

Warm Home Discount **Annual Report** 2017-18

13 December 2018

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Report

Warm Home Discount Annual Report 2017-2018

Publication date: 13/12/18

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The Warm Home Discount (WHD) scheme came into effect in April 2011 and requires obligated domestic energy suppliers to provide support to fuel poor customers or those that are at risk of fuel poverty.

Ofgem's role is to administer the WHD scheme and monitor suppliers' compliance with their obligations. Following each scheme year, we report to the Secretary of State on the implementation and delivery of the WHD scheme.

This WHD annual report covers the period from June 2017 to March 2018. It details the overall achievements of suppliers against their obligations for the seventh year of the scheme, the high-level outcomes over the seven years, and the anticipated future of the scheme. It also describes the requirement for suppliers to report on how many customers successfully redeemed the rebates provided by their energy supplier.

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Associated Documents

- The Warm Home Discount Regulations
<http://www.legislation.gov.uk/all?title=warm%20home%20discount>
- The Warm Home Discount (Reconciliation) Regulations 2011
http://www.legislation.gov.uk/uksi/2011/1414/pdfs/uksi_20111414_en.pdf
- WHD Guidance Version 6.1¹
https://www.ofgem.gov.uk/system/files/docs/2018/08/warm_home_discount_whd_guidance_for_suppliers_-_version_6.1.pdf
- WHD Guidance Version 5.1 (superseded by Version 6.1 document)²
<https://www.ofgem.gov.uk/publications-and-updates/warm-home-discount-whd-guidance-suppliers-version-5-1>
- The Department of Business, Energy and Industrial Strategy (BEIS) consultation on Warm Home Discount Scheme 2018 to 2019
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/716698/FINAL_WHD_Government_response_FINAL_.pdf

¹ WHD Guidance Version 6.1 in use to assess SY8-10.

² WHD Guidance Version 5.1 was used to assess SY6-7.

Foreword

I am pleased to present our seventh annual report on the Warm Home Discount (WHD) scheme. The report covers the support provided to vulnerable consumers through the WHD scheme from 1 June 2017 to 31 March 2018. We also explain how the scheme works to help vulnerable consumers with their energy bills. We then highlight the main achievements from the last year and look at some important changes to scheme activities brought in for 2018-2020.

The government has extended the scheme until at least March 2021, as a key part of the Fuel Poverty Strategy. Having reviewed the scheme delivery up to the end of scheme year (SY) 7, the Department for Business, Energy & Industrial Strategy (BEIS) introduced some changes to the Warm Home Discount Regulations 2011 (as amended)³ to further improve delivery to consumers and encourage more innovation in supporting customers in or at risk of fuel poverty.

Due to customers switching supplier to smaller companies, more suppliers are reaching the threshold to be full participants in the WHD scheme. In SY7, Spark Energy, Economy Energy and Flow Energy⁴ were obligated for the first time.

For 2018-19, we saw for the first time in WHD two suppliers becoming non-obligated as their customer number thresholds dropped, however two new suppliers have passed the threshold for full participation. Similarly, one voluntary supplier decided to end their participation with WHD but I am delighted to note that a new voluntary supplier has joined to participate in the scheme to support their customers and deliver the Core Group element.

We are pleased to report that together the participants met the overall scheme spending obligations for scheme year 7, providing over £327 million of support to vulnerable consumers including £140 rebates to nearly 2.2 million vulnerable consumers. Reducing fuel poverty is a priority for the UK government and devolved administrations. We recognise the contribution that the WHD scheme makes to tackling fuel poverty in Great Britain so we are working to improve the scheme wherever we can. As we progress with the eighth year of the scheme, we look forward to working with policy-makers as they consider the future of the WHD and wider support for vulnerable consumers.

Additionally, given that Industry Initiatives allow innovative ways of supporting consumers, we will continue to encourage suppliers to investigate new ways to help consumers through the scheme. We introduced the concept of the pilot Industry Initiative that encourages suppliers to fund new and innovative initiatives, as the legislation moves them away from funding debt relief support.

David Fletcher – Deputy Director, E-Serve Policy

³ The regulations are made under the Energy Act 2010 and are referred to in the remainder of this report as the WHD Regulations.

⁴ Throughout this report company names are shortened, for the full company name of a supplier, please refer to Appendix 1.

Overview

Introduction

The Warm Home Discount Scheme requires participating domestic energy suppliers to provide support to those who are in or at risk of fuel poverty. We are publishing this report to demonstrate we are discharging our duty to keep the operation of the scheme, and suppliers' compliance with it under review⁵. **This report covers the seventh year of the scheme - 1 June 2017 to 31 March 2018 (SY7).**

Operation of the Warm Home Discount scheme

The Warm Home Discount (WHD) scheme began in 2011, and places obligations on licenced electricity suppliers who have either passed a threshold for compulsory participation or who have volunteered to join the scheme. The threshold for participation is set in relation to the number of domestic customers of the licensed supplier and any other licenced suppliers in the same group of companies. Within the seventh year, any licenced supplier within a group, which had a total of 250,000 customer accounts for gas or electricity (calculated annually), was obligated to participate in the WHD scheme.

The scheme sets annual obligations on licenced electricity suppliers (referred to as "suppliers" for the remainder of the report), which must be delivered within defined scheme periods. These periods generally last 12 months, running from April to the following March. Delays in bringing amended WHD Regulations into force for the sixth scheme period impacted the start date of the seventh scheme period and as such, a decision was taken to set the scheme period for SY7 from June 2017 to March 2018. As a result, delivery of the scheme outcomes was in some cases later than in previous years.

Rebate Provision and Delivery

The primary method of support for eligible consumers through the WHD scheme is provision of rebates against customer energy bills, through either the Core Group or Broader Group elements. Both elements provide a rebate of £140, but differ in how customers are identified as eligible.

We treat a rebate as being "provided" where a supplier has attempted to give a rebate to a customer, and "delivered" when the customer has successfully received it. In a small number of cases, the customer may not redeem a voucher or cheque that had been sent to them. These are rebates which are considered to be "provided".

Linked to this, suppliers were required to show that they had made reasonable efforts to provide the rebate to customers who had not redeemed their rebate, by making extra attempts to provide the rebate and using different methods to overcome any technical limitations. In SY7, customers successfully redeemed 98.7% of rebates provided.

The value of rebates which were not redeemed by customers during SY7 has been added to supplier obligations for SY8, so that suppliers are using unredeemed rebates to support additional customers in future scheme years. All suppliers provided appropriate reporting of the number of rebates which had been provided and delivered, and we were satisfied that all suppliers made reasonable efforts to ensure customers could obtain the rebate that was provided to them.

⁵ Section 13 of the Energy Act 2010.

WHD scheme budget and obligations

The WHD Regulations⁶ set an overall target for each year of the scheme, to be shared among the participating suppliers for that year. The size of the Core Group is estimated by BEIS each year before the start of the scheme year, with the remaining obligation forming the non-core obligation.

The non-core obligation can be met through a combination of Broader Group and Industry Initiative spending. However, the WHD Regulations place a maximum cap on the amount that could be spent on Industry Initiatives, which effectively creates a minimum obligation of Broader Group spend⁷.

The scheme budget rises with inflation, so is maintained in real terms. Over the life of the WHD scheme, including SY7, the cap on Industry Initiative spending each year has remained consistent at £30m per year. However, for SY8-10, spending on Industry Initiatives has increased to £40m to encourage innovation and other types of support.⁸ In SY7, spending on writing off customer debt was limited to £12m⁹ and has decreased further for SY8-10.¹⁰

The development in scheme budget

	SY5	SY6	SY7	SY8
<i>Overall non-core scheme year target</i>	£128m	£143m	£155m	£185m
<i>Overall scheme Industry Initiative limit</i>	£30m	£30m	£30m	£40m
<i>Overall scheme Industry Initiative debt write-off cap</i>	N/A	£15m	£12m	£10m
<i>Overall Broader Group minimum</i>	£98m	£113m	£125m	£145m
<i>Overall spending target</i>	£320m	£323m	£329m	£340m ¹¹
<i>Core and Broader Group rebate value</i>	£140	£140	£140	£140

Compliance in SY7

There were 18 scheme suppliers in the WHD scheme in SY7. Of these 15 suppliers were compulsorily obligated and 3 suppliers joined on a voluntary basis. We determined all suppliers to be compliant across their obligations in SY7.

During SY7, obligated suppliers provided £327.8m worth of eligible support to consumers in total, with all meeting each of their spending obligations. This comprised direct energy bill rebates through the Core Group and Broader Group, and other support through Industry Initiatives.

⁶ The Warm Home Discount Regulations 2011 (as amended)

⁷ Regulation 15(4)(d) of the WHD Regulations

⁸ Regulation 15A(4) of the WHD Regulations

⁹ Regulation 15(4B) of the WHD Regulations

¹⁰ Regulation 15A(5)(a) of the WHD Regulations

¹¹ Includes adjustment of £3m due to underspend in SY7

Core Group

Low-income pensioners received over 1.21m rebates, through the Core Group of £140 each. Nearly 95% of these rebates were provided to customers who were identified through data sharing between suppliers and the Department for Work and Pensions, without requiring recipients to take any action. The remaining Core Group customers contacted a central call centre to confirm their energy supplier and were subsequently provided with a rebate. Suppliers who volunteer to join the WHD scheme participate in the Core Group element only – three suppliers provided Core Group rebates on a voluntary basis in SY7.

Customers eligible for the Core Group are identified by the Department of Work and Pensions (DWP) and spending on this element by suppliers is balanced by a reconciliation process. In SY7, we took over the Core Group reconciliation process where we calculated and processed the reconciliation payments made and received by participating suppliers. Two interim and one final reconciliation took place in SY7.

In SY7, there was an underspend of the Core Group of approximately £3m. This underspend was taken into consideration by BEIS when estimating the Core Group for SY8 and as such the underspend was reflected in SY8 Core Group.

Broader Group

More than 954,000 other customers who were on a low income and at risk of fuel poverty received Broader Group rebates, also worth £140. These customers received their rebates by applying directly to their supplier and providing evidence that they met the eligibility criteria.

Industry Initiatives

Suppliers funded approximately £22.04m of other Industry Initiative activities to support consumers, which provided services such as energy advice, help to reduce and manage energy debts, and helping consumers find additional benefits and sources of income to pay for their energy. Support has been extended for customers living in mobile homes and park homes to access similar rebates to those in traditional housing.

The future of the Warm Home Discount scheme

The WHD scheme is currently in SY8, which runs from 15 August 2018 to 31 March 2019. The amending WHD Regulations made in July 2018 cover WHD SY8-10.¹²

Two suppliers obligated in SY7 are not obligated in SY8 due to a fall in domestic customer numbers below the threshold of 250,000. This is the first time the WHD scheme has seen suppliers become non-obligated. In addition, at time of writing this report, Spark Energy, an obligated supplier in SY8 ceased being a supplier in November 2018.¹³

One voluntary supplier chose not to participate in SY8. However, two new suppliers passed the threshold for participation and one supplier chose to join voluntarily. Overall, for SY8, there are 17 participating suppliers, of which 14 suppliers are compulsorily obligated and 3 suppliers are voluntary suppliers.¹⁴

¹² The Warm Home Discount (Miscellaneous Amendment) Regulations 2018

¹³ Under the Supplier of Last Resort, Ofgem has appointed Ovo Energy to take on Spark Energy's customers. Further information on how Spark Energy customers are affected by the WHD can be found on Ofgem's website <https://www.ofgem.gov.uk/environmental-programmes/warm-home-discount-whd>

¹⁴ 17 participating suppliers, of which 14 suppliers are compulsorily obligated excluding Spark Energy.

The structure of the scheme remains broadly the same as for SY7, with the addition of the opportunity to provide financial assistance with energy bills as part of Industry Initiatives. This new measure offers support to households that are in particular need and at risk of fuel poverty, in particular those ineligible for Core Group and Broader Group rebates.

BEIS is considering potential changes to the WHD scheme to make delivery more efficient and improve the targeting of support towards fuel poor households in greatest need. BEIS will consult on changes to the WHD scheme in due course.

In February 2018, Ofgem introduced temporary price protection for customers in receipt of WHD. The safeguard tariff applies to all customers on Standard Variable Tariffs (SVTs) and other default tariffs who have received a WHD rebate in the current or previous year. This price protection was put in place to provide immediate protection to a group of vulnerable consumers until broader price protection was in place. From the 1st January 2019, consumers on the WHD safeguard tariff will be protected by the new default tariff cap. This price cap will apply to all SVT and default tariffs, including those consumers on the previous WHD safeguard tariff.

1. Compliance in Scheme Year 7

Chapter overview

This chapter presents the overall achievements of suppliers against their obligations in Scheme Year 7, explaining the obligations and what suppliers did to meet them. We also outline any areas of concern.

Our assessment of compliance with WHD regulations

Figure 1.1: Supplier compliance with Scheme Year 7 obligations

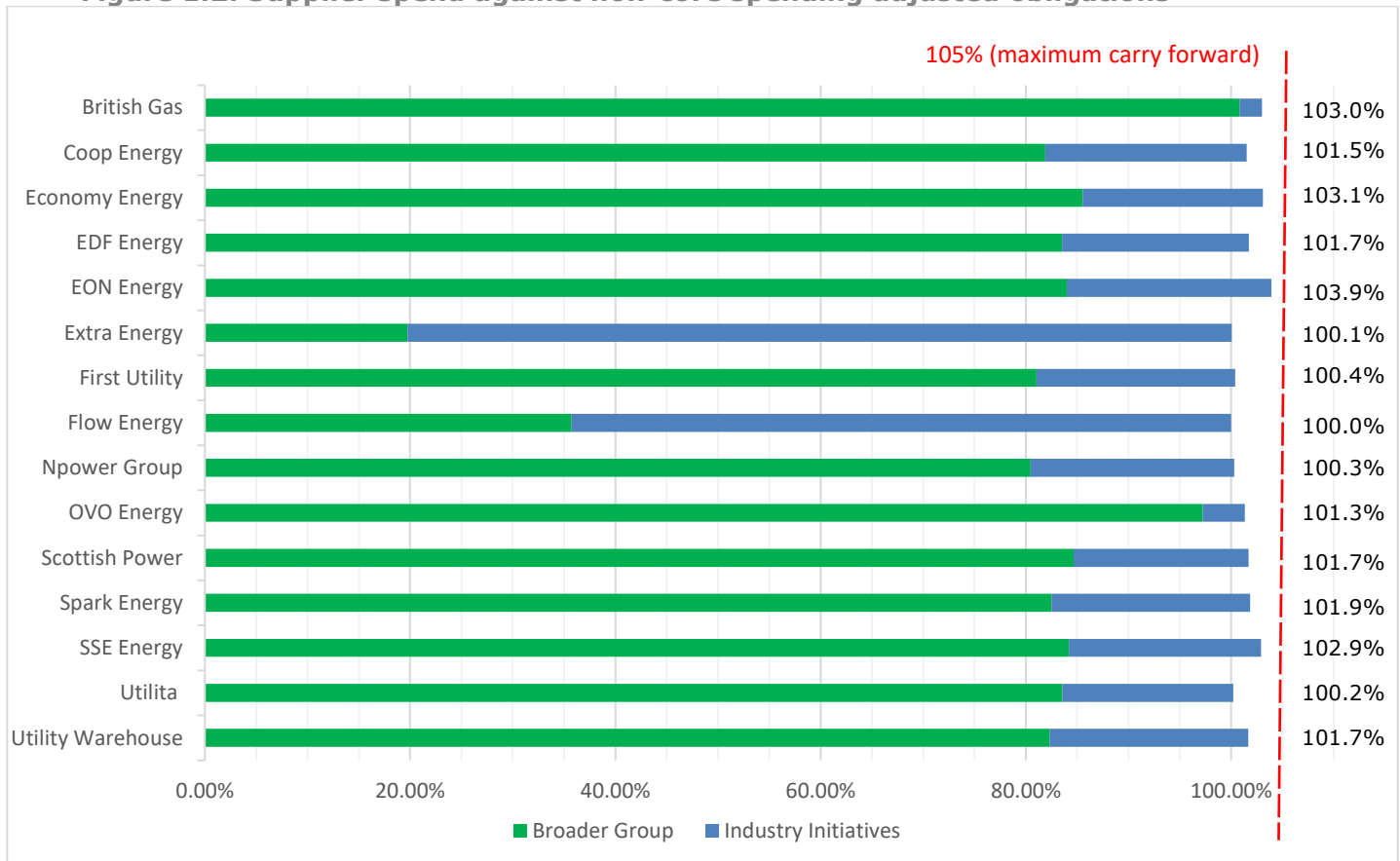
	Overall Compliance	Core Group	Broader Group	Industry Initiatives
Bristol Energy (voluntary supplier)	Compliant	1	N/A	N/A
British Gas	Compliant	✓	✓	✓
Coop Energy	Compliant	✓	✓	✓
Economy Energy	Compliant	35	✓	✓
EDF Energy	Compliant	✓	✓	✓
EON Energy	Compliant	✓	✓	✓
Extra Energy	Compliant	✓	✓	✓
First Utility	Compliant	✓	✓	✓
Fischer Energy (voluntary supplier)	Compliant	2	N/A	N/A
Flow Energy	Compliant	10	✓	✓
Npower Group	Compliant	✓	✓	✓
Our Power (voluntary supplier)	Compliant	✓	N/A	N/A
OVO Energy	Compliant	✓	✓	✓
Scottish Power	Compliant	42	✓	✓
Spark Energy	Compliant	✓	✓	✓
SSE Energy	Compliant	1	✓	✓
Utilita	Compliant	✓	✓	✓
Utility Warehouse	Compliant	✓	✓	✓
Key to symbols				
✓	Ø	N/A		
No contraventions	Minor contraventions	Did not deliver this element		

- 1.1. In SY7 of the WHD scheme, compulsory participating suppliers had an obligation across three elements of the scheme: Core Group; Broader Group; and Industry Initiatives. In May 2018, each supplier submitted a report summarising the support they had provided to consumers during SY7, which they intended to attribute to meeting their obligations. We assessed whether suppliers had met each of their obligations, with the results summarised in Figure 1.1.
- 1.2. We assessed whether suppliers had provided all Core Group rebates in line with the requirements of the WHD scheme, in order to determine their compliance with this part of the scheme.
- 1.3. The non-core elements, the Broader Group and Industry Initiatives, have a collective spending obligation for each supplier to provide a minimum value of eligible support to customers in, or at risk of, fuel poverty. Suppliers must provide a certain proportion of this support each year through the Broader Group rebates, which for SY7 was 88.02% of the total non-core obligation. Suppliers may choose whether to provide the remaining support through additional Broader Group rebates or eligible Industry Initiatives, or a combination of both. Customers apply for these types of support directly via their supplier or an organisation working with the suppliers.
- 1.4. We assessed whether the support each supplier had provided can be attributed to the scheme and whether the combined value of their activities for the year was sufficient to meet their overall non-core spending obligation.
- 1.5. Having made these assessments, we made an overall determination of a supplier's compliance with the WHD scheme for the year. We took a proportionate approach to dealing with contraventions of scheme regulations, such that minor contraventions which have little or no impact on consumers were not treated as an overall non-compliance, although we still expect suppliers to take preventative actions in future.
- 1.6. Minor contraventions indicate that the supplier has, in some cases, failed to comply with all of the requirements of the WHD Regulations. These contraventions relate to not providing support to a customer or customers in an efficient way, for example not passing information to other organisations within set timescales, which delays provision of a customer's rebate.
- 1.7. For each contravention, we checked that the individual customers had not been significantly affected, nor had the administration or delivery of the scheme been affected as a whole, and the supplier had resolved the issue within a reasonable timescale. If a supplier has kept the number of minor contraventions acceptably low, we did not determine that the supplier was non-compliant overall.
- 1.8. Having assessed all supplier activities reported to us relating to SY7, we determined that all of the compulsory participating suppliers in SY7 were compliant with their obligations, with a small number of minor contraventions. The three voluntary suppliers were deemed compliant with delivering the Core Group Obligation, with a small number of contraventions.

Supplier spend against non-core spending obligations

- 1.9. Suppliers who exceeded their obligation are able to carry over part of their spending to SY8, where it will be attributed to the spending obligation that year. The amount a supplier can carry over is limited to 5% of the value of their obligation for SY7.¹⁵ Fourteen suppliers reported spend in SY7 which allowed them to carry over some eligible spend. We show supplier spend against their obligation, and how suppliers chose to split their spend between the non-core elements, in Figure 1.2 below:

Figure 1.2: Supplier spend against non-core spending adjusted obligations



- 1.10. As noted earlier, each supplier had a maximum value of eligible Industry Initiatives, which could be attributed to their non-core obligation. Suppliers split their spending between Broader Group and Industry Initiatives in many different ways, and Figure 1.2 above illustrates the proportion of each supplier's chosen spend. This ranged from almost exclusively focusing on Broader Group to almost maximising the use of Industry Initiatives alongside the Broader Group. Both approaches, and others in between, are acceptable under the WHD Regulations and show the flexibility of delivery models available to suppliers.

- 1.11. The WHD Regulations set specific requirements on how support through each element should be provided to customers. For the direct rebates of the Core Group and Broader Group, these requirements primarily related to the timing of rebate

¹⁵ Regulation 14(3)(b)(iii) of the WHD Regulations

payments, how the rebates can be provided, and how customers are told they have received their rebate.¹⁶

- 1.12. In SY7, and across the whole period of the scheme, participating suppliers have met these requirements in the vast majority of cases, but we have identified a small number of minor contraventions from the compliant suppliers.
- 1.13. As part of our assessment, we monitor any contraventions made by suppliers, including how many have occurred in a particular scheme year, and the reasons they occurred. The number of minor contraventions by each supplier can be seen in Figure 1.1 above. We work with suppliers to prevent further infringements by encouraging them to improve their scheme administration processes.
- 1.14. We are pleased to see that the majority of obligations across suppliers were met with no contraventions of the WHD Regulations.
- 1.15. Although six suppliers had minor contraventions, these were all within the Core Group obligation. The total of 91 infringements in the Core Group represents less than 0.01% of the 1.21m rebates provided.
- 1.16. From the above assessment, we have concluded that the scheme has been delivered very successfully by the participating suppliers in SY7. The voluntary suppliers have also ensured that they have met the requirements of the WHD scheme.
- 1.17. We communicated to the suppliers that had made minor contraventions to ensure that customers were not adversely affected and that the infringements have been resolved.
- 1.18. Each of SSE Energy, Scottish Power, Economy Energy, Flow Energy, Bristol Energy and Fischer Energy provided explanations for the specific issues which led to the minor contraventions, and confirmed that they had resolved the errors on behalf of the affected customers. From our discussions with each supplier, we are satisfied that action plans are in place to prevent them in future.
- 1.19. There has been a slight increase in the total number of minor contraventions in SY7 compared to SY6. This can be attributed to the three new scheme participants, who accounted for 47 (51.65%) of the total number of minor contraventions. For existing participants, the total number of minor contraventions remained consistent, therefore further work, via the actions plans referred to above is required to completely prevent these types of minor contraventions.
- 1.20. We do not expect to see these contraventions repeated in SY8 or any future scheme years, and will continue to monitor supplier activity.

¹⁶ Regulation 7 of the WHD Regulations

2. Core Group

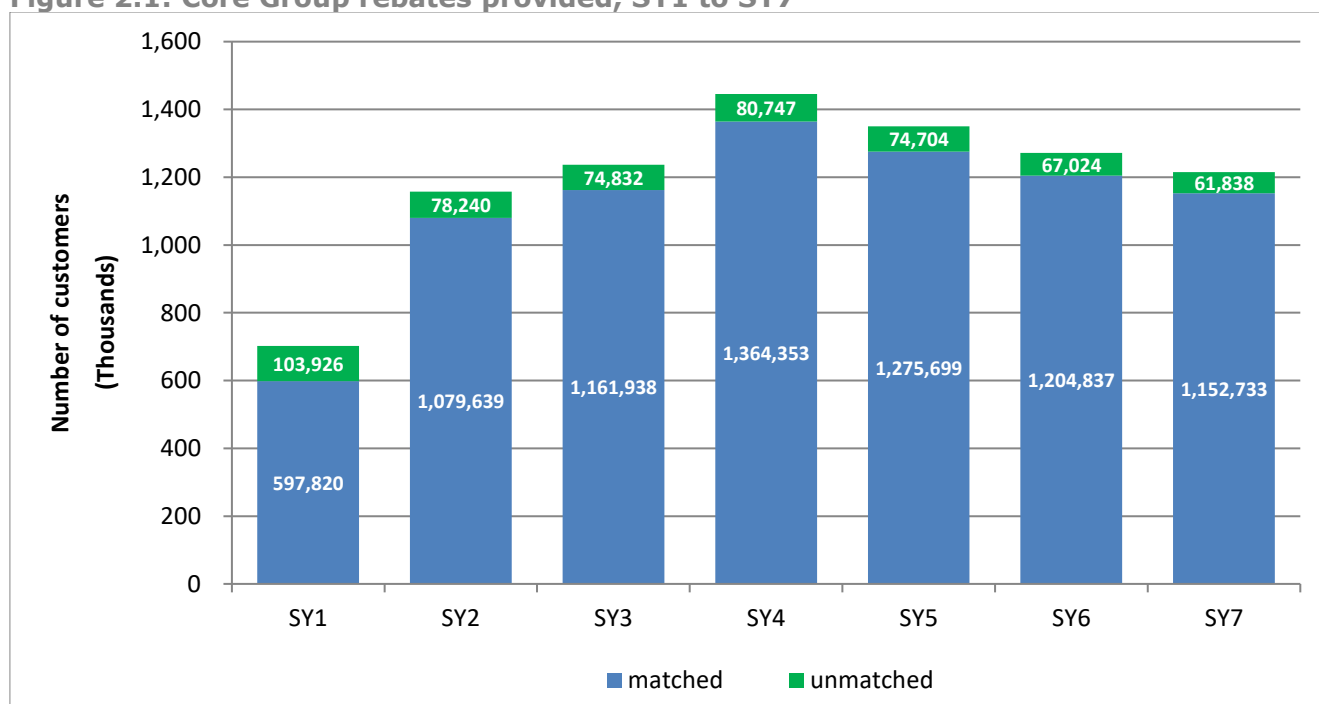
Chapter overview

This chapter summarises the delivery of support to low income pensioners through the Core Group, including the success of data matching to improve the service to these consumers.

Introduction

- 2.1. The Core Group element of the WHD scheme is administered by BEIS, which works closely with the Department for Work and Pensions (DWP) and participating suppliers to identify eligible Core Group customers.
- 2.2. The eligibility criteria for the Core Group remained the same as in the previous year. All customers of participating suppliers who received Pension Credit Guarantee Credit were eligible for a rebate of £140 each.
- 2.3. In SY7, three new suppliers, Economy Energy, Flow Energy and Spark Energy became compulsory participants in the scheme, which widened access to the WHD scheme. In addition to this, three voluntary suppliers participated in the delivery of the Core Group to eligible customers.
- 2.4. In total, 1,214,571 customers were provided a Core Group rebate in SY7. This was 57,290 less than the previous scheme year. However, there was a corresponding increase in Broader Group rebates so overall a consistent amount of rebate support has been provided to consumers.
- 2.5. Figure 2.1 below illustrates the number of customers supported for each year of the scheme.

Figure 2.1: Core Group rebates provided, SY1 to SY7



Data Matching

- 2.6. To identify customers eligible for the Core Group, suppliers share a limited amount of customer data with the DWP, who matches this against records of Pension Credit recipients. If there is enough information for the customer to be 'matched', the relevant supplier receives an instruction to pay a rebate to this customer in the scheme year. For SY7, 94.91% of Core Group customers received their rebate this way (94.74% in SY6), without needing to take any action.
- 2.7. The remaining eligible customers who could not be matched automatically were asked to provide further information to a government call centre to confirm their electricity supplier. There were 61,838 'unmatched' customers (5.09% of the total) who needed to do this during SY7.
- 2.8. Suppliers are expected to fulfil each rebate instruction they are sent. However, the WHD Regulations recognise that there can be certain specific situations where this is not possible. Regulation 8 allows the Secretary of State (SoS) to determine situations where it would not be reasonably practicable to provide the rebate.
- 2.9. Currently, the SoS has determined that if a customer is deceased and their relative or executor cannot be contacted, or if the customer has otherwise closed their account and cannot be contacted by any means, these instructions may be treated as **exceptions** and the supplier is not required to pay a rebate.
- 2.10. There may be other reasons why it was impossible to provide a rebate to the named domestic customer. If suppliers provide an explanation and we agree it is justified, these may also be treated as exceptions.
- 2.11. Suppliers treated 519 instructions as exceptions in SY7, about 0.04% of the total. We are satisfied in all cases that reasonable efforts were made to provide the rebate and that the treatment as exceptions was justified.
- 2.12. Suppliers have a requirement to report on the delivery of the rebates.¹⁷ The Overview of this report provides a definition of the terms 'provision' and 'delivery'. The value of rebates that a supplier does not *deliver* to customers will be added to the supplier's non-core obligation for SY8. Any rebates that are not *delivered* where the supplier has not made one additional reasonable attempt to deliver may be treated as non-compliance.
- 2.13. In SY7, 1,214,571 rebates were *provided* with a value of £170,039,940. The total value of the *delivered* core group rebates was £168,254,126 (98.81% of rebate value was delivered). We are satisfied with the overall high redemption rate across all suppliers.
- 2.14. As reflected in the redemption rates, we ensured that suppliers followed up with customers and suppliers made one additional attempt to deliver the rebate. This

¹⁷ Regulation 9(6) of the WHD Regulations

attempt would be in addition to normal processes used to deliver outstanding rebates to customers.

- 2.15. A provision in the WHD Regulations was made to allow the customer to have the rebate applied to their gas account on customer request.¹⁸
- 2.16. In SY7, there were only small numbers of customers who asked their supplier to provide the rebate on the gas account, and suppliers were able to meet these requests. For a number of the participating suppliers, customers could already ask for transfers to be made between gas and electricity account, so these suppliers did not provide separate reporting of WHD rebate transfers. We therefore have not reported the number of requests made specifically for WHD rebates. This applies to both Core and Broader Group rebates.

Core Group Reconciliation

- 2.17. An important part of the Core Group element is the mechanism to balance the cost of delivery across all participating suppliers. This process is known as the Core Group Reconciliation, and is underpinned by the Warm Home Discount (Reconciliation) Regulations 2011 (as amended) ("the Reconciliation Regulations"). As the customers who are eligible for a Core Group rebate are not necessarily distributed amongst suppliers in the same proportion as their overall market share, the Reconciliation Regulations set out the method by which the costs are reconciled to supplier domestic market share through a series of payments organised by a central party on behalf of all suppliers. The Reconciliation Regulations were amended in 2017 to give BEIS greater freedom to appoint a party to carry out the reconciliation process and Ofgem were appointed. Elexon previously managed the reconciliation process.
- 2.18. Ofgem successfully completed two interim reconciliations, one in November 2017 and another in April 2018. The final reconciliation was completed in November 2018. The total balancing payments for the two interim reconciliations and final reconciliation was approximately £17,407,000.
- 2.19. Following each reconciliation, The SoS was provided with a report summarising the Core Group reconciliation.

¹⁸ Regulation 7(3)(aa) and (d) of the WHD Regulations

3. Broader Group

Chapter overview

This chapter summarises the delivery of support to low income and vulnerable customers through the Broader Group in SY7.

Introduction

- 3.1. The Broader Group element of the WHD scheme requires suppliers to provide a minimum number of rebates to a wider group of fuel poor customers or those that are at risk of fuel poverty. Rebates are provided at the same value as the Core Group¹⁹ throughout the duration of the scheme, which was £140 in SY7.
- 3.2. Broader Group rebates form part of the non-core spending obligation for suppliers. The other part of the non-core obligation, Industry Initiatives, are capped at a maximum value, so therefore there is a *de facto* minimum spend on Broader Group for each supplier.
- 3.3. In SY7, Industry Initiatives were capped at £30m, therefore the Broader Group minimum spending obligation across all suppliers was £125m, 80.65% of suppliers' total non-core spending obligation of £155m.

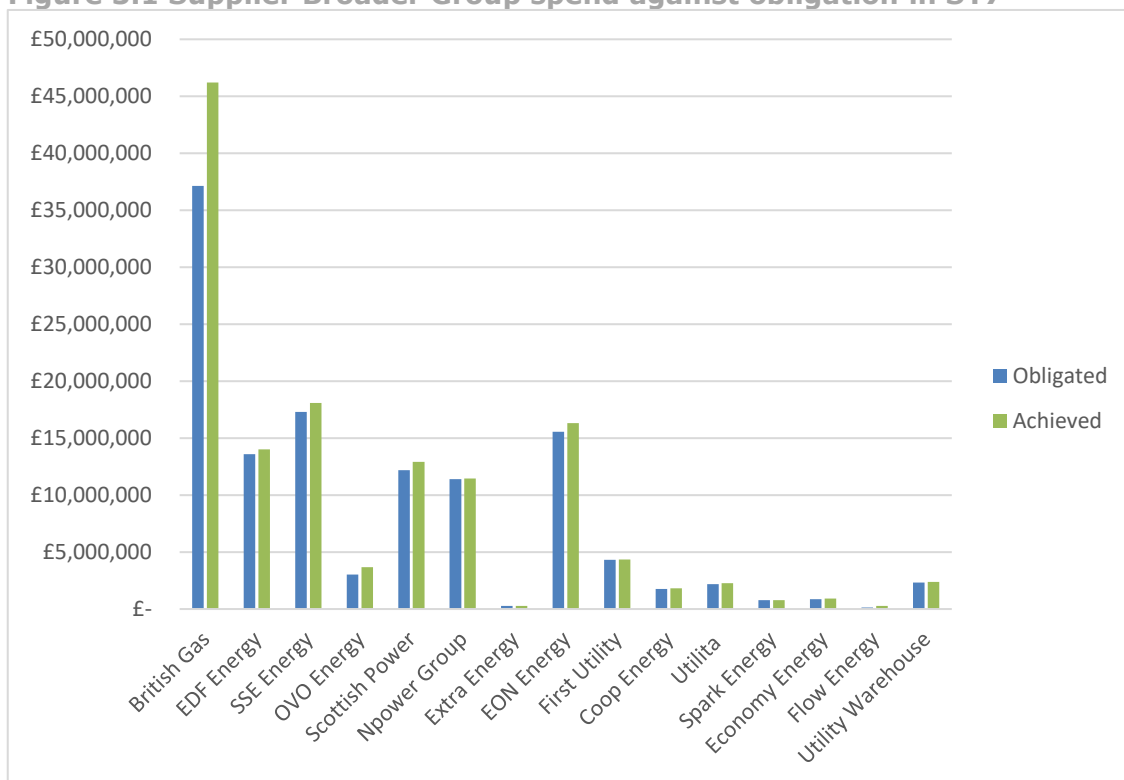
Banking of SY6 spending – adjustments to scheme obligations

- 3.4. Under the WHD Regulations, Suppliers who spend more than their minimum non-core spending obligations in a scheme year may carry over up to 5% overspend against the following scheme year's non-core obligation. In practice, this means that a supplier's non-core obligation will be reduced in the following year, within a set limit.
- 3.5. In total, suppliers spent £1.95m above their non-core spending obligations during SY6. All suppliers exceeded their SY6 spending obligations, although the value varied by supplier in relation to their chosen delivery plan. We amended each supplier's SY7 non-core spending obligation and minimum Broader Group spending for SY7 after completing our compliance assessment for SY6.
- 3.6. Once these adjustments to obligations were issued, suppliers needed to collectively provide at least 877,477 rebates to customers (equivalent to approximately £122.8m).
- 3.7. In SY7 suppliers provided 969,757 rebates for a total value of approximately £135.8m.

¹⁹ There were three voluntary suppliers in SY7 and were only required to provide rebates for the Core Group and not Broader Group.

- 3.8. The £135.8m spend in SY7 made up 86.03% of total non-core spending in SY6, with the remaining attributable £22.04m being spent on Industry Initiatives. We look at Industry Initiatives in more detail in Chapter 4.
- 3.9. All fifteen suppliers met their individual Broader Group minimum obligation and in each case exceeded their obligation (as described in Chapter 1). This is shown in Figure 3.1 below.

Figure 3.1 Supplier Broader Group spend against obligation in SY7



Broader Group eligibility

- 3.10. From Scheme Year 5 onwards, the WHD Regulations include a mandatory set of criteria which all suppliers must use as a minimum²⁰, although they may add further criteria if they wish. A supplier may elect to use only the mandatory criteria in a scheme year. We reviewed all sets of criteria in use during the scheme year, and were satisfied that each set was consistent with the requirements of the WHD Regulations.
- 3.11. In SY7, one supplier used only this mandatory set and successfully met their Broader Group obligation. The remaining suppliers all included additional criteria in their initial Broader Group submissions.

²⁰ Regulation 19(5)(a) and Part 1 of Schedule 2 of the WHD Regulations 2011
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545114/WHD_Regs_2011_with_2014_2015_and_2016_amends.pdf

- 3.12. As well as setting clear eligibility criteria which target low income and vulnerable consumers, suppliers must ensure that rebates are provided only to people who are eligible, and protect the scheme from fraud and abuse. In particular, the WHD Regulations require suppliers to obtain documentary evidence from a minimum of 5% of customers who receive a Broader Group rebate to verify the eligibility information on their application to the scheme.²¹
- 3.13. Suppliers take a random selection of applicants and seek documentary evidence from each applicant selected, confirming their eligibility before paying the rebate. If an applicant cannot provide the evidence, the rebate is withheld.
- 3.14. All suppliers achieved this requirement for SY7. In all, 90,263 applicants to Broader Group schemes provided satisfactory evidence when asked, 186.15% of the 48,490 that were required to pass.
- 3.15. For SY7, suppliers were required to report on the delivery of the Broader Group rebates. The value of rebates that a supplier does not *deliver* to customers is added to the supplier's non-core obligation for SY8.
- 3.16. In SY7, more than 969,000 rebates were provided with a value of nearly £135.8m. The change to SY6 rules meant that suppliers would have the value of the undelivered rebates added to their individual non-core obligation in the following year.²² The total value of the delivered broader group rebates was £133.6m (98.42% of rebate value provided). We are satisfied with the overall high redemption rate across suppliers.
- 3.17. Ofgem has a range of experience in administering consumer schemes, and we are aware that customers sometimes have difficulty redeeming rebates provided by suppliers. We introduced a requirement that suppliers should make reasonable efforts to help customers get the benefit of rebates through the WHD scheme.
- 3.18. As reflected in the redemption rates, we ensured that suppliers followed up with customers and made one additional attempt to deliver the rebate. This attempt will be in addition to normal processes, to ensure customers redeem outstanding rebates.

²¹ Regulation 19(7)(a) and Part 2 of Schedule 2 to the WHD Regulations

²² Regulation 14(3C) of the WHD Regulations

4. Industry Initiatives

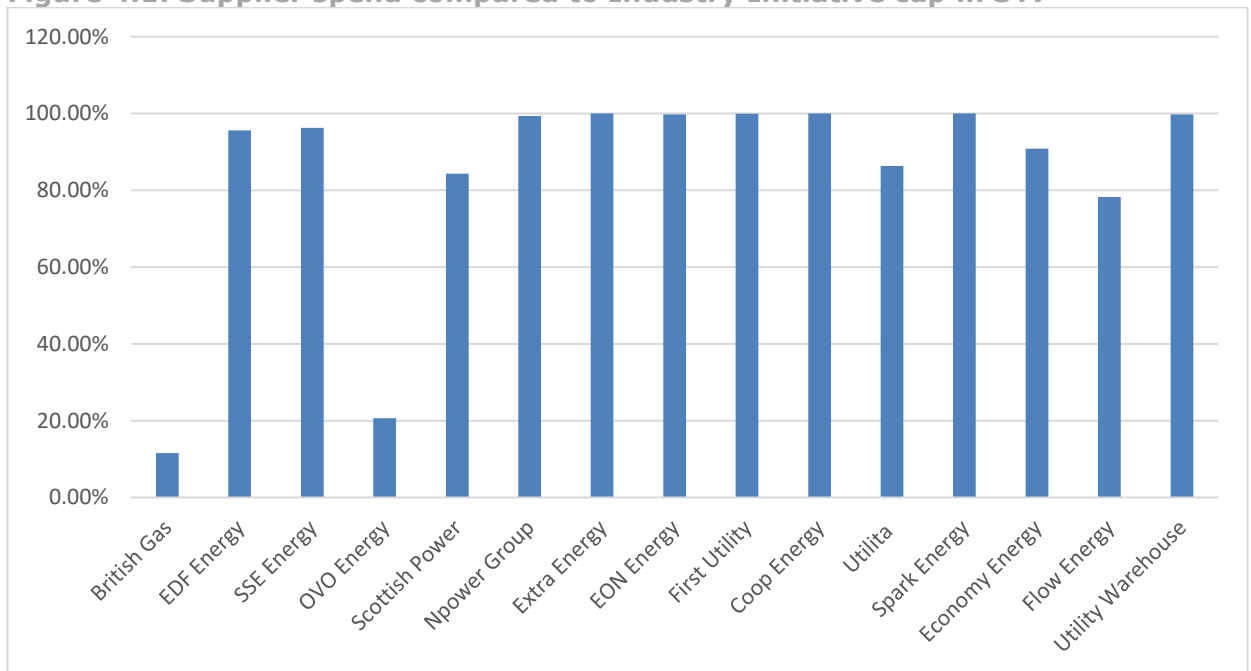
Chapter overview

This chapter summarises the activity funded through the Industry Initiatives element of the scheme in SY7, and explains which activities are deemed eligible for support by the WHD scheme.

Introduction

- 4.1. Industry Initiatives can be used to contribute to meeting suppliers' non-core spending obligations. Suppliers do not have any minimum spend on Industry Initiatives, and do not have to carry out any Industry Initiative activity. All suppliers in SY7 chose to attribute some Industry Initiative spend towards their obligations to supplement the Broader Group rebates.
- 4.2. For this scheme year, as in all years of the WHD scheme, suppliers had a combined maximum attributable spend of £30m, divided among them according to their market share.
- 4.3. Suppliers are required to submit notifications to Ofgem outlining their Industry Initiative plans each scheme year, which must be approved by Ofgem before suppliers begin the activity.²³ We approve the Industry Initiative if the proposal is in line with the requirements of the WHD Regulations, and has clear robust plans to deliver the activity successfully.
- 4.4. In total, suppliers spent £22.04m on attributable Industry Initiative activities in SY7, including some spending beyond their industry initiative cap.
- 4.5. Suppliers' approach to using Industry Initiative allowances varied. Some focused their SY7 spending on the Broader Group (in one case almost exclusively on Broader Group, spending 11.53% of their cap on an Industry Initiative), and so used relatively little of their Industry Initiative allowance, while others used the majority or all of their allowance to provide customers with different types of support. All approaches are acceptable, and Figure 4.1 below summarises each supplier's approach with a comparison to their maximum allowance in SY7.
- 4.6. Figure 4.1 below shows the spend included in the cap.

²³ Regulation 27 of the WHD Regulations

Figure 4.1: Supplier spend compared to Industry Initiative cap in SY7

Industry Initiative activities in SY7

- 4.7. The WHD Regulations allow for spending on Industry Initiatives to be attributed to a supplier's WHD obligation, however this spending must be on certain types of activity to be eligible.²⁴ Broadly, these activities fall under eight types:

1. Funding referral services to sources of support	2. Providing benefit entitlement checks and assistance to claim
3. Providing energy efficiency measures and energy efficient appliances	4. Providing energy advice
5. Funding training for other organisations to provide energy advice	6. Providing assistance to reduce or cancel household energy debts
7. Funding payments for home energy use to residents of mobile homes	8. Funding the provision of energy advice or energy efficiency measures to consumers in particular fuel poverty risk groups.

- 4.8. Suppliers can fund any of these types of activities, and may fund more than one activity of the same or different types. Funded activities may offer more than one type of support at the same time.

- 4.9. Suppliers may also collaborate on Industry Initiatives – an activity can be funded by more than one supplier to provide a joint service. Each supplier then attributes the

²⁴ Regulation 26 of the WHD Regulations

value of the funding they provided to their own obligation, and the activity is assessed as a whole through Ofgem's compliance checking.

- 4.10. In SY7, suppliers funded a total of 40 different Industry Initiatives. All eight types of activity were directly funded in at least one of the initiatives, although there was a range of values of funding and numbers of consumers helped with each type of activity.
- 4.11. We are aware from supplier reporting that referral services were in some cases offered at no additional cost alongside the advice services. We are also aware that supplier methods for identifying customers in need of support took risk groups into consideration, although the focus was on individuals as in previous years.
- 4.12. We have summarised the outcomes and spending on the main direct consumer support activities in figures 4.2 and 4.3 below.

Figure 4.2 Customer support activity spend as a percentage of total in SY7

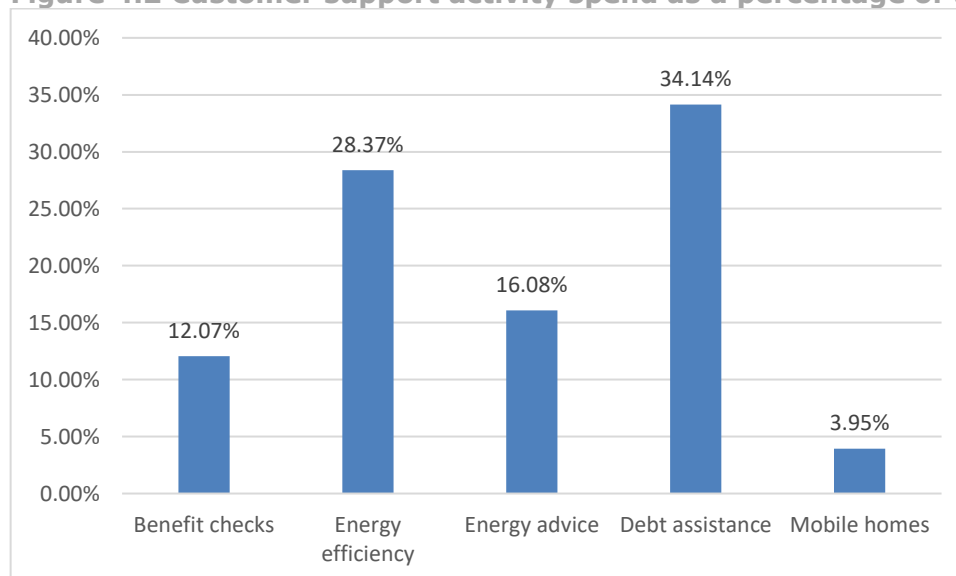


Figure 4.3 Customer support activity figures in SY7

Industry Initiative type	Spend attributed (£)	% of total attributable spend	No. consumers helped	%
<i>Benefit checks</i>	2,660,448	12.07%	33,902	25.74%
<i>Energy efficiency</i>	6,254,934	28.37%	33,053	25.10%
<i>Energy advice</i>	3,545,196	16.08%	45,143	34.28%
<i>Debt assistance</i>	7,527,651	34.14%	14,541	11.04%
<i>Mobile homes</i>	870,334	3.95%	5,059	3.84%
<i>Total attributable Industry Initiative spend</i>	22,046,595	100.00%	131,698	

- 4.13. In addition to funding activities, which directly helped consumers, suppliers also funded the training of advisors who could assist consumers with managing their energy and energy bills. Suppliers attributed approximately £585,364.66 of spending (3.39% of the total Industry Initiative spending) which funded the training of at least 5,840 advisors.²⁵

Meeting the WHD requirements

- 4.14. The WHD Regulations place four conditions on approval of Industry Initiatives. Before receiving approval at the notification stage the proposed activity must demonstrate plans to meet each of the three conditions and at the end of the scheme year suppliers must be able to provide evidence that each of the conditions was achieved.
- 4.15. The four conditions can be summarised as follows:
- The activity funded must be one, or a combination of more than one, of the activities listed in the WHD Regulations (and summarised in paragraph 5.7);
 - The activity must benefit target groups who are wholly or mainly in fuel poverty, or in a fuel poverty risk group;
 - Ensure, as far as reasonably practicable, that every domestic consumer provided with benefits under the initiatives will be provided with energy advice; and
 - The activity should demonstrate value for money.
- 4.16. We found that all the activities funded in SY7 were eligible. We worked with suppliers to ensure they could evidence that all the activities funded in SY7 were eligible.
- 4.17. We are satisfied that the 131,698 consumers who received support through the Industry Initiatives were wholly or mainly in or at risk of fuel poverty. We are also

²⁵ Please note that this information is an underestimate, as not all suppliers provided information on total number of advisors trained.

satisfied that the 5,840 people who were trained to provide energy advice would go on to assist people who were wholly or mainly in or at risk of fuel poverty.

- 4.18. We are generally satisfied that supplier activities were delivered at a reasonable cost. We compared the costs reported to us against industry benchmarks, and confirmed that all delivery costs were necessary to provide and manage the service effectively, and that indirect delivery costs were kept acceptably low.
- 4.19. We noted in many cases that suppliers had chosen to absorb indirect management and administration costs, meaning that the full value of their spending went direct to services helping consumers.

Transfer of Broader Group obligation to Industry Initiative obligation

- 4.20. If there is a risk that suppliers will not be able to meet its minimum spending obligation, suppliers can apply to transfer some of its obligation to Industry Initiatives.
- 4.21. During SY7, Flow Energy and Extra Energy identified that they were at risk of not meeting their respective minimum levels of spending on Broader Group activities. As such, Flow Energy and Extra Energy notified Ofgem to transfer £499,240.00 (77.77% of Broader Group minimum) and £898,701.76 (76.25% of Broader Group minimum) respectively to their Industry Initiative obligations by the deadline of 15 December 2017.²⁶ This was the first time this provision had been used in the scheme.
- 4.22. As part of the assessment process, we considered the extent to which those suppliers had attempted to meet their Broader Group minimum, along with associated evidence. We were satisfied for both obligated parties that the evidence provided represented reasonable attempts to deliver the Broader Group minimum.
- 4.23. Following Ofgem's approval of both suppliers' transfers, the suppliers contributed further to already approved Industry Initiative schemes and set up new schemes with established WHD delivery partners. A condition of approval was that both suppliers left their Broader Group open for applications to ensure that any customers who had not yet applied retained the option to do so.

Trends in Industry Initiative activity

- 4.24. In comparison to the previous scheme year (SY6), the main differences in the funding provided and the outcomes achieved are:
- The proportion of funding used to help consumers manage and repay energy debt has decreased from 47.50% in SY6 to 43.60% for SY7. We expected this decrease following the introduction of the debt relief cap, resulting in an increase of spend in other activities.

²⁶ Article15(3A)

- Benefit entitlement checks represented an increased proportion of both money spent and consumers helped, continuing a trend seen in the previous year, (15.41% of spend in SY7, 13.84% of spend in SY6).
 - The spend on rebates to Park Homes has increased from 4.06% in SY6 to 5.04% in SY7. We had anticipated this increase from the interest generated in SY5.
 - SY7 saw the first time where suppliers utilised the provision in the WHD Regulations to transfer Broader Group obligation to Industry Initiative obligation.
- 4.25. The largest proportion of funding is made to provide debt assistance, 43.60% in SY7. BEIS will reduce the debt relief spend cap for SY8. We expect to see a further increase in spend on other permitted activities.
- 4.26. The Pilot Industry Initiative concept was introduced for SY6 to encourage suppliers to support new initiatives and diversify the type of activities they fund. Four suppliers took advantage of this provision and supported five new initiatives for SY7, with a value totalling £530,000. We saw new groups being targeted, such as an initiative supporting vulnerable patients suffering from a cold-related illness so that they were not being discharged back into poorly heated, draughty and damp homes.
- 4.27. In order to encourage suppliers to fund new and established initiatives, we held stakeholder engagement events that allowed delivery partners to meet the obligated suppliers and ask for funding for their projects under the WHD scheme. An example of this was project Citizens Advice Energy Best Deal (EBD) and Energy Deal Extra (EBDX)²⁷, which is a long-standing initiative with five suppliers who contributed in SY7. This project has continued into SY8 following its success in previous years.
- 4.28. Where delivery risks were identified, suppliers engaged with us early to notify any issues that had arisen.

²⁷Project Citizens Advice Energy Best Deal (EBD) and Energy Deal Extra (EBDX) is a service to provide consumers who are either fuel poor or vulnerable and or on a low income with benefit entitlement checks, energy advice, one to one advice appointments and funding training to provide energy advice.

5. Audit Programme

Chapter overview

This chapter summarises the audit work that helps ensure suppliers use good practice in delivering their WHD activities.

- 5.1. Ofgem has a duty to keep under review the operation of any support scheme it administers.²⁸ As part of this, we must make sure that suppliers are complying with their obligations effectively and efficiently. One way we do this is through an annual audit programme that provides assurance that information is being reported accurately. It also helps suppliers follow best practice in delivering the support and reduces the risk of them not complying with obligations. This helps suppliers protect consumers by minimising the risk of fraud in the scheme. We work with suppliers to provide assurance using Ofgem-appointed external auditors and suppliers' own independent internal audit and quality assurance teams. Ofgem-appointed auditors focus on the highest risk areas of each supplier's activities, while supplier teams verify reporting data and effective processes.
- 5.3. Our appointed auditor covered three areas of scheme activities, carrying out a total of 24 audits across the scheme year. The two types of audit were:
- Testing supplier support delivery processes during the scheme year; and
 - Verifying selected supplier reporting information after the scheme year end.
- 5.4. The breakdown of results of our audits is shown here:

	Good	Satisfactory	Weak
<i>External audit ratings</i>	12	10	2

- 5.5. The audit ratings are defined as:
- 'Good' - Findings identified may be of interest to the Supplier to enhance performance or meet best practice.
 - 'Satisfactory' - Minor weaknesses in the design or operation of procedures in place for the Supplier.
 - 'Weak' - Several weaknesses identified in the design or operation of procedures in place for compliance with the requirements. This may reduce the level of compliance.
- 5.6. The results of audits are shared with the audited suppliers, including the overall rating and an explanation of any points of concern. This allows the supplier and Ofgem to confirm that the report is accurate and to agree actions to address any findings.

²⁸ Section 13 of the Energy Act 2010

- 5.7. We have discussed the two audits that were judged 'Weak' with the audited parties and agreed how they will prevent similar problems in the future.
- 5.8. Our guidance document for suppliers²⁹ sets out our requirements for the audit of scheme activities. We will continue to work with suppliers to ensure that their internal audits meet these requirements, and that they continue to strive for best practice in supporting consumers through their own quality assurance as well as our audit work and compliance reviews.

²⁹ Warm Home Discount Guidance for Suppliers
https://www.ofgem.gov.uk/system/files/docs/2018/08/warm_home_discount_whd_guidance_for_suppliers_-_version_6.1.pdf

6. Looking back: SY7 outcomes

Chapter overview

This chapter looks at the key outcomes of the seventh WHD scheme year, and in particular how the scheme refinements have been implemented.

Participating suppliers

- 6.1. The WHD scheme has continued to expand to new suppliers as the domestic energy market diversifies. Flow Energy, Economy Energy and Spark Energy participated in the scheme for the first time in SY7 as they had reached the threshold for compulsory participation. They joined the existing 12 energy suppliers who delivered support to consumers in the previous year.
- 6.2. As in previous years, Ofgem will continue to engage with new suppliers for SY8 to help them to understand and deliver their obligations effectively. When a new supplier joins the scheme, they are required to set up new processes. We are aware that this can involve significant effort for the suppliers who do not have experience of participating in government schemes to support consumers.

Compliance with obligations

- 6.3. SY7 saw the provision in the WHD Regulations to transfer Broader Group obligation to Industry Initiative obligation used for the first time.³⁰ A positive outcome of this was all obligated suppliers were compliant in meeting their obligations, including Extra Energy who failed to meet their obligations in SY6. It is a good outcome that all suppliers complied with their obligations as this positively impacted consumers as they as a result received support with managing their energy bills.
- 6.4. Overall, suppliers were generally compliant with the scheme requirements, although we noted a small number of minor contraventions of the requirements of the WHD Regulations. As in previous years, these mainly related to timely processing of customer information. We are satisfied that these have been kept to less than 1% in each scheme year, and we have ensured that suppliers took remedial action in each case to avoid vulnerable consumers losing out on support.
- 6.5. Where we found problems with delivering support to consumers we have sought assurances from suppliers that they have improved processes before beginning delivery in the next year. This helps to avoid these problems in future.

Core Group

- 6.6. The Core Group is an example of effective joint working between government departments and stakeholders. As described earlier, BEIS, DWP and energy suppliers share data to identify low-income pensioners and provide Core Group rebates against their electricity or gas, in most cases without the customer doing anything.

³⁰ Regulation 15(3A) of the WHD Regulations

- 6.7. In the first year of the scheme, when the data matching process was introduced, government and suppliers successfully identified 85.2% of eligible Core Group customers automatically. This improved considerably over the early years, and since SY4 has been over 94.0% each year. All other eligible customers were able to contact a central call centre on a single number to provide extra information, regardless of who their supplier was.
- 6.8. Eligibility for the Core Group has remained the same for SY7 as with SY5 and 6. The Core Group has generally been delivered successfully by suppliers across the length of the scheme, and provides consistent and predictable help to low-income pensioners. However, the general trend of the core group has been falling below the estimate since SY5 and this can be seen in Figure 2.1.
- 6.9. Data matching to confirm customer eligibility also supports the Broader Group verification requirement, and has again streamlined this process and made it easier and less intrusive for customers.

Core Group Reconciliation

- 6.10. As mentioned in Chapter 3, In SY7, Ofgem took over the core group reconciliation process, which was previously managed by Elexon. New processes were required to be set up to accommodate the new function, including bank accounts to receive and distribute reconciliation funds.
- 6.11. Two interim reconciliation runs were completed successfully and the final was completed successfully in November 2018. Overall, Ofgem and suppliers worked well in completing the reconciliation runs.

Voluntary Suppliers in the WHD scheme

- 6.12. Scheme Year 7 saw Fischer Energy, a small energy supplier choosing to volunteer for the WHD scheme, joining the two suppliers who had been participating since SY6 - Bristol Energy and Our Power. All three small energy suppliers were included in the Core Group element for the duration of the scheme year.
- 6.13. All three suppliers delivered rebates to their customers who were identified as eligible for the Core Group, and we were pleased to see that each supplier complied with their obligations under the scheme. As voluntary suppliers, they were not required to deliver Broader Group or Industry Initiative support to consumers.

Industry Initiatives

- 6.14. Suppliers have funded Industry Initiatives throughout the duration of the WHD scheme, which has covered a variety of values and types of activity over the seven years. The spending on Industry Initiatives which can be attributed to supplier obligations is limited to £30m in each scheme year, although total spending across suppliers has generally been approximately £19-22m per year.

- 6.15. A number of new activities were funded by suppliers in SY7, partly as a result of Ofgem's work to bring suppliers together with activity providers and to encourage suppliers to pilot new activities.
- 6.16. Ofgem organised stakeholder events during SY7, to which were invited participating suppliers and third party organisations with proposals for activities to support consumers in or at risk of fuel poverty. This made it possible for the third parties to speak directly to supplier staff and suggest activities, which could take advantage of existing services and networks to effectively target vulnerable consumers.
- 6.17. Ofgem also committed to taking a proportionate approach to assessing Pilot activities in the event of variations in delivery outcomes, where suppliers could demonstrate that they had carried out effective oversight and governance during the period of the activity. This helped suppliers manage the risk of non-compliance due to factors outside of their control.
- 6.18. The five new activities carried out under the Pilot concept were successful overall, although we worked closely with supporting suppliers throughout the year to be aware of small changes to the projects and agree how suppliers should manage the activities when any variations occurred.
- 6.19. There were also other activities new for SY7, which were initially presented as potential Pilots but were supported to a higher value than the limit for the Pilot process. These activities were also closely monitored during the year and successfully delivered.

7. Looking forward: SY8-10

Chapter overview

We look at the main areas of interest about the future of the WHD scheme, both in the short and longer term.

The Warm Home Discount Scheme

- 7.1. In 2015 the Spending Review and Autumn Statement announced that the scheme budget would be maintained in real terms, rising with inflation for each year up to 2020/2021. In August 2018 the latest WHD Regulations came into force committing the Government to support the scheme through to March 2021, representing SY8-10. The scheme year 8 spending target has been set as £340 million. For SY9 & 10 the provisional spending target has also been set as £340 million each year, however this may increase or decrease in line with the percentage change in the consumer price index.
- 7.2. The scheme has retained the same structure for SY8-10 being a continuation of the three existing elements of i) Core Group, ii) Broader Group and iii) Industry Initiatives. There have been some changes to Industry Initiatives including overall spending, limits on some activities and the type of support that can be offered under the regulations. The maximum spend on Industry Initiatives has increased from £30m (SY7) to £40m (SY8). Within this, the proportion of a suppliers Industry Initiative cap that can be spent on debt assistance has been reduced from 50% (SY7) to 25% (SY8) encouraging suppliers to focus on other activities. SY8 also sees the introduction of Financial Assistance Payments as a permitted activity. We will report on the uptake of this in more detail in the future.
- 7.3. As seen in Figure 2.1, the number of customers receiving the Core Group payment has been shrinking since SY5. This is mainly due to Pension Credit Guarantee reform and the frozen threshold. A total of 135,832 less customers received a Core Group payment when compared to SY5. A major reason for this is the increase in the non-core obligation. The increase has generally placed pressure on suppliers in meeting their non-core group obligation and greater likelihood of suppliers using the mechanism in the WHD Regulations to transfer Broader Group obligation to Industry Initiatives obligation.
- 7.4. SY8 will see two suppliers participating on a compulsory basis for the first time, being Hudson Energy (Green Star Energy) and Simple Energy (Bulb Energy). We have been engaging closely with these new participants during 2018 to ensure they put suitable activities and processes in place to meet their obligations for SY8.
- 7.5. In total, there are 14 compulsory suppliers and 3 voluntary suppliers, being Bristol Energy, Robin Hood Energy and Our Power. These voluntary suppliers will only be obligated under the Core Group element of the scheme. As such, there will be 17 participating suppliers in SY8. This will be one less supplier than SY7 as Spark Energy ceased being a supplier in November 2018.
- 7.6. Looking further forward, a key scheme development for SY9 & 10 is that the domestic customer number obligation threshold will reduce from the current 250,000 to 200,000 (SY9) and 150,000 (SY10). Suppliers reaching these lower thresholds will be required to deliver the Core Group. Once they reach 250,000 domestic customers they will also have a non-core obligation. Based on current market intelligence we

anticipate a substantial increase in the number of compulsory participants in SY9 and again in SY10. We will work with any suppliers who expect to reach the threshold for participation to ensure that they can begin planning for obligations under this and other government schemes.

- 7.7. As mentioned previously, the government has extended the scheme until at least March 2021, equivalent to a tenth scheme year. BEIS has been monitoring the outcomes of the WHD scheme over the first seven scheme years and analysing the successes and areas for improvement of the scheme set up, as well as trends that have emerged over the scheme period. This report and the information in it contributes to that monitoring process.

Core Group Reconciliation

- 7.8. An important part of the Core Group element is the mechanism to balance the cost of delivery across participating suppliers. This process is known as the Core Group Reconciliation, and is underpinned by the Warm Home Discount (Reconciliation) Regulations 2011 (as amended) ("the Reconciliation Regulations"). As the customers who are eligible for a Core Group rebate are not necessarily distributed amongst suppliers in the same proportion as their overall market share, these regulations set out the method by which the costs are reconciled to supplier domestic market share through a series of payments organised by a central party on behalf of all suppliers.
- 7.9. Under the Reconciliation Regulations, the Operator is appointed to manage the Core Group reconciliation process. The Reconciliation Regulations were amended in 2017 to appoint the Gas and Electricity Markets Authority (GEMA) as the reconciliation Operator for SY7 going forward.
- 7.10. On behalf of GEMA, Ofgem will carry out the SY8 reconciliation process. Ofgem already makes the final determination of the number of Core Group rebates provided by each supplier in a scheme year and therefore can efficiently complete the reconciliation using the rebate data it holds.

Safeguard tariff

- 7.11. On 7 December 2017, Ofgem decided to modify the standard conditions of the electricity and gas supply licences to regulate charges for domestic customers who receive the Warm Home Discount (WHD). The main effect of this change is to extend the scope of the existing prepayment meter (PPM) safeguard tariff to protect approximately one million consumers who receive WHD, who are also on their suppliers default tariff. These protections came into force on 2 February 2018.
- 7.12. On 6 November 2018, Ofgem decided that WHD customers' current protection will be replaced by the default tariff cap. This will come into force on 1 January 2019.
- 7.13. For more information see: www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/governments-default-tariff-cap-and-ofgems-broader-vulnerable-safeguard-tariff

Appendix

Participating suppliers

WHD compulsory scheme electricity suppliers

Supplier Group*	Licenced Supplier(s)	Participation Scheme Years
British Gas	British Gas Trading Limited	1, 2, 3, 4, 5, 6, 7
Co-operative Energy	Co-operative Energy Limited	4, 5, 6, 7
Economy Energy	Economy Energy Trading Limited	7
EDF Energy	EDF Energy Limited	1, 2, 3, 4, 5, 6, 7
E.ON	E.ON Energy Solutions Limited	1, 2, 3, 4, 5, 6, 7
Extra Energy	Extra Energy Supply Limited	6, 7
First Utility	First Utility Limited	3, 4, 5, 6, 7
Flow Energy	Flow Energy Limited	7
Npower	Npower Limited Npower Northern Supply Limited Npower Yorkshire Supply Limited Npower Direct Limited	1, 2, 3, 4, 5, 6, 7
Ovo Energy	Ovo Electricity Limited	5, 6, 7
Scottish Power	ScottishPower Energy Retail Limited	1, 2, 3, 4, 5, 6, 7
SSE	SSE Energy Supply Limited	1, 2, 3, 4, 5, 6, 7
Spark Energy	Spark Energy Limited	7
Utilita Energy	Utilita Energy Limited	5, 6, 7
Utility Warehouse	Electricity Plus Supply Limited	1**, 2**, 3, 4, 5, 6, 7

*Supplier Groups include specific licenced suppliers, plus some alternative brand names and white label suppliers who does not hold a supply licence of their own, but offer tariffs under their own name through partnership with a licenced supplier. Customers of white label suppliers in partnership with a licenced supplier are also eligible for the WHD scheme.

** Utility Warehouse was, until SY3, connected to the Npower supplier group and met its obligations as a part of that supplier group. From SY3 onwards, Utility Warehouse met its obligations as a distinct supplier group entity.

A list of suppliers' subsidiary companies is on the BEIS website
<https://www.gov.uk/the-warm-home-discount-scheme/energy-suppliers>

WHD voluntary scheme electricity suppliers

Supplier Group	Licenced Supplier	Participation Scheme Years
Our Power	Our Power Energy Supply Limited	6, 7
Bristol Energy	Bristol Energy Limited	6, 7
Fischer Energy	Foxglove Energy Supply Limited	7