Warm Home Discount (WHD)

WHD Guidance: Scotland

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This guidance is for suppliers and the broader supply chain. It describes how Ofgem administers the Warm Home Discount (WHD) in Scotland and how suppliers can meet their obligations under it. For further guidance on WHD, visit our website.

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Contents

About this guidance 6

Date of effect for version 2.0 of this guidance 8
Useful links 9
Updates to this document 9
Contacts 9
Relevant legislation 9

1. Introduction 10

What is the WHD scheme? 10
Core Group 10
Broader Group 11
Industry Initiatives 11
Fuel Poverty 11
Supplier roles and responsibilities 12
The roles of Ofgem, DESNZ, and TrustMark 13

2. Spending Profiles and Limits 16

The WHD Scheme Estimated Spend Profile 16
The Core Group Spending Estimate 16
Calculating Non-Core Spending Obligations 16
Cap on Industry Initiatives 17
Cap on Boiler and Central Heating System Replacements 17
Cap on Debt Write-off Activities 18

3. Determining WHD obligations 20

Customer Definition 20
Market share calculations 21
Adjustments for overspend on the non-core obligation 24
Adjustments for undelivered rebates 25
Adjustment for non-core additional overspend for Supplier of Last Resort 25
Adjustment for increase in non-core spending obligation during SY15 26

4. Core Group 27

Supplier obligations 27
Qualifying date 28
Customers not provided with a Core Group rebate 29
Core Group Reconciliation 31
Accrued interest 36
Exceptions to missed payments 37

Missed Payment 37
Potential error in an invoice or credit note 38
Raising a dispute 39
Make Right Amount 40
Supplier licence termination mid-way through the scheme year 40
Governance and Management 42
5. Broader Group 43
Broader Group Overview 43
Eligibility Criteria 44
Evidencing eligibility 48
Governance and management 49
Fraud, misuse and abuse prevention 49
Notification and approval process 50
Amending an approved Broader Group notification 50
6. Provision of the rebate 52
Payment methods 52
Rebates provided to the electricity or gas account 53
Providing a rebate where the account is not credited directly 54
Dealing with suppliers no longer participating 56
7. Industry Initiatives 57
Overview 57
Permitted Activities 59
Specified Activities 64
Eligibility Criteria 65
Value for Money 66
Interaction with other schemes 67
Governance and management 67
Delivery Agents 68
TrustMark 69
Relevant standards 69
Fraud prevention 71
Notification and approval process 71
Amending an approved Industry Initiative notification 73
8. Reporting 74
Customer data notification 74
Scheme year customer number reporting 75
Mid-scheme year customer number reporting 75
Mid-year report: Transfer of Broader Group obligation 76
Making a notification 77
End-of-year report 78

Core Group report 81
Broader Group report 82
Industry Initiatives reports 84
Final rebate redemption report 85
9. Fraud and Auditing 87
Ofgem's audit programme 87
Supplier internal audit requirements 88
Fraud, misuse and abuse prevention 90

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 2.0 of the WHD Guidance: Scotland and provides guidance on how Ofgem ('we', 'our' and 'us' in this document) will administer scheme years (SY) 12-15 of the Scotland WHD in line with the requirements of the Warm Home Discount (Scotland) Regulations 2022 ('the Regulations') as amended by the Warm Home Discount (Amendment) Regulations 2025. This guidance refers to the WHD in Scotland only and any references to the WHD hereafter in this guidance are limited to Scotland. See our WHD Guidance: England and Wales version 2.0 for further information on the WHD in England and Wales.

Suppliers will become obligated if they reach a certain threshold for domestic customer account numbers, hereafter 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. Non-obligated suppliers can become a voluntary supplier.

A licensed supplier is connected to another licensed supplier if they both belong to the same group of companies. This means that a licensed supplier with under 1,000 suppliers may still be obligated if their connected supplier(s) take them over the customer threshold number.

From SY12, the supplier obligation threshold was reduced to 50,000 domestic customer accounts for the 2022/23 scheme year, and then to 1,000 domestic customer accounts from 2023/24. In SY15, the non-core spending obligation is increased. These changes will see more eligible customers benefit from the WHD scheme.

Table 1: Supplier Obligation Threshold Reductions from 2022-2026

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

This guidance (WHD Guidance: Scotland) explains:

- when suppliers are obligated under WHD
- the core and non-core obligations in the Regulations, as amended by the Warm Home Discount (Amendment) Regulations 2025, that make up WHD
- our interaction with the Core Group, including administering the Core Group Reconciliation Mechanism, and Specified Activities
- how suppliers should provide a rebate to customers
- how suppliers should comply with the Broader Group and Industry Initiatives
- how suppliers report progress towards achieving their obligations, and
- our 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 replaces version 1.0 of the WHD Scotland Supplier Guidance published on 16 November 2022. It incorporates the amendment primarily, while providing some additional clarity on the administration of the WHD scheme in light of both our own and suppliers' experience of the scheme so far.

It is the responsibility of each supplier to understand the provisions of the regulations and how they apply. This guidance document is not a definitive guide to the regulations, and it does not constitute legal advice. 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 and should obtain their own legal advice.

The Warm Home Discount Reconciliation Regulations 2022 ('the Reconciliation Regulations') were laid before Parliament on 9 November 2022 alongside the regulations. The Reconciliation Regulations came into force on 30 November 2022, and were amended by the Warm Home Discount (Reconciliation) (Amendment) Regulations 2024 on 1 October 2024. The Reconciliation Regulations apply to the WHD England and Wales scheme as well as the WHD in Scotland scheme.

The Warm Home Discount (Amendment) Regulations were laid before Parliament on 19 June 2025, and came into force on 18 September 2025. The Warm Home Discount (Amendment) Regulations apply to the WHD Scotland scheme as well as the WHD England and Wales scheme.

Date of effect for version 2.0 of this guidance

It is our intention that stakeholders may apply these policies and use this document from its publication date.

Useful links

Warm Home Discount: Better targeted support from 2022 consultation and Government Response

Expanding the Warm Home Discount Scheme, 2025 to 2026 consultation and Government Response

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.

Updates to this document

This document contains minor corrections and alterations for accessibility requirements. It also contains the changes made by the Warm Home Discount (Reconciliation) (Amendment) Regulations 2024, and the Warm Home Discount (Amendment) Regulations 2025.

Contacts

If you would like to contact us, visit the WHD contacts page.

Relevant legislation

The Warm Home Discount (Scotland) Regulations 2022 (legislation.gov.uk)

The Warm Home Discount (England and Wales) Regulations 2022 (legislation.gov.uk)

The Warm Home Discount (Reconciliation) Regulations 2022 (legislation.gov.uk)

The Warm Home Discount (Reconciliation) (Amendment) Regulations 2024 (legislation.gov.uk)

The Warm Home Discount (Amendment) Regulations 2025

1. Introduction

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 will run from the commencement date to 31 March 2026 (SY15).

1.2. SY12 started on 20 October 2022, as stated in the Regulations, and terminated on 31 March 2023. The following scheme years 13, 14, and 15 each run from 1 April for a 12-month period.

What is the WHD scheme?

1.3. The WHD, 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: the Core Group, Broader Group, and Industry Initiatives.

1.5. Core and Broader Group rebates are provided by suppliers to customers who are living in fuel poverty or in a fuel poverty risk group. The criteria that must be met to qualify for the rebate, the amount of rebate to be paid, and the administrative processes that need to be in place to effectively manage these obligations are explained in Chapters 4, 5 and 6.

1.6. Industry Initiatives provide a wider range of support to fuel poor customers. Chapter 7 of this guidance provides information to help suppliers deliver Industry Initiatives in line with the Regulations.

1.7. If a supplier fails to meet the requirements of the Regulations, we may take enforcement action and record non-compliance in our Supplier Performance Report.[1]

Core Group

1.8. Fixed rebate payments of £150.

1.9. Eligibility based on receipt of Pension Credit Guarantee Credit.

[1] Supplier Performance Report (SPR) | Ofgem

1.10. On behalf of the Department of Net Zero and Energy Security (DESNZ), the Department for Work and Pensions (DWP) identify customers in fuel poverty or in a fuel poverty risk group, through a data matching process using DWP's Pension Credit database.

1.11. Spending on the Core Group is estimated based on the size of eligible pool.

1.12. The cost of the Core Group is reconciled between participating suppliers according to their market share.

Broader Group

1.13. Fixed rebate payments of £150.

1.14. Eligibility criteria set by suppliers (within the scheme parameters, including some compulsory criteria) and approved by Ofgem.

1.15. Designed to target support at customers in fuel poverty or in a fuel poverty risk group.

Industry Initiatives

1.16. Supplier funded programmes and partnerships which assist those in, or at risk of, fuel poverty (e.g. energy advice, energy efficiency measures).

1.17. Cap on spending of £7 million per SY across suppliers.

1.18. Supplier cap is determined by market share.

Fuel Poverty

1.19. To determine which households are eligible for the WHD scheme, Scottish Government uses proxies to identify and measure fuel poverty. A household is defined as being in fuel poverty in Scotland if more than 10% of their net income after housing costs is spent on fuel and their residual income after further adjustments is considered insufficient to maintain an acceptable standard of living.[2]

[2] Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 (legislation.gov.uk)

Supplier roles and responsibilities

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

Compulsory Suppliers[3]

1.21. 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 across GB accounts on 31 December preceding the start of that scheme year.

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

Voluntary Suppliers[4]

1.23. 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 calendar days after the start of the scheme in SY12 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 working 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.[5] If successful, a voluntary supplier will have an obligation under the Core Group and must comply with all aspects of the Core Group for the relevant scheme year.

1.24. 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 - Determining WHD obligations.

[3] 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 section 25(8) of, and paragraph 6(f)(i) of Schedule 6A to the Electricity Act 1989 and section 28(8) of, and paragraph 4(e)(i) of Schedule 4B to the Gas Act 1986.
[4] In this guidance, 'voluntary supplier' has the same meaning as 'Voluntary Scheme Electricity Supplier' given in regulations 3(1) and 6(2) of the Regulations.
[5] See regulation 29(4) in the Regulations.

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

	Core Spending Obligation Core Group 1	Non-Core Spending Obligation Broader Group	Non-Core Spending Obligation Industry Initiatives
Compulsory suppliers	✓	✓	✓
Voluntary suppliers	✓	×	×

Scheme Gas Suppliers (SGS)

1.25. 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.

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

The roles of Ofgem, DESNZ, and TrustMark

Ofgem

1.27. 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 Group and the non-core spending obligation) and each voluntary supplier (for the Core Group only),
- setting compulsory supplier spending obligations and caps for the non-core obligation,

- receiving proposals from compulsory suppliers for Broader Group and Industry Initiatives and approving, rejecting, or seeking more information on the proposals,[6]
- monitoring and assessing suppliers' compliance with the scheme, including through the use of external auditors,
- determining whether suppliers' obligations are met,
- undertaking Core Group 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 boiler and central heating measures delivered under WHD are compliant.

1.28. For further information on our guidance or administration of the WHD scheme please contact the WHD inbox: whd@ofgem.gov.uk

DESNZ

1.29. DESNZ 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 and Specified Activities.[7] DESNZ also provide certain information to Ofgem and suppliers to enable them to undertake the WHD scheme duties and functions.

1.30. Instructions from DESNZ to carry out actions come from the Secretary of State (SoS). Functions carried out by the SoS for DESNZ in respect to the Regulations are described in Chapter 2 below.

1.31. Questions on the above should be directed to DESNZ via the following email: warmhomediscount@DESNZ.gov.uk. There is also information online on the government website at https://www.gov.uk/the-warm-home-discount-scheme.

[6] Ofgem has extensive powers to request further information under regulation 31 of the Regulations.
[7] See regulation 28 of the Regulations.

TrustMark

1.32. 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.

1.33. Installation and repairs of boilers and central heating systems[8] under Industry Initiatives must be installed by, or under the responsibility of, a person who is registered with TrustMark (or equivalent) in order to be eligible under WHD.

Scottish Ministers

1.34. Scottish Ministers may publish a notice detailing a 'Specified Activity' that can be delivered under Industry Initiatives. Spending on Specified Activities can be counted towards a supplier's non-core obligation. For further information on specified activities, please see paragraph 7.34.

[8] 'Central heating system' is defined in regulation 3 (1) of the Regulations 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 Profiles and Limits

The WHD Scheme Estimated Spend Profile

2.1. For SY12 onwards, the WHD spending targets are:

- £49 million for scheme year 12;
- £51 million for scheme year 13;
- £52 million for scheme year 14;
- £53 million for scheme year 15, plus the uplift applied to the non-core spending obligation.[9]

2.2. Please note that the above spending targets are estimates and subject to change each scheme year.

2.3. The numbers are 9.4% of the total GB spending envelope which was apportioned for the scheme in Scotland.

2.4. The annual spending target may be adjusted by the DESNZ SoS and included in Ofgem's notification of suppliers' spending obligations at the start of a scheme year.

2.5. We report the actual spend for each scheme year to the SoS and publish these reports on our website.[10]

The Core Group Spending Estimate

2.6. Before the beginning of each scheme year the SoS provides an estimate of each scheme year's spend on the Core Group. This is based on the estimated number of eligible pensioners falling within the relevant Pension Credit subsets outlined in chapter 4 - Core Group.

Calculating Non-Core Spending Obligations

2.7. The aggregate non-core spending obligation for a scheme year is determined by the DESNZ SoS. This is calculated by subtracting the DESNZ SoS estimate for

[9] See 'Adjustment for increase in non-core spending obligation during SY15' for more information
[10] Warm Home Discount (WHD) - Reports and data | Ofgem

that year's Core Group spending from the total WHD spending target for that year (including any adjustments as described in Schedule 1 to the Regulations).

2.8. A compulsory supplier's portion of this total non-core spending obligation is calculated using its GB market share.

Cap on Industry Initiatives

2.9. The aggregate value of WHD spending that can be attributed to approved Industry Initiatives is £7 million in each scheme year.

2.10. We calculate the proportion of each compulsory supplier's non-core spending obligation that can be delivered through Industry Initiatives based on each supplier's market share for the non-core obligation.

2.11. If a supplier spends above its cap for Industry Initiatives, the overspend will not count towards its WHD non-core spending obligation.

2.12. Spending on Industry Initiatives is optional. A supplier may meet its entire non-core obligation through providing Broader Group rebates.

Cap on Boiler and Central Heating System Replacements

2.13. From SY12 (2022/23) onwards there is a spending limit on all boiler and central heating system replacements under Industry Initiatives. Under the WHD it is possible to install mains gas, wholly or mainly renewable, or mains gas hybrid boilers and central heating installations. The spend on boiler and central heating system replacements is limited to £800,000 per scheme year. Repairs are not capped. The cap is distributed between suppliers according to their market share. Repairs of boilers and central heating systems are not subject to this cap.

2.14. 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),[11] can

[11] Energy Company Obligation (ECO) | Ofgem

provide households with non-emergency support for boilers and central heating systems.

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. Mains gas boilers and central heating installations (including mains gas hybrids) would be permitted only where they replace a previous mains gas boiler or central heating system that has broken down and therefore only in emergency situations. See chapter 7 - Industry Initiatives for further information on boiler and central heating installation under WHD.

Cap on Debt Write-off Activities

2.17. The total value of WHD scheme spending that can be attributed to debt write-off is £600,000 per annum. This cap is on debt write-off only.

2.18. Debt write-off includes the reduction or cancellation of customer debt on energy bills for their electricity or gas account and any associated administrational costs. Debt assistance activities are not affected by the cap. This 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, measures which have a more holistic and long-lasting impact on households.

2.19. 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.

2.20. Suppliers must ensure debt write-off for individuals 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.

2.21. A portion of the energy debt write-off cap, equivalent to £300,000 per annum, should be reserved for customers with pre-payment meters (PPMs), who are particularly at risk of living in a cold home after self-rationing or self-disconnecting from their PPM.

2.22. If a supplier spends above its cap for debt write-off, the additional spend will not be counted towards its WHD non-core spending obligation.

2.23. Boiler and central heating system replacements under industry initiatives are capped as follows:

- A cap of £800,000 spend overall

2.24. Debt write-off under industry initiatives is capped as follows:

- Cap of £600,000 as total spend
- £300,000 of the debt write-off cap go be allocated to pre-payment meter customers who are self-disconnecting or at risk of self-disconnecting
- Max. debt-write-off per individual £2,000

2.25. There is no cap on total financial assistance payments under industry initiatives in Scotland, although only payments up to £150 per customer can be attributed, aside from the maximum spend of £150 per person.

3. Determining WHD obligations

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. Figure 1: The process for determining obligations provides an overview of this process.

3.2. We also contact all other domestic suppliers asking them to confirm whether they wish to be a voluntary supplier.

3.3. The SoS will set the aggregate non-core spending obligation on or before the seventh day after the start of the scheme in SY12 and by 14 February for the other scheme years. In SY15, the aggregate non-core spending obligation for that scheme year will be increased by an uplift on the day the Warm Home Discount (Amendment) Regulations 2025 come in force.

Customer Definition

3.4. The Regulations define customers as follows:

- "Scotland domestic customer" means an owner or occupier of domestic premises in Scotland, who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes.[12]
- "GB domestic customer" means an owner or occupier of domestic premises in England, Wales or Scotland, who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes.[13]
- "Dual fuel" means electricity and gas, where both are supplied to a GB domestic customer at the same domestic premises by a person who is both a licensed electricity supplier and a licensed gas supplier. A supply of dual fuel to a GB domestic customer is treated as a supply to two GB domestic customers.[14]

[12] See regulation 2(3) of the Regulations
[13] See regulation 2(2) of the Regulations
[14] See regulation 5(6) of the Regulations

Market share calculations

3.5. Suppliers are obligated to notify their GB domestic customer numbers prior to the start of the next scheme year, for the purposes of calculating suppliers' WHD obligations. We use the customer data notifications to calculate the market share of each compulsory and voluntary supplier for the Core Group. See Figure 1: The process for determining obligations provides an overview of the process for determining obligations. See chapter 8 - Reporting for further information on customer number reporting.

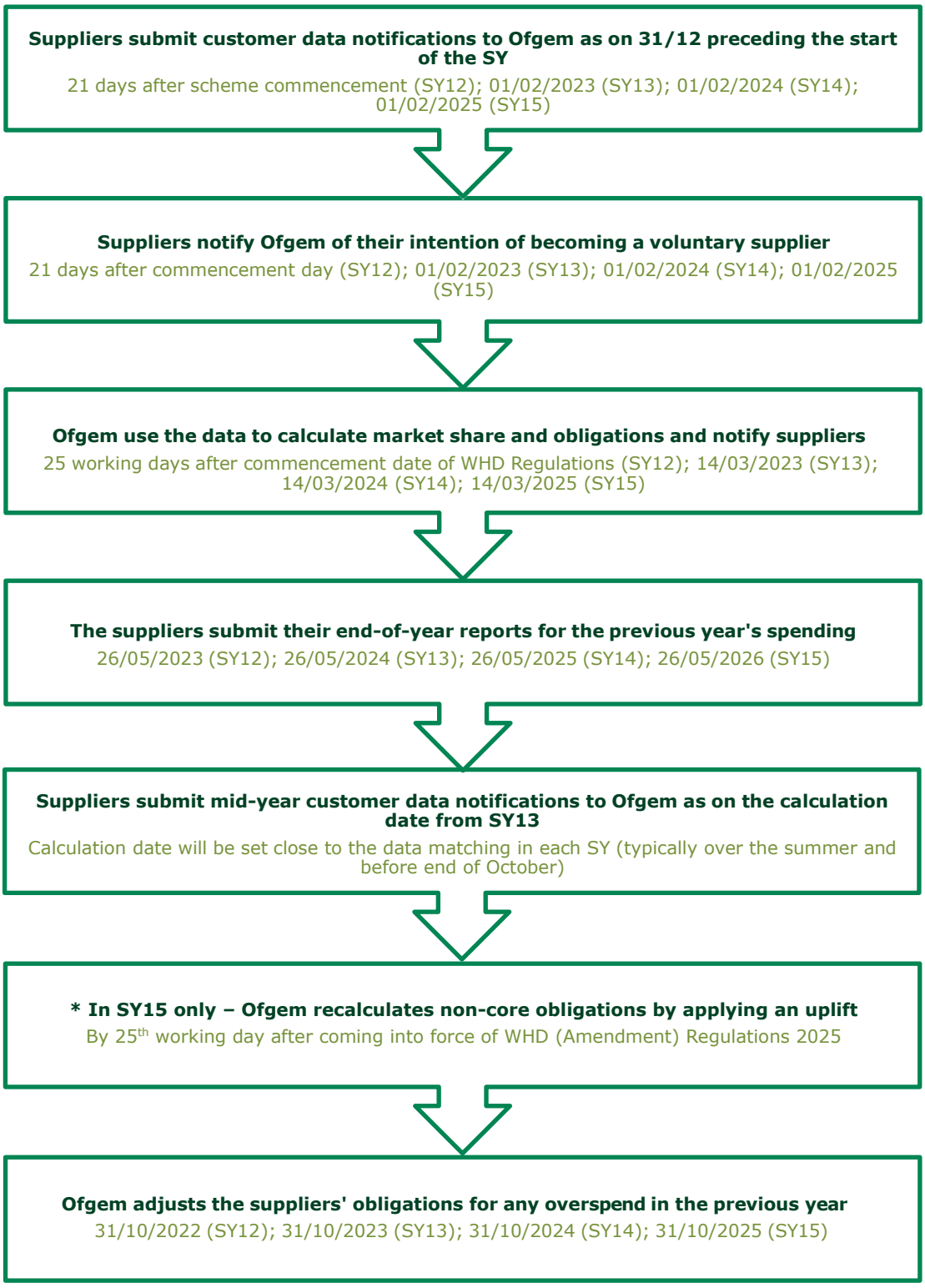

Figure 1: The process for determining obligations

3.6. From SY13 onwards there will also be a second mid-scheme year customer number notification for the purposes of reconciliation. The data will be used to inform the reconciliation of the Core Group spending (see chapter 4 - Core Group).

3.7. For compulsory suppliers, we also use the customer data notifications of a supplier's domestic customer numbers on 31 December preceding the start of a scheme year to calculate the market share for the non-core element of the scheme.

3.8. At the start of each scheme year, we notify a Scheme Gas Supplier[15] of its status and confirm to each compulsory supplier and voluntary supplier its market share for the Core Group. For SY12, we will aim to set final obligations by the 25th working day after the commencement of the regulations. 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,
- the broader group rebate target and the equivalent financial value of the rebate target for the year, and
- the cap to spending that a supplier can count towards its non-core obligation through Industry Initiatives, including maximum amount of spending on debt write-off and boiler & central heating installations as part of Industry Initiatives.

3.9. We will notify suppliers of the above information by the 25th working day after the commencement of the regulations in SY12 and by 14 March preceding the start of each of the following scheme years.

3.10. 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.

3.11. In SY15, there is an additional adjustment to suppliers' non-core spending obligations resulting from the application of an uplift. Please see 'Adjustment for increase in non-core spending obligation during SY15' below for further details.

[15] Scheme Gas Supplier is defined in Chapter 1 'Supplier roles and responsibilities'.

3.12. 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).

3.13. This amount can 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.

Adjustments for overspend on the non-core obligation

3.14. An adjustment will 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. 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.[16] 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 3.19-3.21.

3.15. For SY12, where suppliers participated in the GB-wide WHD scheme in SY11, the overspend on supplier GB obligations is apportioned appropriately for SY12 in line with their overall spending obligation for the reformed Scotland scheme. Relevant suppliers would be required to adjust their SY12 non-core obligation by 9.4% of their overspend in SY11.[17]

3.16. The remaining scheme years will only take into account spending in Scotland. 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. Not achieving the overall non-core spending obligation in a scheme year will mean that a supplier

[16] See regulation 18 of the Regulations
[17] See regulation 17 of the Regulations

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

3.17. 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 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 6 - Provision of the rebate for further information on undelivered rebates.

3.18. A voluntary supplier's undelivered Core Group 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

3.19. 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.

3.20. 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 Broader Group and Industry Initiatives can be reviewed by Ofgem and approved for that scheme year.

3.21. For further information on the SOLR process, please see the Ofgem Supplier of Last Resort: Revised Guidance 2016.[18]

[18] Supplier of Last Resort: Revised Guidance 2016

Adjustment for increase in non-core spending obligation during SY15

3.22. In SY15, the non-core spending obligation will be increased by an uplift set by SoS.[19]

3.23. Ofgem is required to recalculate a supplier's non-core spending obligation to take account of this uplift. We will apply the original market share percentage for each supplier to the increased total non-core obligation, then apply any adjustments required by regulation 18 of the Regulations, to reach suppliers' final SY15 non-core spending obligations.

3.24. Ofgem is required to notify suppliers of their increased SY15 non-core spending obligation within 25 working days of regulation 18A of the Regulations coming into force.

3.25. Any uplift applied to the non-core spending obligation as set out in paragraph 3.23 does not affect a supplier's ability to transfer part, or all, of their adjusted non-core obligation, provided an application to do so is received by the deadline as set out in paragraphs 5.30 and 8.15.

[19] See regulation 18A of the Regulations, as inserted by regulation 6 of the WHD (Amendment) Regulations 2025.

4. Core Group

4.1. The Core Group uses data sharing between government and suppliers to target rebates at low-income pensioners.[20]

4.2. From scheme year 12, a Core Group customer in Scotland is identified as a person specified in a rebate notice who[21]:

- is a Scotland domestic customer of the supplier, or
- was a Scotland domestic customer of the supplier, if, during the scheme year in which the notice is given, the supplier has informed the Secretary of State that the person is a Scotland domestic customer of the supplier.

4.3. Customers are eligible for the Core Group if: their electricity supplier is a compulsory or voluntary supplier, their or their partner's name is on the electricity bill,[22] and they receive the Guarantee Credit element of Pension Credit.

4.4. Customers identified as eligible for the Core Group must be provided with a rebate. For information on the value of the rebate, and how to provide a rebate, please see chapter 6 - Provision of the rebate.

4.5. The Core Group administration is led by DESNZ and DWP. For further information, contact DESNZ at warmhomediscount@DESNZ.gov.uk.

4.6. We determine each supplier's compliance with its Core Group obligation following the end-of-year reporting process (see end-of-year reporting process from paragraph 8.22).

Supplier obligations

4.7. Suppliers will be told by DWP on behalf of the DESNZ SoS which of their customers to provide a Core Group rebate to. DWP provides a list of relevant customers following an initial "data matching" with data from the supplier, and

[20] In Chapter 4, "suppliers" refers to both compulsory, compulsory smaller suppliers and voluntary suppliers, as defined in Chapter 1.
[21] See regulation 9(2) of the Regulations
[22] A DWP appointee can apply on behalf of a Core Group or Broader Group customer.

the helpline weekly lists the relevant customers to each supplier. Each entry on this list is known as an "instruction" to pay.

4.8. A supplier must provide a rebate to the appropriate Core Group customer for each instruction that it is sent. Occasionally, a supplier may not be able to provide a rebate. Paragraph 4.16 lists some of the scenarios where this might occur and what suppliers should do in such instances.

4.9. Suppliers must provide all Core Group rebates by 31 March in the relevant scheme year (SY).

4.10. Ofgem expect suppliers to provide rebates early within the winter period, as consumers will get the most benefit from this.

4.11. For scheme year 12, 9.4% of the SY11 undelivered rebates amount will be added to the supplier's non-core obligation.[23] For SY13-15, the value of rebates that a supplier does not deliver to customers will be added to the supplier's non-core obligation for the following scheme year.[24] Any rebates that are not delivered and the supplier has not made one additional reasonable attempt to do this, may be treated as non-compliance.

4.12. For further information on providing rebates, including delivery and provision requirements, please refer to chapter 6 - Provision of the rebate.

Qualifying date

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 for the Core Group, matching customers with suppliers and awarding the rebates.

4.14. The qualifying date for each scheme year will be the same in Scotland as for the Core Group 1 and Core Group 2 in England and Wales. A 'mop up' process is carried out to ensure 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.

[23] See Regulation 17(6) of the Regulations
[24] See Regulation 18(6) of the Regulations

4.15. In case customers eligible for a Core Group 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. See paragraphs 3.19-3.21 in the event of a SOLR situation.

Customers not provided with a Core Group rebate

4.16. In most cases, we expect a supplier to provide a rebate to all customers that are identified through the data matching process. The below list summarises some of the reasons why a Core Group rebate may not be paid and what suppliers should do in these scenarios.

a) Scenario: The rebate notice has been sent about a wrong customer.
Action: A supplier has 30 days from the receipt of a rebate notice to notify the SoS if the rebate notice specifies a person who is not a core group customer or whom the supplier is unable to identify as a core group customer.

b) Scenario: The customer is deceased, and their account is closed. The supplier has not been able to contact a relative or executor, or the customer is no longer living at that property, has closed their account and has no forwarding address.
Action: Where suppliers do not provide the rebate to one or more Core Group customers under regulation 9, the supplier must notify us of:

- the number of Core Group customers the supplier has not provided the rebates to
- the reasons why the supplier has not provided the rebate to those customers; and

- any steps taken by the supplier to attempt to provide the rebate to those customers.[25]

These exceptions are determined by the SoS and so may be subject to change. The application of regulation 10 will be determined by us on a case-by-case basis. Suppliers are required to report the number of exceptions applied as part of the end-of-year reports.

c) Scenario: A supplier's information does not match the data supplied i.e. the MPAN does not match.
Action: Suppliers should rectify and credit the correct domestic account.

d) Scenario: A supplier's information does not confirm that the customer is eligible i.e. this is a domestic property on a commercial tariff (such as a farmhouse), or the customer is believed to be of commercial origin.
Action: Suppliers should seek further information from the customer to clarify whether they meet the definition of a Scotland domestic customer:

"An owner or occupier of domestic premises in Scotland, who is supplied with electricity or gas at those premises wholly or mainly for domestic purposes"[26]

If a supplier has evidence that this customer does not meet the definition of 'Scotland domestic customer', it should not provide the rebate. A section in the end-of-year reporting template is available to record these cases. This is not an 'exception', but a decision by a supplier that the information available about the customer does not meet the 'Scotland domestic customer' definition. Suppliers should keep a detailed record of the discussions and write to the customer to confirm why they will not receive the rebate.

e) Scenario: The customer does not redeem or accept their rebate.
Action: The rebate will be considered 'provided' but not 'delivered'. Refer to Chapter 6, 'Providing a rebate where the account is not credited directly'.

[25] See Regulation 11(7)(c) of the Regulations
[26] See Regulation 2(3) of the Regulations

f) Scenario: Any other reason not outlined above.
Action: Suppliers should contact DESNZ, or Ofgem, at the earliest opportunity.

Core Group Reconciliation

4.17. This section is based on the Reconciliation Regulations.[27]

4.18. The Reconciliation Regulations also apply to the WHD England and Wales scheme but are separate from the WHD Scotland. 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.

4.19. The WHD scheme assumes that the total cost of 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 its market share would suggest.

4.20. The Reconciliation Regulations establish the process through which Core Group expenditure will be reconciled across scheme suppliers.

4.21. The purpose of the reconciliation mechanism is 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.

4.22. 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 instructions sent to suppliers, and
- records of rebates provided and delivered by suppliers to consumers.

[27] The Warm Home Discount (Reconciliation) Regulations 2022 (legislation.gov.uk)https://www.legislation.gov.uk/uksi/2022/1073/contents/made

4.23. We calculate and process the reconciliation payments to be made or received by participating suppliers. We will endeavour to resolve disputes arising from a reconciliation process.

4.24. For SY12, we will use customer account number data as on 31 December 2021 as already submitted to determine the reconciliation payments.

4.25. For SY13-15, DESNZ 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.

4.26. 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 with confidential information redacted, bank account, sort code and bank account name written on supplier's letter headed paper which is signed by an authorised signatory. The banking details are to be uploaded onto the supplier's Huddle account which Ofgem will create ahead of submitting the banking details.

The Annual timetable

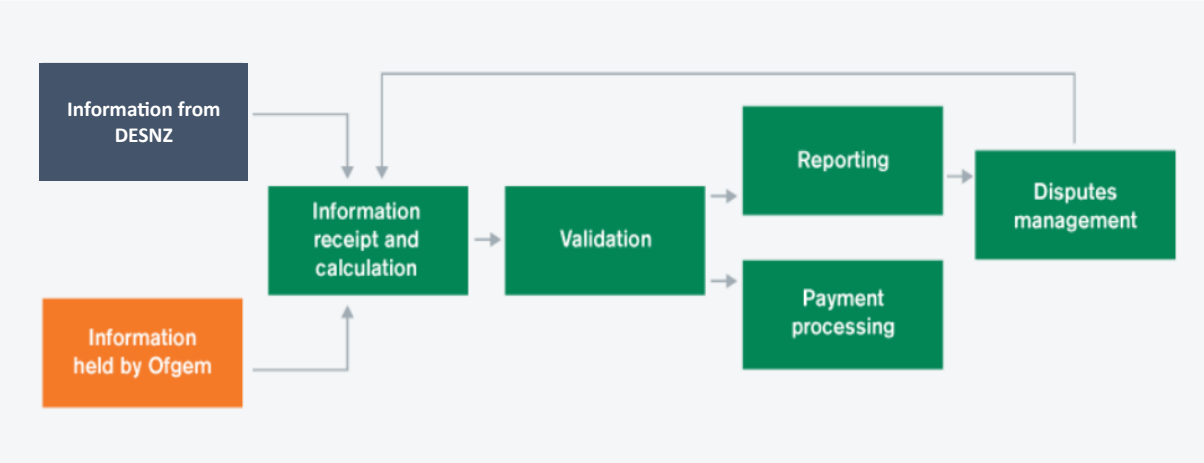

Figure 2: Simplified process for Core Group Reconciliation

4.27. 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. Figure 2: Simplified process for Core Group Reconciliation provides an overview of the process.

4.28. The first reconciliation is an interim reconciliation, taking into account the second reported account numbers, (except SY12). Interim reconciliations are to be carried out during a scheme year, under which each scheme electricity supplier will make or receive a payment on account of its liability or entitlement for that year.

4.29. The second reconciliation is the end-of-year reconciliation, taking into account the second reported account numbers. Ofgem will communicate a timetable for each reconciliation run in due course, once we have been instructed to carry out the reconciliation by the DESNZ.

4.30. 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 DESNZ.

Interim reconciliations

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

Step 1 DESNZ submit a formal request for Ofgem to run interim reconciliation.

Step 2 Ofgem collates relevant data from DESNZ and DWP, i.e. the number of eligible customers for each supplier identified in the initial data matching and in the 'sweep' exercise. This exercise is where DESNZ 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 paragraph 4.14.

Step 3 Ofgem produces a timetable for the reconciliation run, including payment dates, and sends this to DESNZ and each of the WHD scheme suppliers

Step 4 Ofgem processes and validates the calculation described in the WHD Reconciliation Regulations[28]. A simplified calculation of the interim reconciliation can be found below.

Step 5 Ofgem provides payment notices to scheme suppliers according to the process we expect to be outlined in the WHD Reconciliation Regulations. As part of the notices Ofgem issues invoices and credit notes, confirms supplier market share and confirms the incoming and outgoing payment dates. Any 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 DESNZ.

4.32. 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 we expect to be stated in the WHD Reconciliation Regulations.

Interim reconciliation calculation

4.33. 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.

[28] The WHD (Reconciliation) Regulations 2022 (legislation.gov.uk)

4.34. The following is a simplified description of the liable amount of spend for suppliers, as well as the total number of eligible customers during the interim reconciliation process:

- We operate the reconciliation mechanism using market share information and suppliers' customer numbers. An interim reconciliation requires information to be sought from DESNZ or DWP. This information shows the number of rebates suppliers have been instructed to provide up to a cut-off date. 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 is liable to spend and the total number of eligible domestic customers across all suppliers. We then use the Core Group market share for each supplier to determine how much of the total aggregate spending should be 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. 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 Scotland domestic customers) x £150 = interim liability. Each supplier's market share liability for a period is £150 × (M% of T), where:
    - "M" is that supplier's Scotland 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

4.35. Therefore, if a supplier's interim liability for an interim reconciliation period 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.

4.36. 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 reconciliation

4.37. After the end of each scheme year, and as soon as reasonably practical, Ofgem will use the following information to produce a reconciliation timetable for the final run: • the value of Core Group rebates delivered by each of the WHD scheme suppliers to domestic consumers; and • total value of rebates delivered by all scheme suppliers.

4.38. 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.

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

$$AA - (£150 \times FF)$$

where—

- "A" is the value of rebates provided by the supplier for the scheme year;
- "F" is the sum of the undelivered rebates provided, or treated as being provided, in the scheme year by the supplier.

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

Accrued interest

4.41. 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. 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

4.42. 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

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

Missed Payment

4.44. If a scheme supplier (or suppliers) fails to make the entire or part of the Scotland interim reconciliation payment or Scotland final reconciliation payment, Ofgem will process a mutualisation notice, 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 DESNZ 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.

4.45. The mutualisation notice will include:

- the amount of the mutualisation payment, and
- the date by which the mutualisation payment must be made, and
- the supplier's market share used to calculate the mutualisation payment.

4.46. 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 DESNZ and all scheme suppliers and continue with the normal reconciliation process. If we do not receive a missing payment or partial missing payment, we will process the payments in line with steps 4 to 8 in the interim reconciliations process.

4.47. 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).

4.48. 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

4.49. 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.

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

4.51. If we identify that an error has been made in a determination on a Scotland 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.

4.52. The make-right payment for a scheme electricity supplier is the sum o

- 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.

4.53. The make-right amount is also adjusted for imbalances according to market share, so that make-right payment liability equals make-right payment entitlement.

Raising a dispute

4.54. Within 2 working days, Ofgem will notify DESNZ and all WHD obligated scheme suppliers

4.55. 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 DESNZ 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.

Step 7 The FDO will review any representations received under Step 6 and proceed to make a final decision by either revoking/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 DESNZ and all WHD obligated scheme suppliers.

4.56. 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.

Make Right Amount

4.57. 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

4.58. 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'.[29]

4.59. If an obligated supplier's licence is revoked mid-way 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 the Core Group reconciliation purposes and the suppliers' non-core spending obligations will not be affected.

4.60. 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

4.61. If a supplier is obligated to pay or receive reconciliation payments, the final reconciliation payments will be adjusted by taking the re-calculated market shares into account by following the formula below—

$$M2 = M1 \times \frac{100}{100 - E1}$$

where—

"M2" is the remaining supplier's recalculated market share,

"M1" is the remaining supplier's relevant market share.

"E1" is the supplier's relevant market share.

[29] Supplier Licensing Review: Ongoing requirements and exit arrangements – Decision Supplier Licensing Review: Ongoing requirements and exit arrangements - Decision (ofgem.gov.uk)

4.62. 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.

4.63. If, before the termination of the supplier's licence, they received or paid a Scotland interim reconciliation payment ("Scotland IRP") in relation to the scheme year—

- any final reconciliation payment that supplier is entitled to receive, a final reconciliation is to be adjusted by subtracting M2% of Scotland IRP;
- any final reconciliation payment that a supplier is liable to pay a final reconciliation is to be adjusted by adding M2% of Scotland IRP.

Governance and Management

4.64. We expect suppliers to have robust governance and management processes in place to be satisfied that the Core Group 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.
- Ensure at an operational level that there is sufficient management and administrative capacity to pay rebates on time

5. Broader Group

Broader Group Overview

5.1. The Broader Group forms part of a compulsory supplier's non-core obligation. It obligates suppliers to identify Scotland domestic customers to provide a rebate to. The customers should be in fuel poverty or a fuel poverty risk group and not captured under the Core Group. This section outlines the obligations and conditions, including approval processes, for delivering Broader Group rebates.

5.2. For each scheme year, a compulsory scheme electricity supplier must provide the prescribed rebate to Broader Group customer who is a Scotland domestic customer (defined in paragraph 3.4) selected by the supplier based on eligibility criteria determined by the supplier and approved by Ofgem.[30]

5.3. Broader Group rebates must be provided by the end of the scheme year (SY) to be counted towards a supplier's non-core spending obligation. The scheme year end date is 31 March for each scheme year.

5.4. Suppliers should aim to provide rebates during the winter months, as the customer will get most benefit from this.

5.5. 5.13 lists compulsory benefits which a supplier must include in its eligibility criteria for Broader Group rebate payments. Suppliers can also choose additional eligibility criteria to target customers in fuel poverty or in a fuel poverty risk group. These criteria must be approved by Ofgem before they are used by Suppliers.

5.6. Generally, rebates can only be paid to a supplier's own customers.[31] However, if a customer approved for the rebate has switched supplier since applying, the supplier can choose whether to pay the rebate.

5.7. Rebates that are provided but not redeemed by the customer are considered undelivered.[32] Rebates which are provided but not delivered are counted towards the current SY so that the total Broader Group spending is calculated based on the provided figure. The value of undelivered rebates by 31 August required to

[30] See Regulation 21 of the Regulations
[31] DWP appointees who hold an account on behalf of an eligible customer are also eligible
[32] See Regulation 11(9)(b) of the Regulations

make up a supplier's spending obligation will be added to the supplier's non-core obligation for the following scheme year.[33] 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.

5.8. 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.

5.9. For further information on providing rebates, including delivery and provision requirements, refer to Chapter 6.

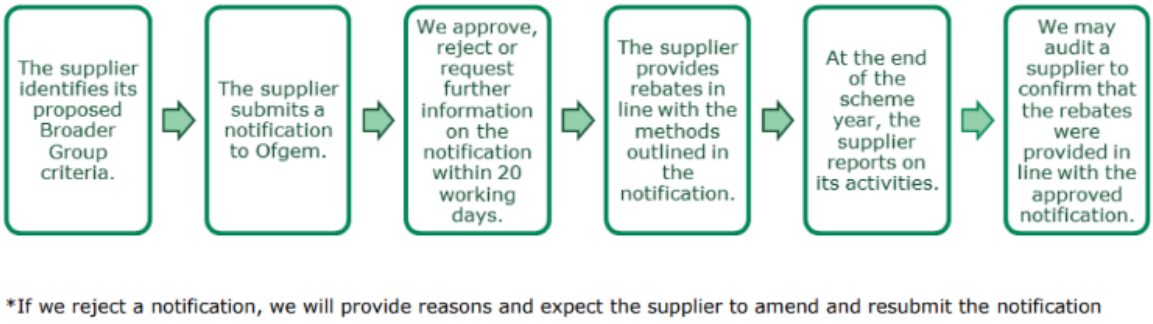

Figure 3: The process of submitting a Broader Group notification

5.10. For SY12, suppliers may count spending incurred on Broader Group activities from 1 April 2022, provided that we subsequently confirm that the spending meets all of the Broader Group requirements.[34]

5.11. A supplier must achieve a minimum spend on the Broader Group, unless Ofgem approve their request to transfer some or all of its Broader Group minimum target. Suppliers can also meet all of its non-core obligation through providing Broader Group rebates.

Eligibility Criteria

Compulsory Broader Group Criteria

[33] See Regulation 18(6) and 18(7) of the Regulations
[34] See Regulation 27 of the Regulations.

5.12. All compulsory suppliers must include the compulsory Broader Group criteria in their notification. We provide notification templates which include these criteria as standard for suppliers to confirm that they are using the compulsory criteria

5.13. The qualifying benefits for the Broader Group are as follows:[35,36]

1. A person who receives **Income Support**[37]; and

   (a) has parental responsibility for a child under the age of 5 who ordinarily resides with that person, **OR**

   (b) receives any one of the following in addition to Income Support:

   - Child tax credit which includes a disability element
   - A disabled child premium
   - A disability premium, enhanced disability premium or severe disability premium
   - A pensioner premium or higher pensioner premium.

2. A person who receives **Income-related Employment and Support Allowance (IR ESA) which** includes a support component (in accordance with section 4(2)(b) of the Welfare Reform Act (2007); and

   (a) has parental responsibility for a child under the age of 5 who ordinarily resides with that person, **OR**

   (b) receives any one of the following in addition to Income-related Employment and Support Allowance:

   - Child tax credit which includes a disability element;
   - A disabled child premium;
   - A disability premium, enhanced disability premium or severe disability premium;
   - A pensioner premium or higher pensioner premium

[35] See Part 1 of Schedule 2 to the Regulations.
[36] "Disability premium", "enhanced disability premium", "severe disability premium", "pensioner premium" and "higher pensioner premium" mean a premium of that name specified in the relevant legislation
[37] Under Part 7 of the Social Security Contributions and Benefits Act 1992

3. A person who receives **IR ESA** and is a member of the **work-related activity group**[38] and;

   (a) has parental responsibility for a child under the age of 5 who ordinarily resides with that person, **OR**

   (b) receives any one of the following in addition to the IR ESA:

   - Child tax credit which includes a disability element;
   - A disabled child premium;
   - A disability premium, enhanced disability premium or severe disability premium;
   - A pensioner premium or higher pensioner premium

4. A person who is in receipt of **Income-based Jobseeker's Allowance** (within the meaning of section 1 of the Jobseekers Act 1995) and;

   (a) has parental responsibility for a child under the age of 5 who ordinarily resides with that person, **OR**

   (b) receives any one of the following in addition to Income-based Jobseeker's Allowance:

   - Child tax credit which includes a disability element;
   - A disabled child premium;
   - A disability premium, enhanced disability premium or severe disability premium;
   - A pensioner premium or higher pensioner premium

5. A person who is in receipt of **Housing Benefit**[39] and;

   (a) has parental responsibility for a child under the age of 5 who ordinarily resides with that person, **OR**

[38] Which means a person who has or is treated as having limited capability for work under Part 5 of the Employment and Support Allowance Regulations 2008 other than by virtue of regulation 30 of those Regulations

[39] under Part 7 of the Social Security Contributions and Benefits Act 1992

(b) receives any one of the following in addition to Income-based Jobseeker's Allowance:

- Child tax credit which includes a disability element;
- A disabled child premium;
- A disability premium, enhanced disability premium or severe disability premium;
- A pensioner premium or higher pensioner premium

6. A person who is in receipt of **Universal Credit**[40], has an earned income not exceeding the relevant periodic amount in at least one relevant assessment period, and:

   (a) has limited capability for work or limited capability for work and work-related activity,

   (b) is in receipt of the disability child element, **OR**

   (c) has parental responsibilities for a child under the age of 5 who ordinarily resides with that person.

7. A person who is in receipt of **Child Tax Credit**[41] [42]by virtue of an award which is based on an annual income not exceeding the relevant annual amount[43] and:

   a) has parental responsibilities for a child under the age of 5 who ordinarily resides with that person,

   (b) is in receipt of child tax credit which includes a disability element, **OR**

   (c) is in receipt of a disabled child premium

5.14. Ofgem must **always** approve a supplier's eligibility criteria if it is satisfied that the following conditions are met, even where a supplier only uses the compulsory criteria to define its Broader Group eligibility:

[40] Which has the meaning given in section 1 of the Welfare Reform Act 2012
[41] Which has the meaning given in Part 1 of the Tax Credits Act 2002
[42] Applies to Scheme Years 12-14 only
[43] "Relevant annual amount" means for scheme year 12, £17,005. For each subsequent scheme year, the relevant annual amount for the preceding scheme year will be increased or decreased by the percentage increase or decrease in the consumer prices index over the 12-month period ending on 30 September in the preceding scheme year (the resulting figure being rounded upwards to the nearest £1). See Part 3 of Schedule 2 of the Regulations.

- the eligibility criteria include all the descriptions of persons in 5.13: Compulsory Broader Group qualifying benefits (Part 1 of Schedule 2)
- any eligibility criteria not included in Part 1 of Schedule 2 will wholly or mainly be persons in fuel poverty or in a fuel poverty risk group; and
- the eligibility criteria will ensure that customers meeting the criteria will wholly or mainly be persons who are not former core group customers of the supplier.

5.15. More information on Universal Credit can be found on the government website.[44]

5.16. Suppliers must ensure customers meeting the Broader Group criteria will wholly or mainly be people who were not Core Group customers in the previous scheme year[45]. The information provided to a supplier regarding Core Group rebates should be used to reduce the chance that a customer account receives more than one WHD rebate in each scheme year. If a supplier has included any pension credit customer group in its additional criteria, the supplier should monitor its Broader Group and Core Group to minimise the potential for duplication.

Evidencing eligibility

5.17. For all Broader Group customer,[46] suppliers must verify that the customer meets its eligibility criteria before providing a rebate. To evidence this, suppliers must either follow the steps outlined below,[47] or a process that is at least as effective as these step.[48] We will check that either a supplier's Broader Group call centre scripts or the application forms include information that addresses these requirements. The steps are as follows:

1) Obtain from each customer orally or in writing:
    - the customer's name, address and telephone number[49]

[44] Universal Credit: What Universal Credit is - GOV.UK (www.gov.uk)
[45] See regulation 22(3) of the Regulations.
[46] See regulation 21(1) of the Regulations.
[47] See Part 2 of Schedule 2 of the Regulations.
[48] See regulation 22(5) of the Regulations.
[49] In exceptional circumstances, where a customer may not be able to provide a telephone number, under regulation 22(5)(b) an email address may be considered as effective for verification purposes. We recommend that suppliers collect a statement from the customer that they do not have a telephone or prefer not to use one

- a declaration that the customer meets the supplier's eligibility criteria, and
- an explanation of how the customer meets the criteria.

2) Explain to the customer that they may be asked to provide evidence of their eligibility before receiving the rebate.

3) In relation to at least 5% of the number of customers which the compulsory scheme electricity supplier provides with the prescribed rebate in a scheme year, obtaining documentary evidence before providing the prescribed rebate that the customer meets the supplier's eligibility criteria

5.18. Details of how a supplier will verify eligibility must be approved as part of the Broader Group notification.

5.19. Failure to demonstrate any of the above specifications may result in further investigation. A compulsory supplier will be at risk of non-compliance if we are not satisfied that measures have been put in place to ensure Broader Group payments have been targeted correctly, or eligibility has not been evidenced correctly.

Governance and management

5.20. We expect suppliers to have robust governance and management processes in place to be satisfied that the Broader Group 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 Broader Group 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.

Fraud, misuse and abuse prevention

5.21. We expect suppliers to be able to manage fraud. We seek evidence in Broader Group notifications of the measures in place to:

- minimise the risk of misuse, abuse and fraudulent payments, and

- ensure that the rebate is paid to an eligible person or household (for example, this can include validating the account before a payment is provided).

5.22. Further details on audit and fraud prevention can be found in Chapter 9.

Notification and approval process

5.23. A supplier's Broader Group proposal must be submitted to the WHD inbox (whd@ofgem.gov.uk) using the notification template provided by us. A supplier should tell us if it is having any problems with using the template before it submits. Notifications should be signed by an appropriate senior officer from the supplier, who is an authorised signatory and will be accountable for the activity outlined in the notification.

5.24. Within 20 working days of receiving a scheme notification the WHD team will approve or reject the proposal or request additional information. If we ask for more information, we will provide a determination within 20 working days of receiving the information requested (unless further clarification is needed).

5.25. 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 Broader Group activity in line with the approved notification, suppliers should contact the WHD team as soon as possible.

5.26. Approval of a supplier's Broader Group notification, including the estimated spend, does not mean that spend is counted towards the supplier's non-core obligation, or that a supplier complies with the regulations. Following the end of each scheme year suppliers must report on their Broader Group activity, as detailed in Chapter 8. We will assess the reports and inform compulsory suppliers of the attributable spend by 30 September of each scheme year.

5.27. Approval for Broader Group schemes can be requested and given for multiple scheme years, up to the end of existing legislation.

Amending an approved Broader Group notification

5.28. Ofgem will circulate the Broader Group notification template to suppliers ahead of the start of each scheme year. For SY12, this will be circulated ahead of the Regulations coming into force. The Broader Group notification template must be completed and submitted to Ofgem by email to whd@ofgem.gov.uk.

5.29. Any amendments to approved notifications must be submitted to Ofgem. Approval of amendments will follow the process outlined for initial notifications. Suppliers must have received our approval before implementing the amendments. Amendments can be submitted using the same templates as initial notifications. For minor amendments, suppliers should contact us to agree the best method for notification.

5.30. If a supplier believes there is a risk that it will not be able to meet its minimum level of spending on Broader Group activity, despite making all reasonable efforts, it must notify us by 15 November or within two months after the commencement date in SY12 and by 15 November for SY13-15.[50] Refer to Mid-year report: Transfer of Broader Group obligation for details.

[50] See regulation 20(4) of the Regulations

6. Provision of the rebate

6.1. The value of the rebate provided to Core Group and Broader Group customers is £150 in each scheme year. All rebates must be provided to Scotland domestic customers.

6.2. The value includes VAT. VAT should be applied to rebate payments when crediting an account or providing the rebate to a customer.[51]

6.3. The Core Group rebate must be provided by 31 March in a scheme year if a rebate notice 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.[52] Notifications received after 1 April should be treated as instructions for the new scheme year.

6.4. The Broader Group rebate needs to be provided after Ofgem approves the eligibility criteria, unless in SY12, the rebate can be provided prior to Ofgem approval but will only count towards the non-core obligation if subsequently approval by Ofgem[53].

6.5. 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

6.6. Providing a rebate means:

- crediting the amount of the rebate to the customer's electricity or, if requested by a customer, gas account,
- providing a customer who prepays for electricity or gas with credit against future energy use, or
- tendering payment to the customer.[54]

6.7. Crediting against future use may include using the rebate to reduce debts on customer electricity accounts. If requested by the customer, suppliers can credit

[51] See regulations 9(3) and 23(2) of the Regulations
[52] See regulations 9(5) and (6) of the Regulations
[53] See regulation 23(1) of the Regulations
[54] See regulations 9(3) and 23(2) of the Regulations

rebates onto customer gas accounts. See paragraphs 6.11- 6.15 for further information on when a customer's gas account can be credited.

6.8. The preferred methods are to directly credit the customer account or provide credit (including rebates through tokens) to the prepayment device. Tendering the payment by cheque or electronic transfer should be a last resort (minimising the opportunity for fraud).

6.9. A supplier must specify on the recipient's energy bill, or otherwise notify in writing, that the rebate was made under the WHD scheme.[55]

6.10. 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 provided to the electricity or gas account

6.11. For customers with dual fuel accounts, the default 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.

6.12. 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.[56] We encourage the suppliers to act in the customer's interest and accommodate the request.[57]

6.13. Where there is not a separate account for gas and electricity, the suppliers should consider the rebate as being applied to the electricity account.

6.14. Suppliers must ensure that each customer is provided with the correct rebate amount, regardless of how this is distributed across accounts.

6.15. 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

[55] See regulation 9(7) and 23(4) of the Regulations
[56] See regulation 9(3) and 23(2) of the Regulations
[57] See The Government Response to the Warm Home Discount Consultation 2016/2017 Warm Home Discount Scheme 2016/17 - GOV.UK (www.gov.uk)

is applied to an electricity account and then transferred to the gas account, suppliers do not need to report this.

Providing a rebate where the account is not credited directly

6.16. 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 undelivered.[58]

6.17. 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.

6.18. 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 (i.e., 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.

6.19. Suppliers must provide the rebate to customer accounts before the end of a scheme year.[59] 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);

[58] See regulation 11(9)(b) and 23(6)(b) of the Regulations.
[59] Unless suppliers are given a rebate notice after 1 March, they then have 30 days to provide the rebate which may be after the end of scheme year. Rebates given in this period will be treated as provided in the scheme year in which the notice was given. See regulation 9(6) of the Regulations.

- 1 April to 31 August 2026 (SY15).

Figure 4: Timelines for monitoring rebate redemption in SY12

6.20. Figure shows the timelines for monitoring rebate redemption in SY12. For the following scheme years, the dates apply respectively, i.e. 31 March is the end of a scheme year and 31 August end of reporting period.

6.21. For rebates that are not delivered when a supplier provides its rebate redemption report, there are three possible outcomes for the supplier:

- If at least one additional attempt has been made to deliver the rebates, the supplier will be compliant with the Core Group or Broader Group 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

6.22. 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.[60]

6.23. 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.

6.24. 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.

[60] See regulation 7(2) of the Regulations

7. Industry Initiatives

Overview

7.1. 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.

7.2. Compulsory suppliers are able to meet part of the non-core spending obligation through Industry Initiatives. Spending on Industry Initiatives can be done by either licensed electricity or connected licensed gas suppliers. There are criteria that must be complied with to ensure that the Industry Initiatives spending can be counted towards a supplier's non-core obligation.

7.3. Where electricity suppliers are connected to more scheme gas suppliers the following applies:[61]

- 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 Industry Initiatives 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). For example, if C has 150,000 customers, and its connected scheme electricity supplier(s) have 100,000 then the combined customer number is 250,000. The percentage C can count towards its Industry Initiatives spending occurred by its connected compulsory scheme supplier(s) is in this case 150,000 / 250,000 which equals 60%. 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

[61] See regulation 26 of the Regulations

with the commencement of the regulations, if we subsequently confirm that the spending meets all the requirements for Industry Initiatives.[62]

7.4. 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.

7.5. Spending on an industry initiative in SY13-15 does not count towards a supplier's non-core spending obligation unless the industry initiative has been notified to the Authority and the spending takes place after the Authority approves the initiative.

7.6. 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.

7.7. 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.

7.8. 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.

7.9. It is not necessary for recipients of support funded by a supplier through Industry Initiatives to be a customer of that supplier.

7.10. An Industry Initiative must meet all of the following requirements:

- be permitted in the Regulations
- 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.

[62] See regulation 27 of the Regulations

7.11. 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 will be open to new methods or approaches when assessing the success of targeting and value for money.

7.12. Figure 5: Process for confirming Industry Initiatives provides an overview of the timeline of Industry Initiatives.

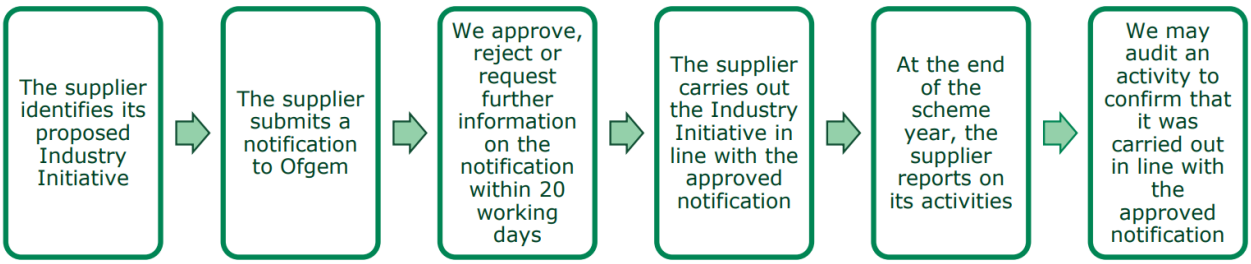

Figure 5: Process for confirming Industry Initiatives

Permitted Activities

7.13. 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:

Providing energy and smart meter advice

7.14. Energy 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.

7.15. 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.[63] Where possible we encourage suppliers to consider delivering energy advice services in this way.

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

Providing or funding the provision of other parties of energy efficiency measures to Scotland domestic customers

7.17. Providing or funding the provisions by other parties to domestic energy consumers of:

- Energy efficiency measures
- Thermal efficiency measures
- energy efficient appliances
- Repair of boiler or central heating systems; or
- Microgeneration.

7.18. 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.

7.19. A supplier may not count costs arising from the installation of a boiler or central heating system unless:

a) The boiler or central heating system:

- is fuelled wholly by mains gas and
- generates heat wholly or mainly by means of a source of energy or technology or,
- generates heat only by means of combustion of mains gas and a source of energy or technology.

b) Where the boiler or central heating system that is installed ('N') is fuelled wholly or partly by mains gas:

[63] 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

- replaces an existing boiler or central heating system which is fuelled (whether wholly or not) by mains gas; and
- at least one person living in the domestic premises where N is installed is:
    - Aged 65 or over,
    - Under the compulsory school age,
    - Has significant health problems or a disability which may be exacerbated by the cold, makes the person vulnerable to cold-related illness or means that the person spends the majority of their time in the premises.

7.20. Repairs and the installation of renewable/mainly renewable boilers and central heating systems are not within this restriction. A supplier cannot count cost arising from the installation or repair of a boiler or any central heating system installed in properties[64] 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 2030:2023 and PAS 2035:2023, which are equivalent to the requirements under TrustMark.

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

The installation of Solar PV (under microgeneration) must be installed by a certified Microgeneration Scheme (MCS) installer[65]

[64] High-risk properties are park homes as defined in the Mobile Homes Act 1983, and high-rise buildings that are both traditionally constructed and protected as defined in PAS 2030:2023 and PAS 2035:2023. See: Warm Home Discount Scheme 2021 to 2022 - GOV.UK (www.gov.uk)
[65] Support for Gaining PAS & MCS Certification • TrustMark

Funding Training for People to Provide Energy Advice

7.21. A supplier may not count costs of 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 e.g.:

- 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
- organisations solely operating in geographies with low scoring multiple deprivation indices[66]
- A supplier also may not count costs of funding training for people to provide smart meter advice.

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

7.22. Debt write-off is the reduction or cancellation of debt on a customer's electricity or gas account, 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.

7.23. A supplier may not count costs arising from a billing error, or back billing that falls within the Ofgem criteria.[67]

7.24. There is an overall cap of £600,000 of which a maximum of £300,000 can be allocated to customers which are not on a pre-payment meter. There is an individual customer cap of £2,000 for debt write-off in a scheme year.

7.25. PPM debt is built up when pre-payment consumer cannot afford to top up their meter and suppliers provide them with a temporary credit to avoid the energy

[66] Multiple Deprivation Indices in: Scotland Scottish Index of Multiple Deprivation 2020 - gov.scot (www.gov.scot)
[67] What to do if you get a back bill | Ofgem

supply to be cut off, which a customer has to pay back. A supplier might add this credit automatically if a consumer is running out of credit.[68] As the credit builds up and a consumer is in debt to their supplier; this is referred to as PPM debt. A consumer may pay back part of the debt each time they top up their meter. The reservation of at least £300,000 to customers with PPM debt within the overall debt write-off cap is aimed at supporting consumers that are having difficulties in paying back their suppliers and avoiding the build-up of high PPM debt.

Provision of rebates to eligible occupants of mobile homes

7.26. A supplier may provide rebates to eligible occupants of mobile homes in Scotland who would qualify under Core Group or Broader Group criteria. This includes buildings, such as Park Homes, which fall under the meaning given in Section 5 of the Mobile Homes Act 1983.

7.27. Rebates should be of the same value as, Core and Broader Group rebates.

7.28. 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.

Providing financial assistance or funding the provision by others to Scotland domestic customers on energy bills, including rebates, to households that are particularly at risk of fuel poverty

7.29. Suppliers may make payments of up to £150 per household towards the gas or electricity bills of consumers who are:

- living in off-gas grid homes,
- having a significant health problem or a disability,

[68] You can't afford to top up your prepayment meter - Citizens Advice

- 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 or in a fuel poverty risk group,
- supplied with gas or electricity through a pre-payment meter, or
- falls under the mandatory Broader Group eligibility criteria as described under Part 1 of Schedule 2 of the regulations.

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

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

7.32. 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. Charges incurred by a Scotland domestic customer before the date on which the payment was made cannot be counted towards the financial assistance.

7.33. Please note that these options do not supersede the general responsibility of Industry Initiatives to target people wholly or mainly in fuel poverty or in a fuel poverty risk group.

Specified Activities

7.34. Scottish Ministers will provide further guidance on Specified Activities as required. Specified activities will be detailed and published in a notice by Scottish Ministers. The same criteria apply to specified activities as to Industry Initiatives in general, as set out in chapter 6 of this Guidance.[69]

[69] See regulation 24 of the Regulations

Eligibility Criteria

7.35. 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.

7.36. 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, 'Fuel Poverty'.

7.37. 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.

7.38. 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)[70] 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.

[70] The LA declaration must be valid in the respective scheme year, or valid under ECO4.

7.39. To make LA declarations,[71] 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 (e.g. published on an LA's website) so that it can be easily accessed by interested parties.

7.40. The supplier must be able to evidence that:

a) The SoI was published prior to any declarations being made by that LA

b) The SoI confirms that the LA intends to adhere to the four routes available under ECO4 Flex

c) The SoI has been signed by the CEO or dedicated responsible person.

7.41. 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.

7.42. 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

7.43. 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.

7.44. 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

[71] Further information on LA declarations can be found in the ECO4 Guidance on LA Flex. This will be available on: ECO guidance and associated documents | Ofgem

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.

7.45. For industry initiative activities, if the administration costs are included in the notification, these will count towards the cap on debt write-off.

7.46. 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.

7.47. 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.

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

Interaction with other schemes

7.49. 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).

7.50. The regulations do not anticipate co-funding of WHD with other schemes. DESNZ's 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

7.51. 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 - suppliers should be aware of progress throughout the year to ensure delivery is completed by the end of the scheme year and
- ensure that there is sufficient management and administrative capacity to deliver the Industry Initiatives at operational level.

Delivery Agents

7.52. 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 on the agreed industry initiatives and deliver the obligation accordingly.

7.53. 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.

7.54. 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 e.g. 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.

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

7.56. 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.

7.57. If a supplier has any concerns regarding its obligations when working with third parties or trusts, it should contact the WHD team at whd@ofgem.gov.uk.

TrustMark

7.58. TrustMark was incorporated in WHD from 1 April 2021. The boiler and central heating measure must be installed or repaired 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.[72]

Relevant standards

7.59. This section refers to the inclusion of the Publicly Available Specification (PAS) standards PAS 2035:2023 and PAS 2030:2023[73] into WHD.

7.60. PAS 2035:2023 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.[74]

7.61. PAS 2030:2023 sets out how the installation of specific energy efficiency measures should be carried out in existing domestic buildings.

[72] Documents For Businesses • TrustMark
[73] Part 2 of Schedule 3 to the Regulations.
[74] This is available for purchase on the BSI website: PAS 2035:2023 | 31 Aug 2024 | BSI Knowledge (bsigroup.com) and PAS 2030:2023 | 31 Aug 2024 | BSI Knowledge (bsigroup.com)

7.62. Suppliers should ensure boilers and central heating systems in all homes are installed or repaired in accordance with PAS 2030:2023 and PAS 2035:2023.

7.63. All installers carrying out measures installed in accordance with PAS 2030:2023 and PAS 2035:2023 must be a TrustMark registered business at the time of the installation. However, TrustMark may have further requirements beyond evidencing that an installer is PAS 2030 and PAS 2035 certified and can be found within TrustMark's Framework Operating Requirement document.[75]

7.64. To provide assurance that the relevant measures are installed in accordance with PAS 2030:2023 and PAS 2035:2023, TrustMark will issue a Certificate of Lodgement once the project Retrofit Coordinator has signed off the project and submits a lodgement.

7.65. 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

7.66. 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.

[75] Documents For Businesses • TrustMark

Fraud prevention

7.67. We expect suppliers to prevent 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. Ofgem needs to be satisfied with the fraud prevention measures in place before we approve an Industry Initiative.

7.68. Further details on audit and fraud prevention are in Chapter 8.

Pilot Industry Initiatives

7.69. 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 in intended to encourage more innovative schemes.

7.70. 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.

7.71. Pilot Industry Initiatives can only run for one scheme year and should not have a value of more than £300,000.

7.72. 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

7.73. A supplier's Industry Initiative proposal must be submitted to the WHD team 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.

7.74. Where an Industry Initiative activity is delivered across Great Britain, suppliers need to report the amount that is delivered to households in Scotland and the amount that is delivered in England and Wales separately. These can be submitted within a single report as long as the reported amount is itemised separately. Industry Initiative notifications, however, need to be submitted separately and delivery for the Scottish scheme may only include spending that has incurred to support a Scottish household.

7.75. Within 20 working days of receiving a scheme notification we will approve or reject the proposal or request additional information.[76] If we ask for more information, we will provide a determination within 20 working days of receiving the information requested or, if further information is required, we will request that information. 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.

7.76. 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. Please see below for possible outcomes for an Industry Initiative:

1. The Industry Initiative was successfully delivered and achieved the outcomes specified in the notification.
    - Pilot Industry Initiatives: We will confirm this to the supplier as part of the end-of-year reporting process. 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.
    - Non-pilot Industry Initiatives: We will confirm this to the supplier as part of the end-of-year reporting process.
2. The value for money or targeting did not deliver to the extent outlined in the notification.
    - Pilot Industry Initiatives: If a supplier can give evidence that they attempted to meet the criteria, and followed the processes outlined in its

[76] Regulation 29(3) and (4) of the Regulations

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. 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.

- Non-pilot Industry Initiatives: We will count all of the spending on this initiative towards the supplier's non-core obligation.

3. The Industry Initiative was not successful for any other reason.
    - Pilot Industry Initiatives: We will not count all or part of the spending on this initiative towards the supplier's non-core obligation.
    - Non-pilot Industry Initiatives: We will not count all or part of the spending on this initiative towards the supplier's non-core obligation.

7.77. Approval can be requested and given for activities spanning multiple scheme years, up to the end of existing legislation, currently SY15.

7.78. 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.

7.79. 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

7.80. 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.

8. Reporting

Customer data notification

8.1. In each customer data notification, we require the number of GB domestic customer accounts for the licensed domestic electricity suppliers and any licensed domestic gas suppliers connected to the licensed domestic electricity supplier.[77] 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.[78]

8.2. The number of GB domestic customers on 31 December and on the mid-scheme year calculation date determines the number of customers that a supplier provides electricity, gas or dual fuel to on that date.[79] 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 to be calculated as the percentage their customers in relation to the combined number of the supplier's and its connected scheme gas and electricity supplier customer number.

8.3. If a supplier does not communicate its customer numbers by the appointed reporting date, or we consider that a notification is inaccurate, Ofgem will determine the supplier's GB domestic customer number on the calculation date.[80] 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.

[77] 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

[78] As per regulation 3(2) of the Regulations a licensed supplier is connected to another licensed supplier if they both belong to the same group of companies.

[79] See regulation 5 of the Regulations

[80] Regulation 5(3) of the Regulations

8.4. 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.

Scheme year customer number reporting

8.5. 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 31 December preceding the start of a scheme year.

8.6. This notification needs to take place by the 21st day after the commencement date for SY12, and by 1 February for the following scheme years 13, 14, and 15.

8.7. 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-scheme year customer number reporting

8.8. From SY13, a second customer number reporting date is introduced for suppliers. As this records GB domestic customer numbers, it can be done for both schemes, the England and Wales as well as Scotland scheme, together. The mid-scheme year customer reporting ensures that energy supplier obligations reflect up-to-date data and consider fluctuations in customer numbers. The purpose of the second reporting date from SY13 onwards is for the Core Group 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.

8.9. Ofgem will send a notice to suppliers in each scheme year asking the suppliers to report their customer number on a specific calculation date. 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 Group. This will be the same date for both England and Wales WHD and Scotland WHD. See paragraphs 4.13 onwards for more information about 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.

Mid-year report: Transfer of Broader Group obligation

8.10. Suppliers have an obligation to deliver the non-core element of the scheme, which consists of both the Broader Group element and the Industry Initiatives element. Where possible, suppliers are expected to provide rebates to at least the number of rebates which is specified in their Broader Group target. The delivery under Industry Initiatives is capped at £7m p.a. which is distributed across suppliers according to their market share.

8.11. If there is a risk that a supplier will not be able to meet its minimum spending obligation on the Broader Group, the supplier can apply to transfer up to 100% of their Broader Group obligation to the Industry Initiatives. Following the process outlined below, we will determine whether the supplier is unlikely to meet the minimum Broader Group amount and confirm this to the supplier.[81]

8.12. As laid out in the government response to the WHD Scotland 2022 consultation:[82]

- DESNZ expects suppliers will start preparations early and publicise their Broader Group in good time.
- DESNZ do not expect suppliers with a market share in Scotland higher than in GB to apply for this flexibility, nor expect suppliers to apply for this flexibility unless they have substantially lower market share in Scotland than GB.

8.13. DESNZ expect suppliers to prioritise Broader Group rebates where possible, so the transfer can only be allowed where they have made sufficient efforts to try that route.

- The main criterion used to approve transfers will be whether suppliers have enough customers eligible for their Broader Group to satisfy their obligations.
- As per the current scheme, suppliers will be able to expand their eligibility criteria, as long as they can prove these include 'wholly or mainly persons in fuel poverty' or 'in a fuel poverty risk group', and this provision already

[81] See Regulation 20(3) of the Regulations
[82] Warm Home Discount Scotland: the government response to the consultation (publishing.service.gov.uk)

affords some flexibility in delivering the Broader Group target. This could include:

- low-income households in groups that are at risk of fuel poverty, including 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.

8.14. Suppliers considering making this notification should engage with Ofgem early.

Making a notification

8.15. A supplier must make a notification that it may not achieve its Broader Group minimum obligation by midnight on 15 November of the relevant scheme year. For SY12 this notification needs to be made before the later of 15 November or two months after the commencement date of the scheme. We encourage suppliers to engage with us as soon as they have any concerns on meeting their Broader Group target.[83]

8.16. For us to determine that a supplier is at risk of not meeting its minimum Broader Group spend we require the following information as a minimum[84]:

- details of the marketing and targeting strategy implemented by the supplier, which will include:
  - any analysis of its customer base, information from its Priority Services Register and any other relevant customer data sets

[83] See regulation 20(4) of the Regulations.
[84] Further Information on the Broader Group can be found in chapter 5 Broader Group.

- information about marketing through the supplier's web site, mailshots and other campaigns
- the marketing strategy with key milestones, targets, monitoring information and any responses/actions.

- the implementation plan for the Broader Group – including the assumptions behind the number of Broader Group applications required, the likely number of eligible applicants, the verification sample size, likely attrition rate, and the payment schedule. We also expect to receive the monitoring framework and any corresponding actions, and
- the forward plan of action for the Broader Group from the date of the notification to the end of the scheme year.

8.17. The minimum information that we will need to determine any increase in Industry Initiatives spending is:

- details of the targets, outcomes and spend profile of the initiative, and any reports that show the initiative has met existing targets and plans that show the initiative has the capability to meet the additional spending targets before the end of the scheme year.

8.18. Once an application is submitted, we will send an acknowledgement to suppliers.

8.19. After we have received an application, we will respond within 20 working days88 whether, and the extent to which, the supplier may spend below the minimum Broader Group amount and increase its spending on Industry Initiatives or if further information is needed to make a decision, Ofgem may request further information from the supplier in this period.

8.20. Suppliers may not request to amend the value of the transfer after 15 November of the relevant scheme year.

8.21. As a condition of approval, we would normally expect suppliers transferring funds to leave their Broader Group open to applications until at least one month prior to the scheme year end.

End-of-year report

8.22. 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.

8.23. Ofgem's reporting-related information requests are underpinned by the relevant regulation,[85] which enables the authority to request that a scheme supplier provide it with such information as the Authority requires for the purposes of carrying out its functions in relation to the WHD scheme.

8.24. Suppliers must complete the template and return it to the WHD mailbox 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.

8.25. Suppliers with multiple licences have the option to consolidate under one licence for the purpose of reporting, after the obligations are set per licence. 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.

8.26. 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 26.[86] See paragraph 7.3 for further information.

8.27. 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).

8.28. 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

[85] See regulation 31 of the Regulations
[86] See regulation 26 of the Regulations

the activities included in the end-of-year report. For further information, see the 'Supplier internal audit requirements' section of chapter 9.

8.29. 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

8.30. We will initially review each of the individual reports for completeness (i.e. 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.

8.31. 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.

8.32. 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.

8.33. 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.

8.34. 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 report

8.35. The Core Group report should be specific to the WHD Scotland scheme.

Spend

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

Rebates

8.37. 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 exercises. We will use this data to cross-check against information provided by the SoS.

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

8.39. 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.

8.40. 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 DESNZ 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.

8.41. Where an instruction to pay a customer was returned to the DESNZ 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. 8

8.42. The rebate provision is for Scottish domestic customers only. To determine which customers live in Scotland, suppliers may use the Scottish Postcode Directory (SPD)[87], which is also used by DWP for determining Scottish postcodes for the

[87] Scottish Postcode Directory (SPD) | National Records of Scotland (nrscotland.gov.uk)

Core Groups. Suppliers may also use their own methods which will be subject to verification by Ofgem.

8.43. 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 6.

Exceptions

8.44. Suppliers must provide us with the total number of Core Group customers where they think a Regulation 10 exception should apply. We require suppliers to explain the efforts they have taken to provide the rebates before the exception was determined.

8.45. In cases where a supplier is not able to provide a rebate and an exception is not available under Regulation 10, 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 regulations is a matter of discretion for Ofgem.

Broader Group report

Spend

8.46. The Broader Group report requires compulsory suppliers to provide us with the total spend on this element of the scheme and the total number of rebates provided. We will check that these match and that a supplier's minimum Broader Group obligation has been met.

Rebates

8.47. Suppliers must provide details of the total number of rebates delivered in the end-of-year reporting, and the steps it intends to take to deliver any outstanding rebates. The supplier needs to notify Ofgem by the end of a five month-period from the start of the following scheme year (1 April) of the number of broader group rebates provided in the previous scheme year.[88]

[88] See Regulation 23(5) of the Regulations

8.48. We require confirmation that all Broader Group rebates were provided by the end of the scheme year.

8.49. 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.

8.50. The geographical breakdown of rebate provision in Scotland should be provided by suppliers. As for the Core Group, to determine which customers live in Scotland, suppliers may use the Scottish Postcode Directory (SPD)[89], which is also used by DWP for determining Scottish postcodes for the Core Groups. Suppliers may also use their own methods.

8.51. Suppliers must confirm that all Broader Group customers were notified that the rebate was provided as part of the WHD scheme, and that rebates were provided by one of the methods outlined in the 'Payment Methods' section of Chapter 6.

Eligibility criteria and evidence

8.52. Suppliers will need to confirm that the eligibility criteria used for the Broader Group were the same as those outlined in the approved scheme notification and any approved amendments. We also seek assurance that the quality controls outlined in the notification were applied.

8.53. Suppliers should provide the breakdown of Broader Group rebates provided by eligibility criteria. This data will be used to monitor how the scheme is being delivered but will not be considered as part of our compliance assessment.

8.54. We need confirmation that the customer's eligibility was verified in accordance with the scheme notification and any amendments. We will require suppliers to outline the number of Broader Group customers who passed the documentary evidence check and, if available, the numbers that failed or did not return the documentary evidence, and that the verification reached the minimum 5% requirement.

8.55. Records of all Broader Group applicants must be kept until six months after the end of the relevant scheme year. This should include applications, documentary

[89] Scottish Postcode Directory (SPD) | National Records of Scotland (nrscotland.gov.uk)

evidence submitted, and assessment records by the verifying party. This includes for applicants who fail the verification process.

Industry Initiatives reports

8.56. 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. The Industry Initiatives report can be provided as one for the England and Wales WHD and Scotland WHD. However, it is important that there are two separate sections for spend on each of the two schemes. A summary may be provided to give a GB wide overview.

Spend

8.57. 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. 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.

8.58. 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.

8.59. Suppliers should provide evidence that the spending was incurred within the scheme year.

8.60. 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.

8.61. Suppliers should provide confirmation from Scottish Ministers of any spending on Specified Activities.[90]

Targeting

8.62. 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.

[90] See Regulation 28 of the Regulations

Activities

8.63. 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 Part 1 of Schedule 3 to the regulations, and do not fall within an exception in the second column.

8.64. 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.

8.65. 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.

Value for money

8.66. 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

8.67. 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).

8.68. Suppliers must confirm that they have made at least one reasonable attempt to deliver the rebates to customers who have not redeemed the rebate, in addition to the process as notified to Ofgem.

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

9. Fraud and Auditing

9.1. 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

9.2. 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.

9.3. 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.

9.4. 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.

9.5. 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.

9.6. 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.

9.7. Once the finalised audit report has been agreed and issued, we will track the progress of agreed recommendations.

9.8. 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

9.9. 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 below:

- Scheme element: all

  The information submitted is accurate.

- Scheme element: core group

  - Core Group rebates were provided to all customers instructed by the Secretary of State on time, subject to any exceptions.
  - All Core Group customers were notified, either through their bill or in writing, that the rebate payment was made under the WHD scheme.

- Incorrect customer instructions were returned to the Secretary of State within 30 days.
- Exceptions have been reported in line with those identified in this guidance.

- Scheme element: broader element
  - The total number of Broader Group rebates provided by the end of the scheme year is correct.
  - All Broader Group customers were notified, either through their bill or in writing that the rebate payment was made under the WHD scheme.
  - The mandatory eligibility criteria and any additional approved eligibility criteria were used and consistently applied across all applications channels throughout the year.
  - The approved method of evidencing eligibility was used and consistently applied across all application channels throughout the year.
  - The supplier has done enough random sampling and at least 5% of Broader Group rebate recipients successfully provided documentary evidence to demonstrate that they met the eligibility criteria, or had their eligibility confirmed via an appropriate third party, before
- Scheme element: industry initiatives
  - Total eligible spend is accurate.
  - The targeting used is consistent with the approved notification.
  - The activity cost breakdown and outputs achieved are accurately reported.
  - The activities were undertaken in line with the approved notification and spending was after the date of approval.[91]

[91] More information on spending can be found in Chapter 6 'Industry Initiatives'

- Scheme element: rebate redemption
    - Where accounts are not credited directly (e.g. 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.

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

9.11. 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.

9.12. 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

9.13. Ofgem takes a zero-tolerance approach to fraud. A dedicated Counter Fraud team works to detect, prevent, deter and take firm action where there is evidence of fraud 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.

9.14. It is important that suppliers have robust fraud prevention controls in place 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 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.

9.15. 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, if controls are not already in place.

9.16. Where Core Group/Broader Group 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. 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.