

Summary of Responses to Consultation on the Warm Home Discount: Guidance for Licensed Electricity Suppliers and Licensed Gas Suppliers [Version 3]

Response to Consultation Document

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Overview:

This document summarises the responses Ofgem received in response to its consultation on "Warm Home Discount: Amendments to Guidance for Licensed Electricity Suppliers and Licensed Gas Suppliers [Version 3]" issued on 2 April 2014. The consultation closed on 30 April 2014.

Having considered all the responses to the consultation, we explain the changes made to the "Warm Home Discount: Guidance for Licensed Electricity Suppliers and Licensed Gas Suppliers [Version 3]", which applies for Scheme Year 4.

Context

Ofgem consulted on the amendments to Warm Home Discount: Guidance for Licensed Electricity and Gas Suppliers [Version 3].

The Warm Home Discount scheme

The Energy Act 2010 gives the Secretary of State powers to make regulations which introduce one or more support schemes to help reduce fuel poverty. These powers have been exercised through the Warm Home Discount Regulations 2011 (the "Regulations"), to establish the Warm Home Discount (WHD) scheme.

We review how the scheme operates, as part of our obligations under Section 13 of the Energy Act 2010. We also look at how suppliers are complying with it. Using this information we regularly update our guidance to suppliers.

Our amendments to the guidance, clarify the way we run the WHD scheme and explains to Compulsory Scheme Electricity Suppliers how they can send us information to comply with their scheme requirements.

Associated documents

- WHD Guidance version 2
<https://www.ofgem.gov.uk/ofgem-publications/58947/warm-home-discount-supplier-guidance-version-2-2013.pdf>
 - The Warm Home Discount Regulations
http://www.legislation.gov.uk/uksi/2011/1033/pdfs/uksi_20111033_en.pdf
 - The Warm Home Discount (Reconciliation) Regulations 2011
http://www.legislation.gov.uk/uksi/2011/1414/pdfs/uksi_20111414_en.pdf
 - The Disclosure of State Pension Credit Information (Warm Home Discount) Regulations
http://www.legislation.gov.uk/uksi/2011/1830/pdfs/uksi_20111830_en.pdf
 - The Warm Home Discount Flexibility for Higher Spending
<https://www.gov.uk/government/consultations/warm-home-discount-flexibility-for-higher-spending>
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1. Introduction

Chapter Summary

This chapter gives a broad overview of the review process leading to the issuing of the updated supplier guidance (Warm Home Discount: Guidance for Licensed Electricity and Gas Suppliers [Version 3] (“the Guidance”).

Consultation process and review of guidance

1.1. The consultation’s remit was limited in scope, and only reflected recent changes to the Regulations, and changes arising from what we have learned from administering the scheme. In particular the changes to the Guidance:

- take account of recent amendments to the Warm Home Discount Regulations 2011. These give suppliers greater flexibility for higher spending on their non-core obligations; and
- provide more information on some aspects of the WHD scheme.

1.2. Regarding our changes to ‘Warm Home Discount: Guidance for Licensed Electricity Suppliers and Licensed Gas Suppliers (version 2)’, we have revised the following sections:

- Chapter 2, Notification and target setting
- Chapter 4, Broader Group
- Chapter 6, Industry Initiatives
- Chapter 7, End of Year reporting.

1.3. The changes that have been published in Warm Home Discount: Guidance for Licensed Electricity and Gas Suppliers [Version 3] have in some cases altered from our consultation document to reflect feedback from consultees. For other changes we have maintained the position outlined in our consultation document.

1.4. We have not made changes to the chapters on the Core Group, Legacy Spending, audit and fraud prevention, and dispute resolution.

1.5. The revised supplier guidance (<https://www.ofgem.gov.uk/publications-and-updates/warm-home-discount-supplier-guidance-version-3>) now incorporates the changes to the particular paragraphs consulted on in April 2014. Appendix 2 of this document identifies the paragraphs that have been amended.

1.6. We received 4 responses to the consultation. Three responses were received from energy companies, and one from an industry body.

2. Amendments to the guidance

Chapter Summary

This chapter highlights the key amendments made to the Guidance and explains the rationale behind them.

General Feedback

2.1. The general response to updating the Guidance was welcomed and that, for the most part, the narrative was clear in terms of outlining suppliers' obligations in relation to the WHD scheme. We did not receive specific feedback on questions 1 to 3 in appendix 3 of our consultation. However we did receive feedback to question 4 "Do you have any other comments on the changes we intend to make to the guidance?" These are summarised below along with our response.

2.2. Suppliers were concerned about any retrospective administrative changes to the Warm Home Discount: Guidance for Licensed Electricity Suppliers and Licensed Gas Suppliers [Version 3].

2.3. **Ofgem response:** we understand suppliers' concerns and have made clear in paragraphs 1.7 to 1.13 that this amended Guidance will be applied to scheme year 4 activities, and that activity approved under the previous version 2 of the guidance will be checked for compliance under that previous version.

2.4. In particular we say that "With effect from 1 April 2014 we will apply the processes and policies described in this version 3 of the guidance to CSEs who are obligated to participate in SY4. This guidance was produced to take account of recent changes to the banking and borrowing provision, (reg. 14 of the Warm Home Discount Regulations 2011). These amendments came into force on 14 March 2014. As such paragraphs 2.36, 2.37, 2.38 and 4.5 will apply to scheme year 3."

Chapter 3 Broader Group

2.5. Paragraph 4.15: one supplier and an industry stakeholder were concerned that although the Regulations seek to minimise the duplication between Core Group and Broader Group, the additions to the Guidance place requirements on suppliers that go beyond the Regulations.

2.6. **Ofgem response:** the amended paragraph confirms discussions involving Ofgem, suppliers, industry representatives, DECC and DWP, that have taken place during the past year. There are currently over four million fuel poor households. The funding available to suppliers to assist these households through the WHD scheme will reach about two million households. We want to make sure that as many fuel

poor household as possible receive support. This means continuous improvement in how suppliers minimise duplicate payments and reduce fraudulent claims. It has been clarified by DWP that information held by suppliers can be used to minimise duplicate payments. Going forward suppliers should use this information to ensure as many fuel poor households as possible receive a WHD rebate.

2.7. For both Broader Group and Industry Initiatives spend, an industry stakeholder argued that if the scheme has been delivered in line with its notification then Ofgem should not prevent a supplier from counting this spend.

2.8. **Ofgem response:** we developed our End of Year compliance so that we can verify that suppliers have indeed delivered their scheme in line with the approved notification. When we confirm that the scheme has been delivered in line with the notification and the Regulations, we can then record or count the value submitted by the supplier toward its WHD non-core obligation and confirm compliance.

Chapter 4 Industry Initiative

2.9. **Paragraph 6.21:** a supplier and industry body raised concerns about the historic application of “wholly or mainly” in respect of targeting activities for Industry Initiatives. They articulated the assumption that during the course of both SY3 and SY4 Ofgem is likely to have consistently applied this parameter and therefore compliance for SY3 and SY4 should not be impacted. Another respondent also took the opportunity to highlight that the Regulation 27(3)(b) states “..to ensure, **so far as reasonably practicable**, that benefits provided under the initiatives are provided wholly or mainly to persons in fuel poverty or a fuel poverty risk group.”

2.10. **Ofgem response:** we note the observations made by suppliers.

2.11. A supplier noted that the WHD scheme ends in March 2015, but that guidance about targeting asks suppliers to make sure as many fuel poor people benefit as possible.

2.12. **Ofgem response:** the WHD scheme will be rolled forward to 2015/16, this was confirmed the 2013 spending review¹ and this sentence was drafted with this in mind.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209036/spending-round-2013-complete.pdf

Chapter 5 End of Year reporting

2.13. A supplier highlighted that our request for additional information is “not mandatory but useful to provide if available”.

2.14. **Ofgem response:** regulation 30 of the Regulations provides us with the power to request information for the purpose of carrying out our functions in relation to the WHD scheme. Note that it is a mandatory requirement for a supplier to respond to any such information request. Any failure to comply with an information request, could lead to an investigation being opened by our enforcement team.

Appendices

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Appendix 1 - Consultation Respondents

List	Name
1	British Gas
2	E.ON
3	Scottish Power
4	Energy UK

* Responses provided as separate documents.

Appendix 2 – Table of Amendments to WHD Supplier Guidance Version 2

Chapter	Paragraph(s)
1	1.4; 1.7 to 1.13.
2	2.36; 2.37; 2.38.
4	4.5; 4.10; 4.15; 4.16; 4.17.
6	6.7; 6.21.
7	7.2.
EoY template	Core Group- 3(a),(b),9(f); Broader Group-3(c); Legacy Spend -3 (c).
