

Daniel Newport
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Ofgem
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Dear Daniel

Proposed changes to Warm Home Discount cost allowance in the price cap

We are pleased to respond to Ofgem's consultation on proposed changes to the Warm Home Discount (WHD) cost allowance profile in the energy price cap.

We support Ofgem's objective of smoothing bill impacts for consumers while ensuring suppliers can recover efficient costs in a timely and predictable manner. We agree that aligning the timing of costs and revenues under the price cap is important, and welcome Ofgem's intention to maintain bill neutrality over the full recovery period.

We hope that our observations are helpful and would be happy to discuss any of the points raised in more detail.

Yours sincerely,



Richard Sweet
Director of Regulatory Policy

**PROPOSED CHANGES TO WARM HOME DISCOUNT COST ALLOWANCE IN THE
PRICE CAP – SCOTTISHPOWER RESPONSE**

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

Yes, we agree with the proposal to amend the WHD cost allowance profile from 1 January 2026. We consider that Ofgem's proposed approach strikes a reasonable balance between the following objectives:

- *Consumer affordability:* Smoothing cost recovery over 15 months helps avoid a sharp increase in standing charges, which could disproportionately impact vulnerable customers.
- *Supplier cashflow management:* The earlier recovery of £1.71 per default customer between January and March 2026 improves suppliers' ability to fund WHD rebates within the scheme year, easing working capital pressures. We note, however, that a timing mismatch between costs and revenue remains in 2025, albeit reduced by this reprofiling.
- *Market resilience:* The proposal supports supplier financial stability, which is in the long-term interest of consumers. This aligns with Ofgem's legal duty to have regard to suppliers' need to finance efficient activities.

We also welcome Ofgem's intention to maintain bill neutrality over the full recovery period and to align cost recovery with the scheme year by March 2027. We broadly support the proposed changes, subject to final decisions from the government on the continuation and scope of the WHD scheme post-April 2026.

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

We support the proposal. However, we recommend that Ofgem remains open to revisiting the profiling approach if DESNZ's final decision on the post-April 2026 WHD scheme significantly alters the cost base or eligibility criteria, to ensure continued alignment between policy intent, supplier cost recovery, and consumer protection.

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

The consultation states that Ofgem is working with government "to ensure the costs of this scheme are offset by other changes in the bill, so they are neutral over time." We would welcome clarification of which changes are being referred to.

ScottishPower
November 2025