

Consultation

Energy price cap: proposed changes to Warm Home Discount Scheme cost allowance

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This consultation sets out proposed changes to the cost profile of the WHD cost allowance in the cap from 1 January 2026. The proposal follows the government decision to expand the WHD scheme mid year in 2025 to 2026 to 2.7m additional eligible households and separately, the government proposal to extend the WHD scheme post April 2026. Our proposal seeks to bring the remaining cost recovery associated with the 2025 to 2026 WHD expansion forward (to 1 January 2026), extended over a longer period (until 31 March 2027).

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1. Introduction

This section sets out the purpose of this consultation, background and context and related publications.

Purpose of this consultation

- 1.1 The default tariff cap ('cap') includes an allowance for Warm Home Discount (WHD) costs, enabling suppliers to recover the costs they incur in delivering the WHD scheme from default customers.
- 1.2 This consultation follows the government decision to expand the WHD mid-way through the current scheme year, providing crucial bill support to a further 2.7 million households which will be paid out this winter. We are consulting on proposed changes to the cost profile of the WHD cost allowance in the cap from 1 January 2026. These changes aim to smooth the cost profile for consumers while facilitating a greater proportion of supplier WHD revenues to be accumulated before rebates for the current scheme year are due.
- 1.3 Given the expansion was confirmed mid-way through the scheme year, some costs were not allowed for in the price cap for the current 2025 to 2026 scheme year.
- 1.4 Government is currently consulting on the extension of the expanded scheme from 1 April 2026 and beyond. In light of this we are now consulting to establish a profile which balances the consumer interest of smoothing bill impacts with the need to have regard to suppliers' ability to recover efficient costs incurred in delivering the WHD scheme in a timely manner. The intention of this proposal is that by the end of the WHD 'scheme year 2026 to 2027', running from 1 April 2026 to 31 March 2027, the price cap returns to the position that costs are recovered within the relevant scheme year.
- 1.5 We expect to issue a decision to this consultation in late November in order for any potential changes to the WHD cost allowance following this consultation process to have effect from 1 January 2026.
- 1.6 We welcome feedback from all interested parties by **7 November 2025**.

Background and context

- 1.7 The Warm Home Discount (WHD) scheme supports those on low incomes and who are vulnerable to cold-related illness or living wholly or mainly in fuel poverty. It came into effect in April 2011. The WHD supports eligible households by providing a £150 annual rebate on energy bills.
- 1.8 [Following a government announcement in June 2025](#), the WHD scheme was expanded to more households experiencing fuel poverty to take effect from October 2025. To do this, the "high-cost-to-heat" eligibility threshold has been

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removed which allows all households in receipt of means-tested benefits to qualify for the rebate until the scheme's current scheduled end in March 2026.

- 1.9 In setting the cap, we act to protect current and future customers, and as part of doing so are required to have regard to suppliers' ability to finance their activities. This includes the costs associated with government environmental and social schemes such as the WHD scheme.
- 1.10 Under the current price cap methodology, the costs of the WHD scheme are included in the 'nil consumption' benchmark, split across gas and electricity customers. This means gas and electricity default customers pay for WHD costs via the daily standing charges rather than on a per unit of energy basis. This reflects that a supplier's WHD obligation currently depends on the number of customers it supplies, rather than the volume of energy they consume.

Proposal to continue the WHD scheme post April 2026

- 1.11 In summer 2025 government set out the decision to expand the WHD scheme for the scheme year 2025 to 2026, providing a £150 discount to an additional 2.7 million households. The estimated additional cost of this expansion was £17 per customer. This is part of a broader strategy to improve affordability through which Ofgem are working with government to ensure the costs of this scheme are offset by other changes in the bill, so they are neutral over time.
- 1.12 In August 2025 Ofgem set out our default position that this £17 would be recovered from bills over 12 months rather than recovered in full during the final 6 months of 2025 to 2026. This position required no change to the cap methodology at the time which aligned to our view that it was in consumers' interests to spread the costs of the scheme over a longer period.
- 1.13 This position would, however, see a total cost of £8.50 per customer deferred into scheme year 2026 to 2027, and we have received significant feedback from suppliers about the impact this would have on working capital requirements and financial accounts. Stakeholders also highlighted the risk that were government to confirm an expanded scheme again beyond April 2027 that there could be a temporary overlap of scheme costs contributing to a "lumpy" cost profile for consumers.
- 1.14 On 30 September, [government consulted on proposals to continue the WHD scheme post April 2026](#). Under these proposals the eligibility criteria established for scheme year 2025 to 2026 would be continued post April 2026.

Related Publications

- 1.15 The key documents relating to this publication are:

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- [DESNZ Impact Assessment on WHD expansion.](#)
- [Ofgem policy update on treatment of revised WHD inputs](#)
- [Continuing the WHD scheme: consultation document](#)

2. Proposal and rationale

This section sets out our proposal to change the profiling of WHD costs in the price cap from 1 January 2026. This would mitigate the expected £17 uplift in WHD costs from 1 April 2026 to September 2026 by implementing a smaller (£6.82) uplift over an extended (15 month) period from 1 January 2026 to 31 March 2027.

WHD allowance cost profile under status-quo arrangements

- 2.1 Our status quo position communicated in August 2025 set out a default position that the additional costs associated with the WHD expansion would be recovered over a 12-month period. The status quo WHD cost allowance profile is set out below in Table 1.
- 2.2 Under this status quo position, the final six months of the 12-month 2025 to 2026 expansion recovery is expected to coincide with an increase to the forward looking new WHD allowance from April 2026, subject to the outcome of the DESNZ consultation on continuing the WHD scheme.

Table 1: Status Quo WHD cost allowance profile

Annualised WHD cost allowance (£/dual fuel customer/year)	Apr-25	Jul-25	Oct-25	Jan-26	Apr-26	Jul-26	Oct-26	Jan-27	Apr-27
Previous baseline WHD allowance	£21.96	£21.96	£21.96	£21.96					
WHD Winter 25/26 expansion costs			£17.05	£17.05	£17.05	£17.05			
New post April 2026 Scheme (illustrative)					£39.01	£39.01	£39.01	£39.01	£39.01
Total expected WHD annualised allowance	£21.96	£21.96	£39.01	£39.01	£56.06	£56.06	£39.01	£39.01	£39.01
<i>Actual amount paid per customer, per period</i>	<i>£5.49</i>	<i>£5.49</i>	<i>£9.75</i>	<i>£9.75</i>	<i>£14.02</i>	<i>£14.02</i>	<i>£9.75</i>	<i>£9.75</i>	<i>£9.75</i>

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- 2.3 It is worth noting that the estimate for the new WHD Scheme noted as £39.01 is based on DESNZ proposals to extend the WHD scheme in line with the eligibility criteria established in Winter 2025 to 2026. This remains subject to final decision and therefore should be considered illustrative.

Proposed changes to WHD allowance cost profile

- 2.4 We propose to amend the WHD allowance cost profile, by implementing a £6.82 uplift to the WHD allowance to account for remaining 2025 to 2026 expansion costs. This would be implemented by making the necessary changes to the target spend inputs in Annex 4 to deliver the intended profile. This uplift would be in place for a period of 15 months (from 1 January 2026 to 31 March 2027). This proposed change in WHD allowance profile is set out in Table 2 below.

Table 2: Proposed WHD cost allowance profile

Annualised WHD cost allowance (£/dual fuel customer/year)	Apr-25	Jul-25	Oct-25	Jan-26	Apr-26	Jul-26	Oct-26	Jan-27	Apr-27
Previous baseline WHD allowance	£21.96	£21.96	£21.96	£21.96					
WHD Winter 25/26 expansion costs			£17.05	£23.87	£6.82	£6.82	£6.82	£6.82	
New post April 2026 Scheme (illustrative)					£39.01	£39.01	£39.01	£39.01	£39.01
Total expected WHD annualised allowance	£21.96	£21.96	£39.01	£45.83	£45.83	£45.83	£45.83	£45.83	£39.01
<i>Actual amount paid per customer, per period</i>	£5.49	£5.49	£9.75	£11.46	£11.46	£11.46	£11.46	£11.46	£9.75

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- 2.5 This results in the same nominal contribution from a customer on the price cap compared with the default position, so should be considered bill neutral in the long term. The key distinction is that this proposal would help to smooth bill changes by avoiding a more material (£17) uplift in standing charges in place over six months by:
- bringing forward outstanding cost-recovery to 1 January 2026
 - extending the period of recovery from 6 months (two cap periods) to 15 months (five cap periods)

Rationale and case for change

- 2.6 When we communicated the default position that WHD expansion (2025 to 2026) costs would be recovered over a 12-month period, government had not yet published their consultation on continuing the WHD scheme. We can now make a more fully informed judgement on the best way to balance our objectives of smoothing customer costs with timely recovery of supplier costs.
- 2.7 In developing this proposal, we have also had regard to supplier impacts associated with the WHD expansion. The proposal enables suppliers to receive an additional £1.71 per default customer (relative to the status-quo) towards funding the 2025 to 2026 WHD rebates before the 31 March 2026 deadline. This means suppliers will be able to receive a greater proportion of WHD revenues on an ex-ante basis, limiting the amount to be recovered after the end of the relevant scheme year.
- 2.8 We make clear our intention that we are not proposing to amend the overall nominal amount that an individual default consumer will contribute to WHD scheme costs and note that the overall WHD contribution is a matter for government to decide. Our proposal therefore represents an alternative profile to achieving the same overall customer contribution.
- 2.9 We recognise there are difficult trade-offs involved in amending when customers pay for unavoidable costs such as those related to the WHD scheme. We generally seek to align the timing of costs and revenues where possible, although the cap is not intended to match the exact profile of when suppliers incur costs.
- 2.10 Given the current stringency of the price cap, we recognise that suppliers may have different abilities to cover a material cashflow shortfall caused by making WHD payments in advance of receiving revenues. We are also conscious that such negative impacts on supplier finances, were they to become systemic, would not be in the interests of consumers. Our overall objective is therefore to set a path to bringing cost recovery back within scheme year while managing as smooth a cost profile as possible for consumers.

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- 2.11 We consider that the proposal to increase the WHD allowance by £6.82 from 1 January 2026 will facilitate a more resilient market in the longer-term interests of consumers by enabling suppliers to recover a greater share of their 2025 to 2026 costs under the price cap on an ex-ante basis, ahead of when they must deliver WHD rebates for the current scheme year. This is in line with our legal duty to have regard to suppliers' need to finance their efficient activities as set out in the [Domestic Gas and Electricity \(Tariff Cap\) Act 2018](#).
- 2.12 Although the proposal does reduce supplier revenues from April to September 2026 relative to the status quo position, it is important to note that the status-quo and proposal profiling options will re-align by the end of March 2027, which represents the deadline for when we expect any 2026 to 2027 rebates to be due (based on DESNZ proposals). We therefore do not consider that the proposal will result in a material cashflow impact or supplier resilience impacts for any prospective 2026 to 2027 scheme year, noting that suppliers do have some discretion over the timing of when rebates are paid within a given scheme year.
- 2.13 We also consider that the extension of remaining 2025 to 2026 expansion costs to the end of March 2027 will deliver consumer benefits by minimising bill volatility relative to the status quo arrangements. We consider that consumers' ability to budget their energy expenditure is likely to be more favourable under our proposal by limiting the risk of short-term step changes in bills, particularly for low-use consumers where the impact of changes to standing charges will be more pronounced.
- 2.14 We note that our proposal and estimated materiality set out in this consultation remain subject to a final decision from DESNZ on continuing the WHD scheme post April 2026 at the current level of support. We may consider further changes to the profiling of WHD allowances, or any other methodological changes deemed necessary in response to any DESNZ decision which deviates from current proposals.

Questions for stakeholder views

Question 1: Do you agree with our proposal to amend the WHD cost allowance profile as described in section 2 from 1 January 2026?

Question 2: If you do not agree with the proposal, do you propose any alternative WHD profiling options?

Question 3: Do you have any other views you would like to share in response to this consultation?

3. Your response, data and confidentiality

Consultation stages

- 3.1 We want to hear from anyone interested in this consultation. We welcome views on any of the proposals on how to reflect WHD costs in the cap which are discussed in this document.
- 3.2 Please send your response to retailpriceregulation@ofgem.gov.uk on or before 7 November 2025.

How to respond

- 3.3 We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document **by 7 November 2025**.
- 3.4 We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 3.5 We will publish non-confidential responses on our website.

Your response, your data, and confidentiality

- 3.6 You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 3.7 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.
- 3.8 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

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- 3.9 If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

General feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

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Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

Information: Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see different set of data then make this clear. Be as specific as possible.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for (be as clear as possible but allow room for changes to programmes or policy. It is acceptable to give a relative time e.g. 'six months after the project is closed')

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use "the Data you provide directly will be stored by Survey Monkey on their servers in the

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United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this”.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system. (If using a third party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

10. More information For more information on how Ofgem processes your data, click on the link to our “[ofgem privacy promise](#)”.