

## **Energy price cap: proposed changes to Warm Home Discount Scheme cost allowance – Utilita Response**

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

No.

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

We would prefer Ofgem retain the originally proposed cost allowance profile.

We recognise that Ofgem must find a balance between smoothing changes to customer bills and supporting supplier cost recovery. In this instance, we believe that the original plan strikes a better balance. The revised plan would reduce consumer bills by £10.23 over two months and increase them by £6.82 over the following two months. This represents a 0.58% decrease and a 0.38% increase to total customer bills<sup>1</sup>.

While the overall cost to customers and the amount recoverable by suppliers remains the same, we do not believe customers would perceive the smoothing effect of the proposed revision. Standard consumption variations, driven by weather conditions, render changes of this scale effectively negligible for most customers.

This change offers limited benefit to customers but increases the recovery risk for suppliers

Ofgem's stringent setting of cap allowances makes investability and profitability ever challenging in the retail sector. Continued interventions of this nature signal to the market—and to potential investors—that the sector remains prone to regulatory changes that heighten supplier risk.

Cost recovery should be kept as closely aligned with liabilities as possible. Extending recovery periods introduces churn risk and undermines suppliers' financial resilience.

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

We recognise that Ofgem is responding on relatively short notice to policy decisions beyond its control.

Striking a balance between customer interests, recoverability and supplier views (which vary dependent on the specific models and portfolios of suppliers) is challenging.

An effective regulator requires strong top-level governance and clear policy direction. The retail sector requires greater certainty, long term planning, and clear goals. We would support Ofgem in their efforts to secure such an environment.

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<sup>1</sup> Assuming £1,755 average annual bill at TDCV for DD