Warm Home Discount (WHD)

WHD Guidance: Reconciliation for Scheme Years 16 – 20 (Draft for comment)

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This guidance is based on The Warm Home Discount (Reconciliation) Regulations 2022, as amended, including by the Warm Home Discount (Reconciliation) (Amendment) Regulations 2026 (together, the 'Reconciliation Regulations') for the Warm Home Discount (WHD) Scheme. The Reconciliation Regulations apply to England, Wales, and Scotland. This guidance is for compulsory and voluntarily participating suppliers and relates to WHD reconciliation for Scheme Years (SY) 16 to 20.

Please note that this document is published on a draft basis. The full guidance document will be published following the consultation period. We plan to publish an updated version of our guidance later this year, and as such we welcome your suggestions for changes or improvements to these proposed updates by 27 October 2026.

Contents

About this guidance

The WHD scheme provides support to persons living wholly or mainly in fuel poverty or a fuel poverty risk group, such as those on low-income and who are vulnerable to cold-related illness, through energy bill rebates and other assistance delivered by participating energy suppliers. Suppliers are required to meet obligations under the Warm Home Discount (England and Wales) Regulations 2026 (‘the England and Wales Regulations’) and the Warm Home Discount (Scotland) Regulations 2026 (‘the Scotland Regulations’), including the provision of rebates and the delivery of non-core activities, where applicable. For further information on these activities, see WHD Guidance for England and Wales, and WHD Guidance for Scotland).

Ofgem, (on behalf of the Gas and Electricity Markets Authority), administers parts of the WHD scheme. This document is version 1.0 of the WHD Guidance: Reconciliation for Scheme Years 16 – 20 and provides guidance on how Ofgem (‘we’, ‘our’ and ‘us’ in this document) will administer the reconciliation process for SY16-20 of the WHD.

The reconciliation process seeks to share the costs of delivering the WHD amongst participating suppliers in an equitable manner. It is governed by the Reconciliation Regulations. The Reconciliation Regulations set out the methodology for determining participating suppliers' shares of scheme costs, which is based on their respective domestic electricity and gas supply volumes. This guidance explains the reconciliation framework applying to SY16 to 20, including data requirements; interim and final reconciliation calculations; payment processes; disputes; and other exceptional circumstances. Reconciliation for SY15 continues to be determined under the previous reconciliation arrangements and is not covered by this guidance.

For more information about the WHD scheme, visit the Warm Home Discount web page.

This guidance should be read in conjunction with the England and Wales Regulations and the Scotland Regulations, (together, the ‘Main Scheme Regulations’).

It is the responsibility of each supplier to understand the provisions of the Reconciliation Regulations and the Main Scheme Regulations and how they apply. This guidance document is not a definitive guide to the Reconciliation Regulations or Main Scheme Regulations, and it does not constitute legal advice. Where there is any ambiguity or conflict between the guidance and Reconciliation Regulations or Main Scheme Regulations, then the relevant 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, if necessary.

Relevant guidance

1. Warm Home Discount Guidance for England and Wales Version 3: Aimed at suppliers, describing the WHD scheme in England and Wales from SY16 to SY20 (excluding reconciliation guidance)
2. Warm Home Discount Guidance for Scotland Version 3: Aimed at suppliers, describing the WHD scheme in Scotland from SY16 to SY20 (excluding reconciliation guidance)
3. Warm Home Discount Guidance for England and Wales Version 2: Aimed at suppliers, includes information on the reconciliation process for SY12-15
4. Warm Home Discount Guidance for Scotland Version 2: Aimed at suppliers, includes information on the reconciliation process for SY12-15.

Relevant legislation

The Warm Home Discount (Reconciliation) (Amendment) Regulations 2026

The Warm Home Discount (England and Wales) Regulations 2026 (legislation.gov.uk)

The Warm Home Discount (Scotland) Regulations 2026 (legislation.gov.uk)

Consultations

The Department for Energy Security and Net Zero (DESNZ) - Cost recovery consultation and Government response

Ofgem- Energy Price cap : proposed changes to methodology to recover Warm home discount costs consultation

Contact us

If you would like to contact us, visit our Warm Home Discount contact page.

Date of effect for version 1.0 of this guidance

It is our intention that stakeholders may apply this guidance and use this document from its final publication date. We are planning to publish a final version of this guidance later this year, and as such we welcome your suggestions for changes or improvements to this draft guidance by 27 October 2026.

Please see version 2 of our England and Wales guidance and version 2 of our Scotland guidance in relation to reconciliation for SY15.

1. Introduction

1.1. This guidance sets out the administrative processes for the reconciliation of the WHD for SY16 to 20 and explains suppliers' obligations under the Reconciliation Regulations.

What is the WHD scheme?

1.2. The WHD, first introduced in 2011, places legal obligations on participating suppliers to provide support to eligible persons. It is aimed at supporting persons living wholly or mainly in fuel poverty or a fuel poverty risk group, such as persons on low income and persons who are vulnerable to cold-related illness. Suppliers deliver this support through rebates, Industry Initiatives (II), and Specified Activities (SA), with the costs of delivery subsequently apportioned between suppliers through the reconciliation process set out in the Reconciliation Regulations.

Supplier roles and responsibilities

1.3. There are three types of suppliers that may participate in the WHD scheme: Compulsory scheme electricity suppliers, Voluntary scheme electricity suppliers and Scheme Gas Suppliers (SGS)[1]. Information on the different categories and their respective roles can be found in Chapter 1 of the WHD Guidance for England and Wales (Version 3) and WHD Guidance for Scotland (Version 3) (together, the WHD Scheme Guidance).

The roles of Ofgem and DESNZ

1.4. Ofgem administers the non-core elements of the WHD scheme and monitors compliance with scheme requirements. This administration includes functions under the Reconciliation Regulations, such as determining suppliers' market share, calculating reconciliation payments and charges, and assessing suppliers' compliance with the relevant requirements.

1.5. DESNZ is responsible for the overall policy, coordination and oversight of the WHD scheme, including legislative and policy changes.

1.6. Further information on the roles and responsibilities of Ofgem and DESNZ in relation to the wider scheme can be found in the WHD Scheme Guidance.

[1] See regulation 3 in The Warm Home Discount (England and Wales) Regulations 2026 and The Warm Home Discount (Scotland) Regulations 2026

1.7. Questions relating to this guidance or the administration of the reconciliation process should be directed to whd@ofgem.gov.uk. Questions relating to WHD policy should be directed to warmhomediscount@energysecurity.gov.uk.

2. Reconciliation introduction

What is reconciliation?

2.1. Reconciliation is the mechanism used to share the costs of delivering the WHD amongst participating suppliers in an equitable manner in proportion to their market share. Separate reconciliation arrangements apply to the WHD scheme in England and Wales and the WHD scheme in Scotland, however they have the same process in each jurisdiction. However, where a supplier participates in both schemes, Ofgem can apply a set-off so that amounts payable and receivable under the respective reconciliation arrangements can be combined and netted off against one another. This may result in a supplier making or receiving a single net payment.

2.2. The WHD scheme assumes that the total cost of the rebates and original non-core obligations is shared between participating suppliers in proportion to their market share. Market share is now based on the volume of gas and electricity supply by WHD licensees. In practice, however, a supplier may have a higher or lower proportion of eligible customers than its market share would suggest. This may arise for a variety of factors, including the socio-economic characteristics of its customer base.

2.3. The purpose of the reconciliation mechanism is to redistribute costs between suppliers so that, as far as reasonably possible, suppliers bear a share of costs that reflects their participation in the market.

Ofgem's role in WHD reconciliation

2.4. Ofgem operates the reconciliation mechanism using:

- market share which is calculated via consumption volume data, collected as part of our regulatory and administrative duties[2],
- records of rebate instructions sent to suppliers,
- records of rebates provided by suppliers to eligible consumers[3], and
- records of original non-core obligations issued to relevant suppliers.

[2] See regulations 4(4) and 5A of the Regulations

[3] See regulation 8 of the Regulations

2.5. We calculate and process the reconciliation payments to be made or received by participating suppliers. We also aim to resolve any disputes arising from the reconciliation process. See Figure 1 for the reconciliation process.

2.6. Relevant suppliers must submit their domestic electricity and domestic gas supply volume data prior to the reconciliation process commencing so that the data can inform the volumetric market share calculation.

2.7. For newly obligated suppliers, Ofgem will require bank account details for the purpose of making or receiving reconciliation payments. Suppliers must provide a copy of a business bank account statement showing the account name, account number and sort code. This should be submitted on the supplier's headed paper and signed by an authorised signatory. Any other confidential information should be redacted. The bank account details are to be uploaded onto the supplier's Huddle account, which Ofgem will create prior to the submission of the information.

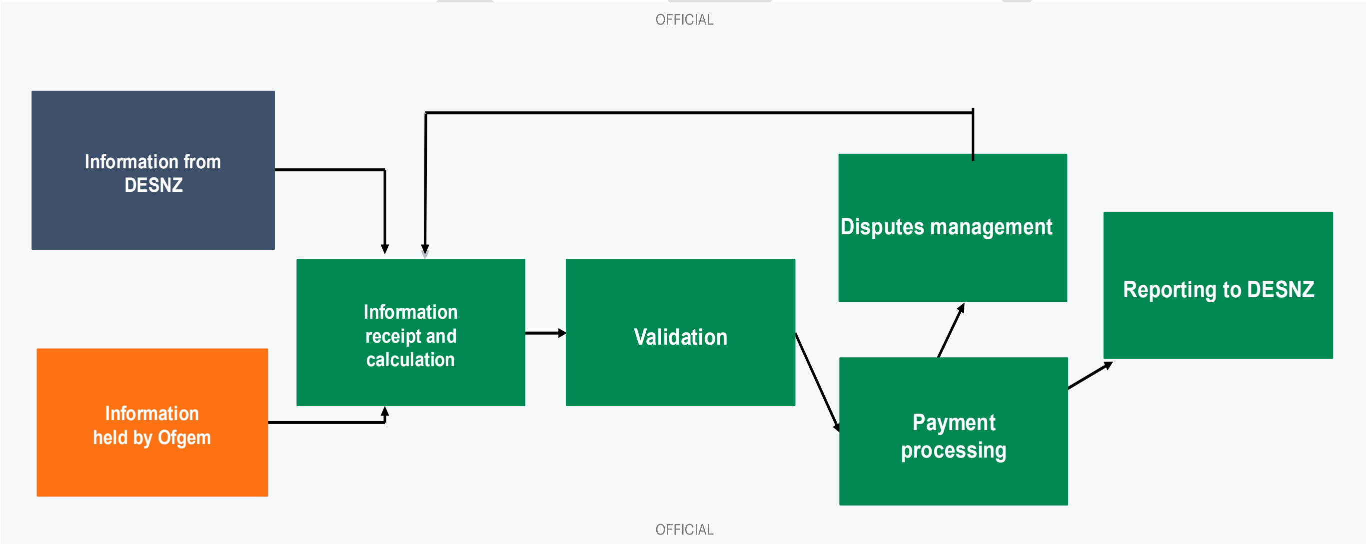

Figure 1: Simplified Process for Reconciliation

Cost recovery

2.8. Following consultation in 2025, the Government has reformed the WHD cost recovery arrangements by moving from the fixed standing charge to the unit rate. This is intended to align contributions more closely with actual energy consumption, so that households with lower energy usage contribute less towards the cost of the scheme.

2.9. To support this change, the Reconciliation Regulations introduce a volumetric reconciliation mechanism based on GB domestic electricity and gas volumes supplied.

This ensures that suppliers' scheme costs are apportioned more accurately according to their market share based on GB domestic electricity and gas supply volumes.

2.10. Under the Reconciliation Regulations, adjustments for both core and non-core obligations are calculated on a volumetric basis, rather than on the basis of customer numbers, reflecting the move away from WHD cost recovery via the standing charge.

Scheme Year 15 transitional arrangements

2.11. The Reconciliation Regulations apply to reconciliation for SY16 to 20 only. Reconciliation relating to SY15 will continue to be determined under the previous reconciliation arrangements[4]. Suppliers should therefore refer to the relevant SY15 reconciliation guidance in V2 of our WHD Scheme Guidance where applicable (see chapter 4).

Reconciliation process Overview

2.12. Ofgem will carry out an interim reconciliation when directed to do so by the Secretary of State (SoS), and a final reconciliation as soon as reasonably practicable after final determinations following the end of the relevant scheme year. While we currently expect to undertake two reconciliation runs per scheme year, this may vary depending on circumstances.

2.13. The interim reconciliation is based on the most recent available volumetric data collected by Ofgem (excluding SY16 where data is already obtained by Ofgem), while 'final' reconciliation incorporates end-of-year reporting and updates to previously submitted information.

2.14. Ofgem will notify all scheme suppliers as soon as reasonably practicable after receiving a direction to carry out a reconciliation run, and we will provide a timetable for that reconciliation. That timetable will also be shared with DESNZ.

2.15. Reconciliation applies to compulsory suppliers in respect of both their core and non-core obligations. Voluntary suppliers are also included in the reconciliation process in respect of their core obligations.

Data request

2.16. For the purposes of interim and final reconciliation, Ofgem will require suppliers to provide data relating to their GB domestic electricity and gas supply volumes[5].

2.17. Where the SoS notifies Ofgem and specifies one or more reporting periods and reporting dates for a scheme year for the purposes of interim or final reconciliation (or

[4] The Warm Home Discount (Reconciliation) Regulations 2022

[5] See regulation 4 of the Regulations

both), Ofgem will notify relevant suppliers of the reporting period and date, and whether it relates to interim reconciliation, final reconciliation, or both.

2.18. Reporting periods are the periods for which GB domestic gas and electricity volume data must be provided. Reporting dates are the deadlines by which suppliers must submit the required information to Ofgem[6].

2.19. Ofgem may request data where it reasonably considers this necessary for the reconciliation process[7]. A relevant supplier is a scheme electricity supplier or gas supplier (or both).

2.20. Ofgem's notice will specify:

- the period to which the data relates;
- the reporting date; and
- the form in which the data must be provided.

2.21. There may be multiple reporting periods and reporting dates within a scheme year. Suppliers must provide the required data for each reporting period by the corresponding reporting date.

2.22. Relevant suppliers must provide, by the reporting date, their total volume of electricity and gas units delivered to all GB domestic customers for the reporting period specified in Ofgem's notice, in accordance with any form specified by Ofgem.[8] For final reconciliation, the reporting period will end on 31 March of the relevant scheme year.

2.23. Where a supplier fails to provide sufficient or complete information, Ofgem may estimate the supplier's electricity and gas supply volumes using the information available to it for the purposes of reconciliation.

Determination of volumetric market share (VMS)

2.24. The reconciliation mechanism uses a supplier's volumetric market share (VMS) to determine its share of scheme costs. A supplier's VMS reflects its share of total estimated WHD cost recovery across the domestic energy market, calculated using obligated suppliers' gas and electricity volumes and weighted by the applicable WHD unit rate costs.

2.25. For interim reconciliation, Ofgem will determine each scheme electricity supplier's market share as soon as reasonably practicable after the start of the scheme

[6] See regulation 4 (5) of the Regulations
[7] See regulation 5A of the Regulations
[8] See regulation 4 of the Regulations

year. For final reconciliation, Ofgem will determine each scheme electricity supplier's market share as soon as reasonably practicable after the final reconciliation reporting date and after we have completed our final determinations.

2.26. For the purposes of reconciliation, a scheme electricity supplier's VMS is calculated in accordance with regulation 5 of the Reconciliation Regulations as follows:

$$VMS = \frac{SRg + SRe}{TSRg + TSRe}$$

Where:

- VMS = is the volumetric market share
- SRg = Supplier Recovery (gas): Amount recovered by that supplier through WHD gas unit rates.
- SRe = Supplier Recovery (electric): Amount recovered by that supplier through WHD electric unit rates.
- TSRg = Total Supplier Recovery (gas): Sum of amount recovered by all suppliers through WHD gas unit rates
- TSRe = Total Supplier Recovery (electric): Sum of amount recovered by all suppliers through WHD electric unit rates

2.27. In calculating Supplier Recovery (gas) and Supplier Recovery (electricity), Ofgem will use the electricity and gas volumes reported by suppliers (or determined by Ofgem where a supplier has not provided the required information), and apply the electricity profile class 1 and the gas non prepayment meter seasonal weighting percentages to form the relevant WHD unit rates used for the purposes of setting the price cap.

2.28. To reflect seasonal variations in consumption, supply volumes will be apportioned across each quarter using the seasonal weighting percentages contained within Ofgem's published Wholesale Cost Allowance Methodology[9]:

- electricity volumes will be apportioned using the Profile Class 1 electricity seasonal weighting percentages; and
- gas volumes will be apportioned using the non-prepayment meter gas seasonal weighting percentages.

2.29. The apportioned volumes for each quarter will then be multiplied by the applicable WHD unit rate for that quarter and aggregated to calculate Supplier Recovery.

[9] Energy price cap (default tariff) levels | Ofgem See Annex 2 and 4

2.30 When determining a supplier's market share, connected suppliers will be treated as a single supplier where they belonged to the same group of companies[10] on 31 December preceding the start of the scheme year, in accordance with regulation 5.

2.31. The use of cost-weighted supply volumes for reconciliation reflects suppliers' scheme cost recovery on a volumetric basis. The VMS (which may differ for each reconciliation type) determined under regulation 5 of the Reconciliation Regulations is used in the calculation of interim reconciliation payments and final reconciliation payments.

[10] See regulation 3 (1) of the England & Wales Scheme Regulations

3. Interim reconciliation

What is interim reconciliation

3.1. Interim reconciliation may not occur every scheme year, and will only take place where directed by the SoS[11].

3.2. It is intended to function as an advance against the final reconciliation position, helping to allocate scheme costs more equitably during the scheme year and potentially reduce the scale of adjustments required at final reconciliation.

3.3. At each reconciliation point, a supplier's share of scheme costs is determined by applying a cost-weighted volumetric measure of GB domestic electricity and gas supply to the aggregate market spend expected at that point. This compares each supplier's accrued obligations or spend against its expected share of total supplier commitments and may result in payments to or from a central reconciliation pot to rebalance costs. This aggregate spend reflects:

- Standard rebates required to be paid by virtue of rebate notices issued within the relevant period; and
- original non-core obligations allocated to compulsory suppliers.

3.4. This approach reflects a supplier's anticipated recovery position based on cost-weighted supply volumes, rather than customer numbers or a simple proportional market share.

3.5. Original non-core spend is included at an interim stage to ensure that reconciliation reflects a supplier's total interim WHD cost position within the scheme year. Including non-core spend at interim reconciliation helps avoid the need for structural adjustments at final reconciliation and supports consistency across reconciliation stages.

Interim Reconciliation Process

3.6. The process for interim reconciliation is set out in regulation 6 of the Reconciliation Regulations and is summarised below.

Step 1 – Interim Reconciliation Direction

The SoS may direct Ofgem to carry out an interim reconciliation for a scheme year by issuing an interim reconciliation direction any time before Ofgem issues its final determination. The direction will specify the interim reconciliation period

[11] See regulation 6 of the Regulation

and the number of persons specified in standard rebate notices issued to each scheme electricity supplier by SoS on or before the date specified for the interim reconciliation period.

Step 2 – Supplier Notification

Ofgem will then notify each participating scheme electricity supplier of the interim reconciliation direction and the interim reconciliation period. We will issue a timetable to suppliers.

Step 3 – Interim Reconciliation Calculation

Ofgem calculates each supplier’s interim reconciliation payment in accordance with regulation 6 of the Reconciliation Regulations. The calculation takes account of:

- each relevant supplier’s original non-core spending obligation;
- the number of persons specified in standard rebate notices issued to that supplier on or before the date specified for the interim reconciliation period;
- that supplier’s latest volumetric market share; and
- the total scheme commitments relating to original non-core spending obligations and persons specified in standard rebate notices across all participating suppliers.

Step 4 – Notification of Interim Reconciliation Payments

Ofgem will then issue an interim reconciliation notice to each participating supplier. As part of this notice, Ofgem issues invoices and credit notes, the total number of Instructions to Pay (ITPs), confirms a supplier’s market share and confirms the expected incoming and outgoing payment dates. 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.

Step 5 – Payment of Reconciliation Amounts

Suppliers who receive an invoice are required to make the interim reconciliation payment and must do so by the date specified by Ofgem.

Step 6 – Distribution of Interim Reconciliation Payments

Following receipt of payments, Ofgem distributes interim reconciliation payments to suppliers who received a credit note in accordance with the Reconciliation Regulations.

Step 7 – Record Keeping and Reporting

Ofgem will record the outcome of the interim reconciliation process and may provide reconciliation information to DESNZ where appropriate.

The SoS may give more than one interim reconciliation direction to Ofgem in relation to different parts of the scheme year[12].

Interim Reconciliation calculation

3.7. Interim Reconciliation payments are to be calculated as follows:

Interim Reconciliation Payment = Supplier Commitment - (VMS x Aggregate Supplier Commitment)

Where:

- Supplier Commitment is a supplier's projected WHD liability for the scheme year, calculated as £150 multiplied by the number of individuals specified in the standard rebate notices issued to the supplier for that scheme year, plus the total value of the supplier’s original non-core spending obligation for that scheme year.
- VMS is the supplier's volumetric market share, calculated in accordance with regulation 5 (3).
- Aggregate Supplier Commitment is the total Supplier Commitment across all scheme electricity suppliers. This represents the combined value of all standard rebate notices notified to Ofgem, together with the total value of all original non-core spending obligations.

Notification of payment to suppliers

3.8. Following the interim reconciliation calculation, Ofgem will determine whether a scheme electricity supplier is required to make a payment or is entitled to receive a payment[13]. Ofgem will notify each scheme electricity supplier of the outcome of the interim reconciliation. Where it results in a positive amount, Ofgem will confirm the amount payable to the supplier. Alternatively, where it results in a negative amount, Ofgem will confirm the amount receivable from the supplier.

3.9. 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

[12] See regulation 6 (4) of the Regulations
[13] See regulation 7 of the Regulations

expect to be able to make the payment. Suppliers should note that they will be subject to interest charges as stated in the Reconciliation Regulations.

4. Final reconciliation

What is Final Reconciliation

4.1. 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 provided to eligible customers in the scheme year and the suppliers original non-core spending obligation.

4.2. Once the information has been received and determined, Ofgem will calculate the amount that each supplier has spent, and the total amount spent by all suppliers in aggregate. We will then use the relevant VMS for each supplier to determine how much of the total aggregate spending should have been met by each supplier.

Final reconciliation calculation

4.3. Final reconciliation payment calculation is[14] :

Reconciliation payment = Supplier Commitment –

(VMS x Aggregated Supplier Commitment) + Pm – Pr

where—

(a) Supplier Commitment is the supplier's actual WHD liability for the scheme year, calculated as the total cost of rebates provided during the scheme year plus the total cost of the supplier's original non-core spending obligation for that scheme year.

(b) "VMS" is the latest volumetric market share, calculated in accordance with the formula in Regulation 5 (3);

(c) Aggregate Supplier Commitment is the total Supplier Commitment across scheme electricity suppliers.

(d) "Pm" is the total of any interim reconciliation payments already made by the scheme electricity supplier

(e) "Pr" is the total of any interim reconciliation payments already received by the scheme electricity supplier.

[14] See regulation 10 of the Regulations

Notification of payment to suppliers

4.4. Following the final reconciliation calculation, as soon as reasonably practicable, Ofgem will determine whether a supplier is required to make a payment or is entitled to receive a payment. For each supplier, if they have spent less than their VMS of the aggregate spend, we issue an invoice for a payment. For each supplier who has spent more than their VMS of the aggregate spend, we issue a credit note which will be funded from payments by other suppliers.

4.5. Where the final reconciliation calculation results in a positive amount, the scheme electricity supplier will be entitled to receive a final reconciliation payment equal to that amount.

4.6. Where the final reconciliation calculation results in a negative amount, the scheme electricity supplier will be required to make a payment to Ofgem equal to the absolute value of that amount. 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. Again, suppliers should note that they will be subject to interest charges as stated in the Reconciliation Regulations.

Set off payment

4.7. In some circumstances, a scheme electricity supplier may be entitled to receive a payment from Ofgem whilst also being liable to make a payment to Ofgem under the reconciliation arrangements[15].

4.8. Where this occurs, Ofgem may offset one payment against the other. For example, this may mean that Ofgem may reduce the amount payable to the supplier by up to the value of the amount owed by the supplier.

4.9. Where an offset is applied, the relevant amount will be treated as both:

- a payment made by Ofgem to the supplier; and
- a payment made by the supplier to Ofgem.

4.10. Ofgem will notify the supplier where an offset has been applied and will specify:

- the amount that has been offset;
- any remaining balance payable by Ofgem to the supplier; and

[15] See regulation 18 of the Regulations

- any remaining balance payable by the supplier to Ofgem.

4.11. Offsetting helps to reduce the number of transactions required between Ofgem and suppliers and ensures that reconciliation payments are settled efficiently.

Deferral of reconciliation payments

4.12. Where a supplier is liable to make a reconciliation payment and that payment is delayed, Ofgem may defer making reconciliation payments due to other suppliers until it is reasonably practicable to make those payments. Ofgem will notify affected suppliers where a payment deferral is applied.

Accrued Interest

4.13. Ofgem will distribute any interest accrued during the scheme year among participating suppliers, in proportion to their market share[16]. Interest may arise through bank interest earned on reconciliation funds or interest received from suppliers because of late payments. Late payment interest will be calculated at a rate of two percentage points above the Bank of England base rate.

4.14. A supplier who fails to make all or part of any payment by the date on which it is due must pay interest on the unpaid amount for the period:

- beginning with the day after the date on which the amount is due;
- ending with the date on which the amount is paid.

4.15. Any interest payable to a supplier will be reflected in the relevant invoice or credit note issued as part of the appropriate reconciliation process.

[16] See regulation 15 of the Regulations

5. Payment exceptions, errors and disputes

5.1. A number of exceptions are possible during a reconciliation run. The key exceptions are:

- A supplier misses a payment
- A supplier believes that their invoice or credit note is incorrect
- An error is identified in Ofgem's calculations and reconciliation payments need to be corrected
- A supplier licence is terminated mid scheme year.

5.2. Where any of these exceptions occur, we will notify all scheme suppliers and DESNZ and outline the next steps. The following sections describe the processes that apply in each case.

Missed Payments

5.3. If a scheme supplier (or suppliers) fails to make a reconciliation payment in part or full, Ofgem initiates a mutualisation process. Under this process, participating suppliers who made their payment in full will contribute towards the resulting shortfall in proportion to their latest market share[17]. The steps for the mutualisation process are set out below:

- Issue a notice to DESNZ and all participating suppliers confirming that Ofgem are initiating a mutualisation process. Ofgem will provide the timetable for this mutualisation within two working days of issuing this notice;
- Calculate the mutualisation amount by allocating the outstanding payment(s) between all the non-defaulting scheme suppliers, in proportion to their market share, and issue mutualisation notices to those suppliers in accordance with the Reconciliation Regulations.

5.4. The mutualisation notice will include:

- the amount of the mutualisation payment due from the supplier;
- the date by which the mutualisation payment must be made, which will be at least 3 days after the notice is issued; and
- the supplier's market share used to calculate the supplier's mutualisation payment.

5.5. If Ofgem receive the missing payment or partial missing payment from the defaulting supplier before we receive the mutualisation payments, we will cancel the

[17] See regulation 12 of the Regulations

mutualisation process by issuing a notice to DESNZ and all non-defaulting scheme suppliers and continue with the normal reconciliation process.

5.6 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 after Ofgem have received the missing payment (within 10 working days).

5.7. 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
- give a new mutualisation notice in relation to any overdue amount that remains unpaid.

Potential error in an invoice or credit note

Where a supplier notices an error

5.8. A supplier that considers an invoice, credit note, or reconciliation calculation to be incorrect should contact Ofgem as soon as possible, explaining the issue and providing any relevant supporting information. Ofgem will review the matter and seek to resolve it with the supplier.

5.9. If the matter cannot be resolved through this initial review, the supplier may raise a formal dispute in accordance with the process below. A formal dispute must be submitted in writing within 10 working days after the supplier is notified of the relevant determination.

Where Ofgem notice an error

5.10. If Ofgem identifies an error has been made in a determination of an interim reconciliation payment, 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.

5.11. The make-right payment for a scheme electricity supplier is the sum of the following:

- 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.

Disputes

Raising a dispute

5.12. To raise a dispute, you should email whd@ofgem.gov.uk.

5.13. 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 of a dispute being raised, Ofgem will notify DESNZ and all WHD obligated scheme suppliers that a dispute has been raised.

Step 2: Within 5 working days after issuing a notice under Step 1, Ofgem will confirm a timetable for investigating and reporting on the dispute.

Step 3: A Formal Dispute Officer (FDO), who is 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 can also respond to any queries raised and make further representations. The process must be completed within 10 working days of the dispute being raised.

Step 5: The FDO will aim to reach a 'minded-to' decision within 10 working days following conclusion of step 4 and notify the affected supplier of that decision. If the FDO is unable to reach a minded-to decision within this timeframe, they will write to the affected supplier to explain the reasons for the delay and provide an update on progress. The update will also set out when the supplier can expect to receive a further communication regarding the review request.

Step 6: Once the affected supplier has been notified of the FDOs minded-to decision, it will have 5 working days to submit any written representations in response. Representations should be sent to whd@ofgem.gov.uk.

Step 7: The FDO will review any representations received and make a final decision to either revoke, vary, or confirm the original decision. The FDO will notify the affected supplier of its decision within 5 working days.

Step 8: Once the process above has concluded, Ofgem will circulate the FDO's decision, redacting any confidential and commercially sensitive information, with DESNZ and all WHD obligated scheme suppliers.

5.14. 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

5.15. If the dispute is upheld, or a review concludes that Ofgem made an error in an interim, final, or mutualisation reconciliation calculation; we will follow the 'make-right amount' process below:

Step 1: Advise the affected 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 participating scheme supplier (including the interest applicable).

Step 3: Compare the original payments made by the scheme suppliers to these corrected amounts and issue a request for the difference or a credit note, by following the same process as for interim reconciliations (steps 4 to 8).

6. Supplier licence termination mid-way of a scheme year

6.1. Suppliers delivering the WHD who are experiencing financial difficulties should contact Ofgem as soon as they are aware they may be unable to meet their WHD obligation. In addition, as set out within Ofgem's Supplier Licensing Review, suppliers should include details of where funds for WHD scheme payments are held as part of the 'Customer Supply Continuity Plans'.

6.2. If an obligated supplier's licence is terminated during a 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 during the scheme year[18]. Ofgem will contact the suppliers at the start of the interim and/or final reconciliation process to inform them of their re-calculated market share. This re-calculated market share shall only be used for reconciliation purposes. The suppliers' non-core spending obligations will not be affected.

6.3. 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

6.4. After the termination of an obligated supplier's licence, the market share of each remaining scheme electricity supplier will be recalculated in accordance with the formula below[19]:

$$M2 = M1 \times \left(\frac{100}{100 - E1}\right)$$

where—

- "M2" is the remaining scheme electricity supplier's recalculated market share for the relevant scheme year;
- "M1" is the remaining scheme electricity supplier's market share for the relevant scheme year;
- "E1" is a scheme electricity supplier's original market share for the relevant scheme year.

[18] See regulation 13 of the Regulations
[19] See regulation 13 (4) of the Regulations

6.5. If the supplier is both an England and Wales scheme electricity supplier and a Scotland scheme electricity supplier, we will recalculate both the England and Wales market share and the Scotland market share of each remaining scheme supplier.

<u>England and Wales</u>

6.6. If, before the termination of the supplier's licence, they received an England and Wales interim reconciliation payment ("England and Wales IRP") for the relevant scheme year:

- any final reconciliation payment that a supplier is entitled to receive on a final reconciliation for the relevant scheme year is to be adjusted by subtracting M2% of England and Wales IRP;
- any final reconciliation payment that a supplier is liable to pay on a final reconciliation for the relevant scheme year is to be adjusted by adding M2% of England and Wales IRP.

If, before the termination of the supplier's licence, they paid an England and Wales interim reconciliation payment ("England and Wales IRP") for the relevant scheme year

- any final reconciliation payment that a supplier is entitled to receive on a final reconciliation for the relevant scheme year is to be adjusted by adding M2% of England and Wales IRP;
- any final reconciliation payment that a supplier is liable to pay a final reconciliation for the relevant scheme year is to be adjusted by subtracting M2% of England and Wales IRP.

<u>Scotland</u>

6.7. If, before the termination of the supplier's licence, they received a Scotland interim reconciliation payment (Scotland IRP") for the relevant scheme year:

- any final reconciliation payment that a supplier is entitled to receive on a final reconciliation for the relevant scheme year is to be adjusted by subtracting M2% of Scotland IRP;
- any final reconciliation payment that a supplier is liable to pay on a final reconciliation for the relevant scheme year is to be adjusted by adding M2% of Scotland IRP.

If, before the termination of the supplier's licence, they paid an England and Wales interim reconciliation payment ("Scotland IRP") for the relevant scheme year

- any final reconciliation payment that a supplier is entitled to receive on a final reconciliation for the relevant scheme year is to be adjusted by adding M2% of Scotland IRP;

• any final reconciliation payment that a supplier is liable to pay a final reconciliation for the relevant scheme year is to be adjusted by subtracting M2% of Scotland IRP.

7. Governance and Management

7.1. We expect suppliers to have robust governance, oversight and management processes in place to ensure that all scheme obligations are delivered in accordance with the regulations[20]. We seek evidence that a supplier:

- Oversees, at an appropriate level of senior management, the implementation of the Core Groups schemes and rebate payments
- Monitors and reports 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;
- Ensures there is sufficient operational, administrative, and management capacity to process and pay rebates within required timescales.

Fraud, misuse and abuse prevention

7.2. 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.

7.3. In the context of WHD, fraudulent activity is any deliberate act, omission, misrepresentation or manipulation intended to obtain an improper benefit under the scheme or otherwise undermine the objectives of the regulations[21] or the effective administration of the scheme.

7.4. Suppliers must have robust fraud prevention controls in place to ensure that the scheme maximises the benefits available to eligible customers. Suppliers should work closely with Ofgem to reduce the risk of fraud and the risk of any reputational damage to suppliers and/or Ofgem. We expect Core Group and Broader Group rebate payments and Industry Initiatives to be provided only to customers that are eligible to receive it. Suppliers must have effective internal controls in place to demonstrate compliance with this requirement.

7.5. Suppliers should design and implement fraud, misuse and abuse prevention controls as a prerequisite of approval for Industry Initiatives. The Ofgem WHD and Counter Fraud team will support suppliers in developing these controls where they are not already in place.

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[20] The Warm Home Discount (England and Wales) Regulations 2026 and The Warm Home Discount (Scotland) Regulations 2026 and The Warm Home Discount (Reconciliation) (Amendment) Regulations 2026
[21] The Warm Home Discount (England and Wales) Regulations 2026 and The Warm Home Discount (Scotland) Regulations 2026 and The Warm Home Discount (Reconciliation) (Amendment) Regulations 2026

7.6. Suppliers should promptly report any instances of suspected fraud to the Ofgem Counter Fraud team at: counterfraud@ofgem.gov.uk. Suppliers must ensure that any investigations are conducted thoroughly and completed promptly, and they should contact us if they have any questions about their investigation or findings.