustmark.org.uk/>>

³⁰ There will be some consumers who receive more than one type of support through an initiative (eg a benefit entitlement check and energy advice), and it may be possible that consumers receive support through more than one initiative. This should be considered when looking at the total number of consumers supported.

Figure 4.1: Supplier spend against Industry Initiative cap in SY11

Column chart showing the proportion of each supplier’s spending against the Industry Initiative cap in SY11. No supplier breached the cap but seven suppliers spent more than 95% of their allowance. Utilita was the only supplier not to fulfill any of their non-core spending obligation through Industry Initiative spending.



4.17. In SY11, suppliers funded 40 different Industry Initiatives, eight of which were collaborations between multiple suppliers. All eight types of activity were directly funded in at least one of the initiatives.

4.18. We are aware from supplier reporting that referral services were in some cases offered at no additional cost alongside advice services. We are also aware that supplier methods for identifying customers in need of support took risk groups into consideration, although the focus was on individuals as in previous years.

4.19. We have summarised the outcomes and spending on the consumer support activities in **Figures 4.2** and **4.3** below.

Figure 4.2: Customer support activity figures in SY11

Clustered column chart presenting the total spend and the number of customers helped in each Industry Initiative category. The largest proportions of spending were allocated for energy efficiency measures (£10.5m) and debt assistance (£8.9m), however, the categories where most customers received support were energy advice (130,340) and benefit entitlement checks (108,339).

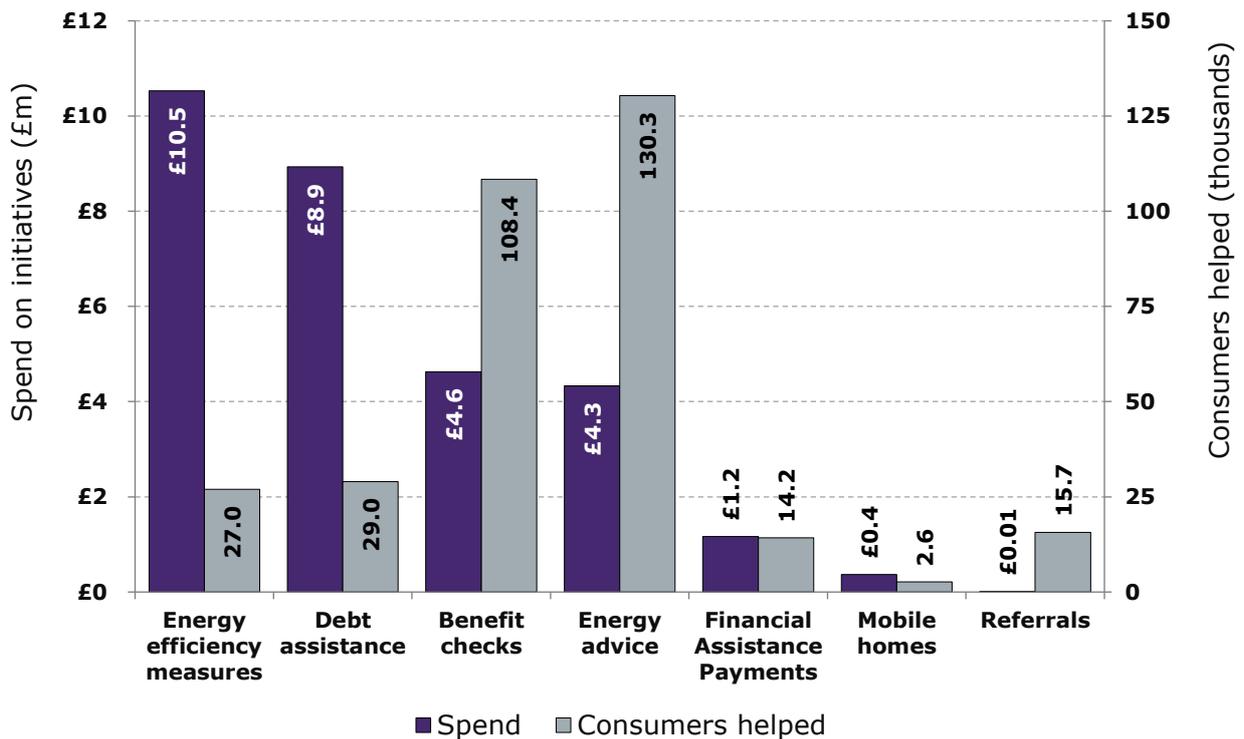
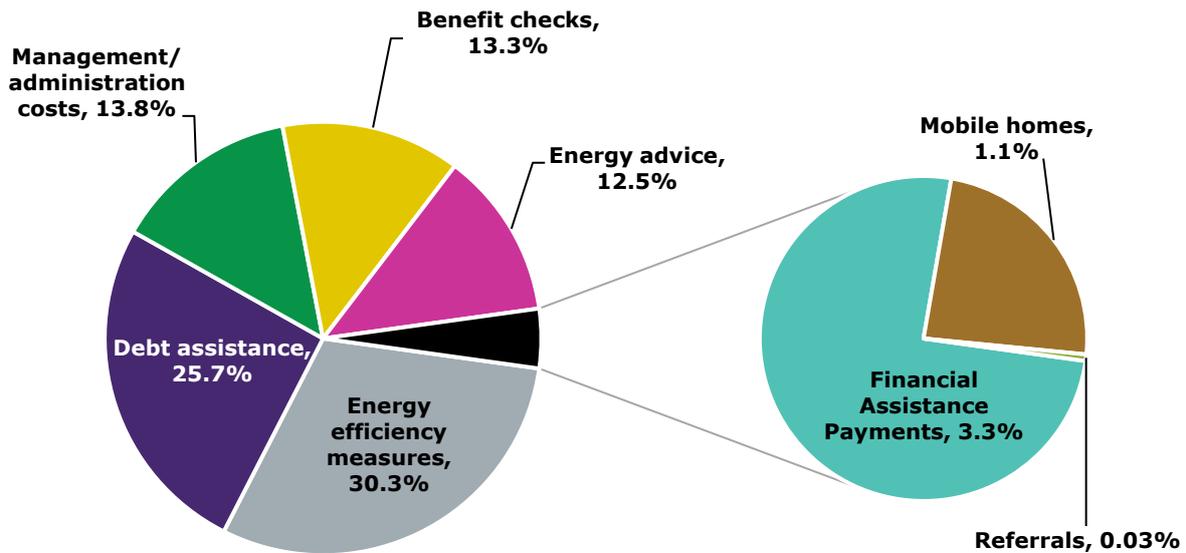


Figure 4.3: Customer support activity spend in SY11 (%)

Pie chart presenting the split of the customer support activity spend in SY11. Energy efficiency measures and debt assistance make up over half of all spending at 56.0%. 13.8% was spent on management and administration costs, with benefit entitlement checks and energy advice making up the bulk of remaining spend, at 13.3% and 12.5% respectively.



4.20. The largest proportion of funding was attributed to providing energy efficiency measures, accounting for over £10.5m of total spend (30.3%). Suppliers were required to confirm that this spend was not double counted as part of any other obligation, such as the Energy Company Obligation (ECO).

4.21. In addition to funding activities, which directly helped consumers, suppliers also funded the training of advisors who could assist consumers with managing their energy and energy bills. The cost of this training is included in the figures shown for 'energy advice'.

4.22. In total £4.8m of the Industry Initiative spend went towards 'management and administration costs'. This is an increase from the £4.2m spent during SY10.

Meeting the WHD Requirements

- 4.23. We worked with suppliers to ensure they could evidence that all the industry initiative activities funded in SY11 were eligible. Following completion of the annual compliance assessment, we allocated eligible spend to the industry initiatives which are reported in this chapter.
- 4.24. Based on the information provided, we are satisfied that the 327,217 consumers who received support through the Industry Initiatives were fuel poor, or at risk of fuel poverty.³¹
- 4.25. We are generally satisfied that activities delivered were at a reasonable cost. We compared the costs reported to us against industry benchmarks, confirming that delivery costs were necessary to provide and manage the service effectively.
- 4.26. We noted in some cases that suppliers had chosen to absorb indirect management and administration costs, meaning that the full value of their spending went direct to services helping consumers.
- 4.27. Where delivery risks were identified, suppliers generally engaged with us early to notify us of any issues that had arisen. We expect suppliers to be proactive in their engagement with us.

Transfer of Broader Group obligation to Industry Initiative spend

- 4.28. If there is a risk that a supplier will not be able to meet its minimum Broader Group spending obligation, the supplier can apply to transfer some, or all, of its Broader Group obligation to Industry Initiatives.
- 4.29. So Energy and Together Energy (SoLR: British Gas) had requested to transfer part of their Broader group obligation to Industry Initiatives as they both expressed concerns about meeting the Broader group minimum. The request to transfer was processed under Regulation 15 3A(a). Overall, both suppliers met their new Broader Group minimum and achieved their overall non-core group obligation.

Change in Industry Initiative activity

- 4.30. In comparison to the previous scheme year (SY10), the main differences in the number of consumers helped and funding provided are illustrated below in **Figure 4.4** and **Figure 4.5**.

³¹ There will be some consumers who receive more than one type of support through an initiative (e.g. a benefit entitlement check and energy advice), and it may be possible that consumers receive support through more than one initiative. This should be considered when looking at the total number of consumers supported.

Figure 4.4: Consumers supported through Industry Initiatives SY10 and SY11

Clustered column chart comparing the number of customers supported through the scheme during SY10 and SY11. In almost each category, more customers were supported during SY11 with benefit checks increasing the most, from 39,748 to 108,339. However, during SY11 approximately 227,000 fewer customers received energy advice, a fall of 63.5%. This fall can in part be accounted for by more accurate reporting in SY11, where sources of double counting with this incident type have been removed.

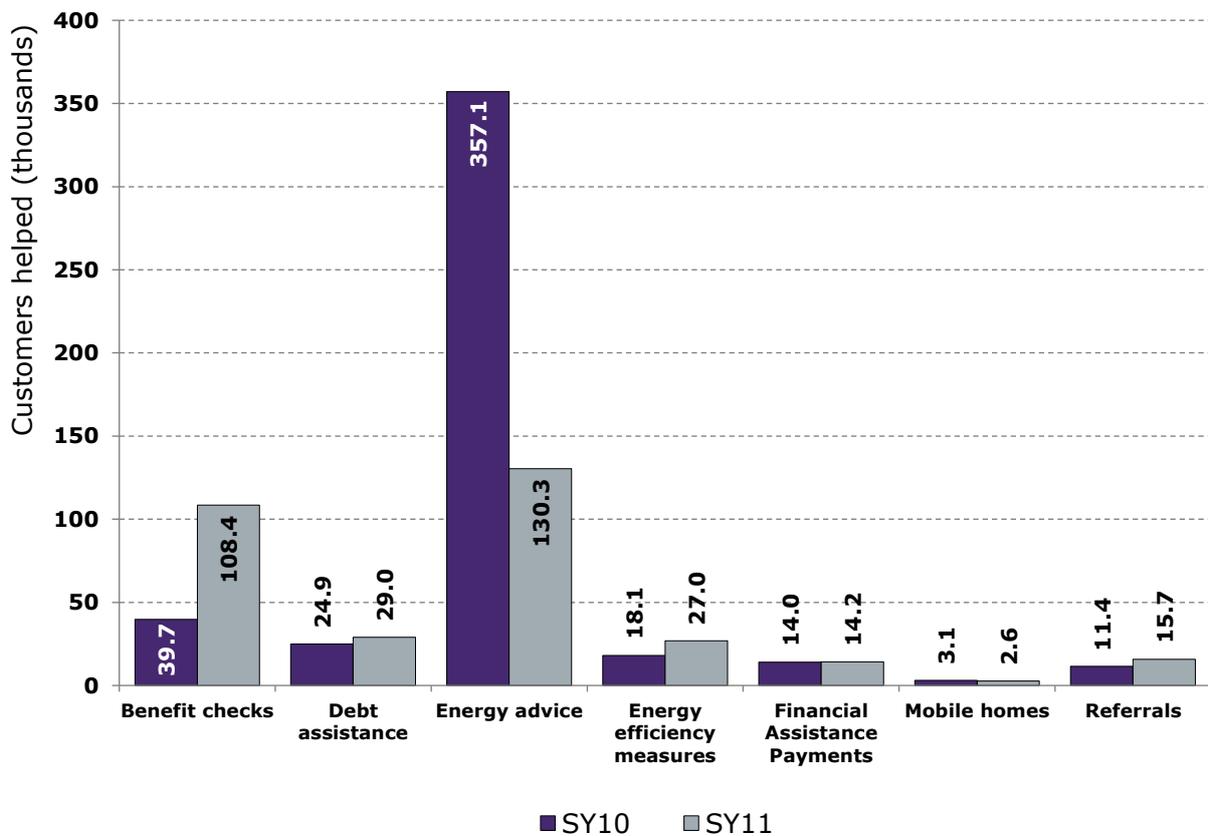
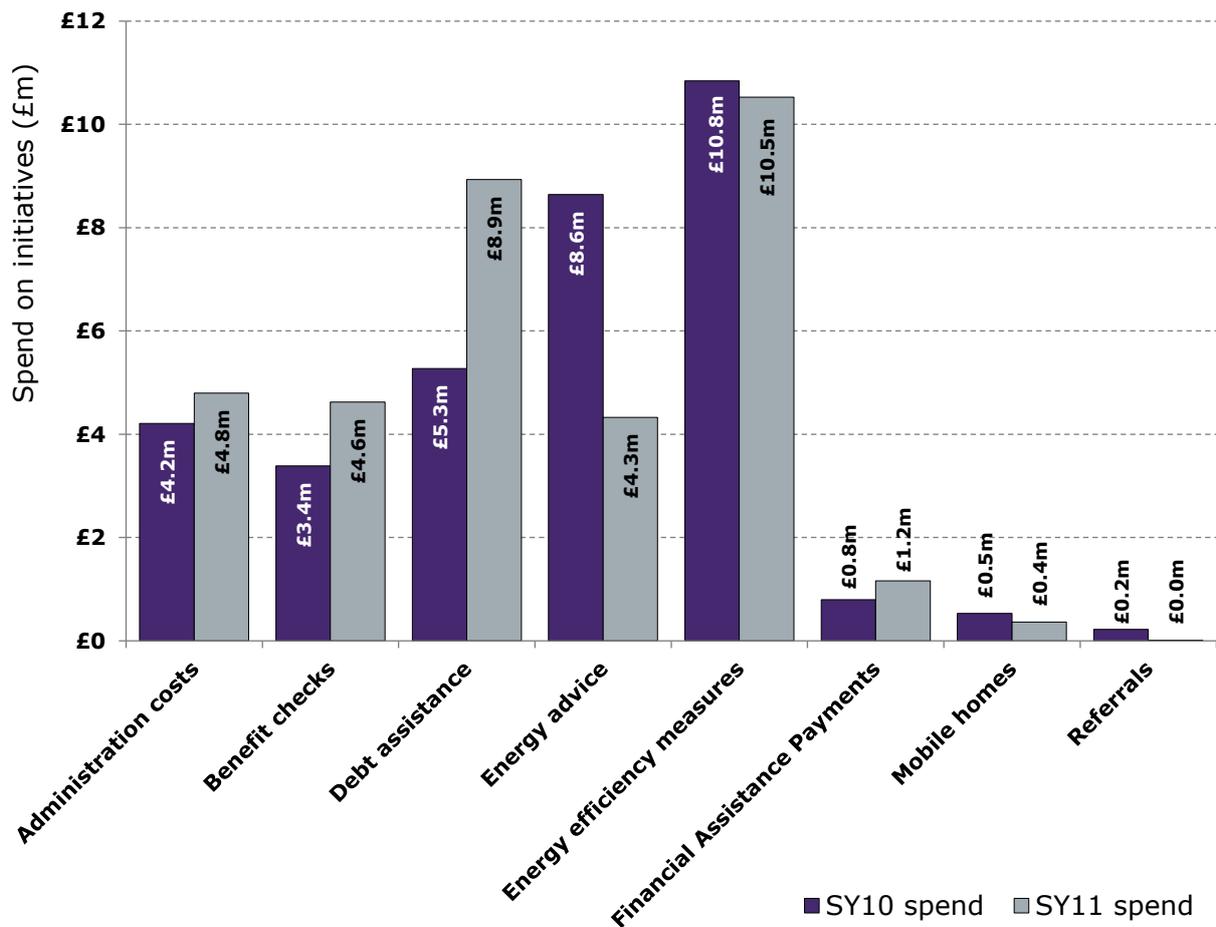


Figure 4.5: Industry Initiative spend SY10 and SY11

Clustered column chart comparing the spending made by suppliers in each category in SY10 and SY11. Suppliers spent more on benefit entitlement checks (from £3.4m to £4.6m), debt assistance (from £5.3m to £8.9m) and financial assistance payments (from £0.8m to £1.2m). The administration costs have also increased by £0.6m. However, they spent significantly less on energy advice (from £8.6m to £4.3m).



5. Audit Programme

5.1. Ofgem has a duty to keep under review the operation of any support scheme it administers.³² As part of this, we must make sure that suppliers are complying with their obligations effectively and efficiently. One way we do this is through an annual audit programme which provides assurance that information is being reported accurately. It also helps suppliers follow best practice in delivering support to consumers and reduces the risk of them not complying with obligations. This also helps suppliers protect consumers by minimising the risk of fraud in the scheme.

5.2. There are two types of audit that take place on the WHD scheme:

- **External audits** – Obligated suppliers are selected for audit by us based on a number criteria. Once selected Ofgem-appointed external auditors focus on the highest risk areas of the selected supplier’s activities.
- **Internal audits** - Suppliers internal audit and quality assurance work verifies data reporting and assess the effectiveness of their processes.

5.3. The criteria used to select suppliers for external audit include, but are not limited to:

- if the supplier is a new entrant to the scheme;
- if a supplier has generated a high volume of queries during compliance checks;
- the length of time since their last audit;
- a previous weak audit rating,
- Any concerns arising in the previous compliance year.

5.4. It is important that suppliers engage effectively with these audit processes, including ensuring they provide information which is accurate, timely and complete.

External Audits

5.5. There are different types of external audit which focus on either the Core Group, Broader Group, or an Industry Initiative. These can be either an interim audit (conducted during the scheme year) or a final audit (based on end of year data). A supplier can be audited more than once during the year, with each audit having a different area of focus.

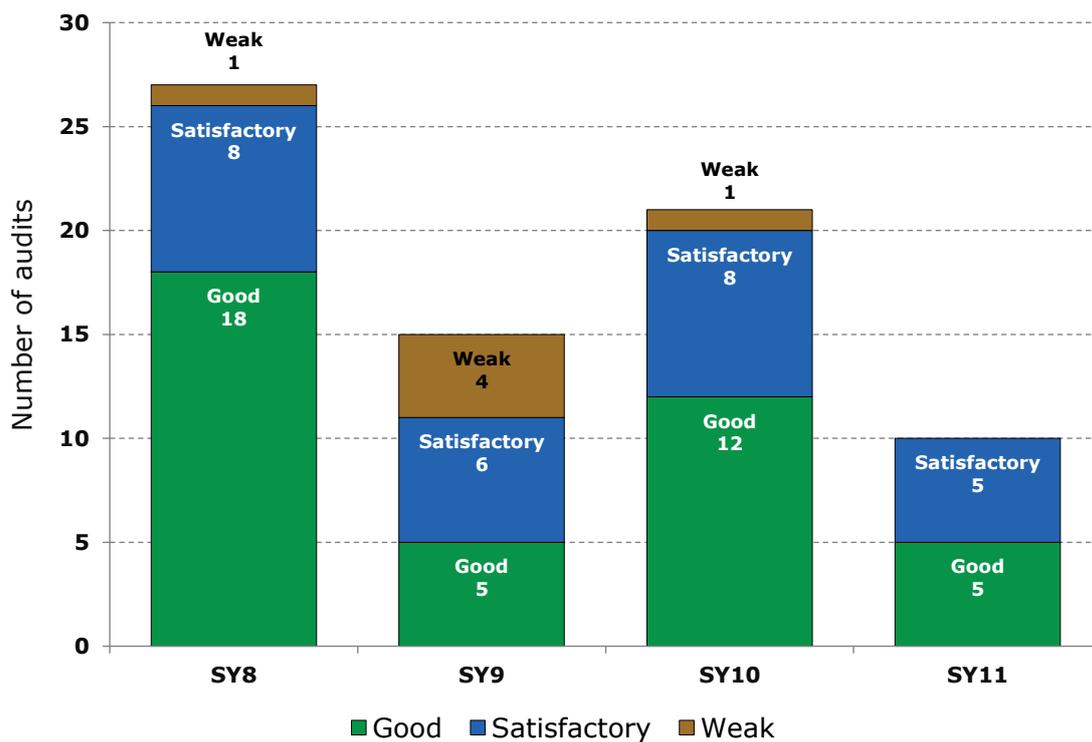
³² Section 13 of the Energy Act 2010

5.6. As shown in **Figure 5.1** our appointed auditors carried out 10 audits for SY11, covering two areas of scheme activity:

- Testing supplier support delivery processes;
- Verifying selected supplier reporting information.

Figure 5.1: WHD External Audit Ratings SY8 to SY11

Stacked column presenting the results of audits carried out between SY8 and SY11. In SY11 five interim audits were rated as 'Good', and five final audits were rated as 'Satisfactory', there were no 'Weak' audits during the scheme year. In SY11, the number of audits carried out was lower than during SY8-SY10 as the Industry Initiative activities taking place were established activities and no pilot initiatives (requiring audit) took place. The established activities have in many cases been in operation for a number of years and so are of lower risk.



5.7. The audit ratings are defined as:

- **'Good'** – either no weaknesses identified or if there are, they are reported to the supplier to action the minor shortcomings
- **'Satisfactory'** – a small number of minor weaknesses identified, of which none are considered 'major'.
- **'Weak'** – several weaknesses identified which individually or collectively may impact negatively on the overall level of compliance.
- **'Unsatisfactory'** – numerous weaknesses identified, including those graded as 'medium' or 'major', which individually or collectively may impact negatively on the overall level of compliance.

5.8. The results of the SY11 interim audits are listed in **Figure 5.2** and the results of the SY11 final audits are shown in **Figure 5.3**:

Figure 5.2: SY11 interim audit results

| Supplier | Focus | Rating |
|-----------------|----------------------|-------------|
| British Gas | Core Group | Good |
| Fischer Energy | Core Group | Good |
| Foxglove Energy | Core Group | Good |
| So Energy | Core & Broader Group | Good |
| Together Energy | Core & Broader Group | Good |

Figure 5.3: SY11 final audit results

| Supplier | Focus | Rating |
|----------------|--|---------------------|
| British Gas | Core Group | Satisfactory |
| British Gas | Industry Initiative (Energy Trust) | Satisfactory |
| Bulb | Industry Initiative (Citizens Advice Plymouth) | Satisfactory |
| So Energy | Industry Initiative (Help4Homes) | Satisfactory |
| Scottish Power | Industry Initiative (Home Energy Advice Team) | Satisfactory |

5.9. The audit results (including the rating) are shared with the suppliers, this includes an explanation covering any points of concern. We then work with the suppliers to confirm the accuracy of the report and to agree actions to address any findings. If the issues found during the audit process raise substantial concern and cannot be resolved to our

satisfaction, we could refuse to approve some or all of the spend, and the supplier would be at risk of failing to comply with their overall WHD obligation.

Internal Audits

5.10. Our guidance document for suppliers sets out our requirements for supplier's internal audits of scheme activities.³³ We will continue to work with suppliers to ensure that their audits meet these requirements, and that they continue to strive for best practice in supporting consumers through their own quality assurance.

5.11. To support end of year reporting, all suppliers provided evidence demonstrating internal audits had been conducted.

³³ [Warm Home Discount Guidance for Suppliers:](https://www.ofgem.gov.uk/system/files/docs/2018/08/warm_home_discount_whd_guidance_for_suppliers_-_version_6.1.pdf)

<https://www.ofgem.gov.uk/system/files/docs/2018/08/warm_home_discount_whd_guidance_for_suppliers_-_version_6.1.pdf>

6. Looking Forward

- 6.1. The Energy White Paper, published in December 2020³⁴, set out plans for extending and reforming the WHD scheme from 2022 onwards. These plans propose that the WHD scheme will be extended to at least 2025-26 with an estimated spending value of £475m (in 2020 prices) per year across England, Wales and Scotland.
- 6.2. The Scottish government has devolved powers to design and implement a Warm Home Discount for Scotland, although some powers remain reserved by the UK government. In May 2022, the government published their response to the consultation on the implementation of the Warm Home Discount (WHD) scheme in Scotland from 2022 to 2026³⁵.
- 6.3. This means that, from SY12, WHD will be separated into two schemes, one for England and Wales, and a separate one for Scotland.³⁶ The WHD in England and Wales has three different elements: the Core Group 1, Core Group 2 and Industry Initiatives. In Scotland, the WHD scheme also consists of three elements but these mirror the scheme in SY11 - the Core Group, Broader Group and Industry Initiatives.
- 6.4. From SY12, the spending obligations in Scotland have increased proportionately in line with the Great Britain-wide increase to the scheme, accounting for 9.4% of the £475m total (in 2020 prices). The value of the rebate also increased in SY12 from £140 to £150, as per the England and Wales scheme. The WHD scheme in Scotland largely mirrors the scheme previously in place across Great Britain from 2021 to 2022.
- 6.5. 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 SY13 (2023-24). This reduction will see more customers have access to the WHD scheme across England & Wales and Scotland.
- 6.6. As scheme administrators we will continue to work with suppliers to ensure delivery of their scheme obligations. We expect all suppliers to meet their obligations on time and in full. We have high expectations of supplier performance and will have an increasingly low tolerance for any failures, particularly where suppliers have not been proactive in raising and addressing delivery risks at an early stage.

³⁴ [Energy white paper](https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future): <<https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future>>

³⁵ [WHD Scotland consultation 2022](https://www.gov.uk/government/consultations/warm-home-discount-scotland/warm-home-discount-scotland-consultation-2022): <<https://www.gov.uk/government/consultations/warm-home-discount-scotland/warm-home-discount-scotland-consultation-2022>>

³⁶ [The Warm Home Discount \(Scotland\) Regulations 2022](https://www.legislation.gov.uk/uksi/2022/1073/contents/made): <<https://www.legislation.gov.uk/uksi/2022/1073/contents/made>>
[The Warm Home Discount \(England and Wales\) Regulations 2022](https://www.legislation.gov.uk/uksi/2022/772/contents/made): <<https://www.legislation.gov.uk/uksi/2022/772/contents/made>>

Appendix 1 – Participating suppliers

WHD scheme participating electricity suppliers SY11

| Supplier Group ³⁷ | Licensed Supplier(s) | Participation type ³⁸ | Years participating |
|--|--|----------------------------------|---------------------|
| Avro ³⁹ | Avro Energy Limited | Compulsory | 9 to 11 |
| Bristol Energy Ltd ³⁹ | Bristol Holding Ltd | Compulsory smaller supplier | 6 to 11 |
| British Gas | British Gas Trading Ltd | Compulsory | 1 to 11 |
| Bulb Energy | Bulb Energy Limited | Compulsory | 8 to 11 |
| E | E (Gas & Electricity) Ltd | Compulsory | 9 to 11 |
| E.ON Energy | E.ON Energy Solutions Ltd | Compulsory | 1 to 11 |
| Ecotricity | The Renewable Energy Company Ltd | Compulsory smaller supplier | 10 to 11 |
| EDF Energy | EDF Energy Customers Plc | Compulsory | 1 to 11 |
| ESB | ESB Energy Ltd | Compulsory smaller supplier | 11 |
| Foxglove | Foxglove Energy Supply Ltd | Compulsory smaller supplier | 11 |
| Green Energy UK | Green Energy (UK) plc | Voluntary | 10 to 11 |
| Green Supplier Limited (Green) ³⁹ | Green Supplier Ltd | Compulsory smaller supplier | 11 |
| Igloo ³⁹ | Igloo Energy Supply Ltd | Compulsory smaller supplier | 11 |
| Octopus | Octopus Energy Ltd, Affect Energy Ltd | Compulsory | 9 to 11 |
| OVO Energy | OVO Electricity Ltd | Compulsory | 5 to 11 |
| People's Energy ³⁹ | People's Energy (Supply) Ltd | Compulsory | 11 |
| Pure Planet ³⁹ | Pure Planet Ltd | Compulsory | 10 to 11 |
| Rebel Energy | Rebel Energy Supply Ltd | Voluntary | 11 |
| Scottish Power | ScottishPower Energy Retail Ltd | Compulsory | 1 to 11 |
| Shell Energy | Shell Energy Retail Ltd, Hudson Energy Supply UK Ltd | Compulsory | 3 to 11 |
| So Energy | So Energy Trading Ltd | Compulsory | 10 to 11 |
| Utilita | Utilita Energy Ltd | Compulsory | 5 to 11 |
| Utility Point ³⁹ | Utility Point Ltd | Compulsory smaller supplier | 10 to 11 |
| Utility Warehouse | Electricity Plus Supply Ltd | Compulsory | 1 to 11 |

³⁷ Supplier Groups include specific licensed suppliers, plus alternative brand names and white label suppliers who do not hold a supply licence but offer tariffs under their own name through partnership with a licensed supplier. Customers of white label suppliers in partnership with a licensed supplier are also eligible for the WHD scheme. [A list of suppliers' subsidiary companies is on the BEIS website: <https://www.gov.uk/the-warm-home-discount-scheme/energy-suppliers>](https://www.gov.uk/the-warm-home-discount-scheme/energy-suppliers)

³⁸ Compulsory suppliers have 250,000 or more domestic customers and are obligated to participate with all parts of the WHD scheme. Compulsory smaller suppliers have between 150,000 and 249,999 domestic customers and like voluntary suppliers participate only in the Core Group element of the scheme.

³⁹ These suppliers exited the market during SY11.

Appendix 2 – Associated Documents

The WHD Regulations and amendments on the legislation.gov.uk website

The Warm Home Discount Regulations have been amended on many occasions since first made in 2011. You can view the original version via the link below and you can search for amendments using the “More Resources” tab, which gives you an option to access a list of all changes made to them. There is no consolidated version available on legislation.gov.uk.

[The Warm Home Discount Regulations 2011](#)

<<https://www.legislation.gov.uk/ukxi/2011/1033/contents/made>>

The **WHD Guidance for Suppliers v7.2** on the Ofgem website:

[Warm Home Discount Guidance for Suppliers v7.2](#)

<<https://www.ofgem.gov.uk/publications/warm-homes-discount-whd-guidance-suppliers-version-72>>

The WHD Annual Report: Scheme Year 10:

[Scheme Year 10 Warm Home Discount annual report](#)

< <https://www.ofgem.gov.uk/publications/warm-home-discount-annual-report-scheme-year-10>>

WHD Reports and Data on the Ofgem website:

[WHD reports and data](#)

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

The Department of Business, Energy and Industrial Strategy (**BEIS**) **consultation on the WHD Scheme 2021 to 2022:**

[Consultation on WHD scheme 2021 to 2022](#)

<<https://www.gov.uk/government/consultations/warm-home-discount-scheme-2021-to-2022>>

BEIS consultation on the WHD Scheme from 2022:

[Consultation on WHD scheme from 2022](#)

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