

Warm Home Discount

2018-2019

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for energy consumers

Foreword

I am pleased to present our eighth annual report on the Warm Home Discount (WHD) scheme. The report covers the support provided to vulnerable consumers through the WHD scheme from 15 August 2018 to 31 March 2019. 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 forward to scheme activities during Scheme Year 9, April 2019 - March 2020.

In August 2018, the government extended the scheme until March 2021, as a key part of the Fuel Poverty Strategy. For this period, the Department for Business, Energy & Industrial Strategy (BEIS) introduced changes to the Warm Home Discount Regulations 2011 (as amended) to further improve delivery to consumers and encourage more innovation in supporting customers in, or at risk of, fuel poverty.

As an increased number of customers switch to smaller suppliers we have seen more suppliers reaching the threshold to be full participants in the WHD. In Scheme year 8 (SY8), Bulb Energy and Green Star Energy became obligated compulsory suppliers for the first time. However, two compulsory suppliers, Economy Energy and Spark Energy, and one voluntary supplier, Our Power, ceased to trade and therefore were not considered as obligated for the duration of the scheme year. This was the first time in WHD where obligated energy suppliers ceased trading. All three energy suppliers' customers were taken over by other energy suppliers as part of the Supplier of Last Resort (SoLR) process¹. For the first time under WHD, Ofgem had processed a mutualisation for the Core Group, as a supplier which ceased to trade failed to pay into the first interim Core Group reconciliation. Other scheme suppliers made up the shortfall of payment in the Core Group reconciliation, based on their market share.

We are pleased to report that all obligated suppliers met their individual WHD obligations. Finally, together, notwithstanding three suppliers which ceased trading, the suppliers met the overall scheme spending obligations for SY8, providing over £341 million of support to vulnerable consumers including £140 rebates to over 2.2 million vulnerable consumers. Reducing fuel poverty is a priority for the UK government and devolved administrations. For 2019-2020, the threshold for compulsory smaller suppliers was introduced where a licenced electricity supplier having at least 200,000 domestic customers are obligated to deliver the Core Group only. One supplier who was previously a voluntary supplier reached the threshold to become a compulsory smaller supplier to support their customers and deliver the Core Group element. In addition, four new suppliers have passed the threshold for compulsory participation.

¹ Supplier of Last Resort: Revised Guidance 2016:
<https://www.ofgem.gov.uk/publications-and-updates/supplier-last-resort-revised-guidance-2016>

As we progress with the ninth 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. We recognise the contribution that the WHD scheme makes to tackling fuel poverty in Great Britain, and work with BEIS to improve the scheme wherever we can.

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. Finally, in SY8, we introduced the concept of Financial Assistance Packages to support the most vulnerable consumers during times of emergencies, as the legislation moves them away from funding debt relief support.

David Fletcher – Deputy Director, E-Serve Policy

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Associated Documents

- The Warm Home Discount Regulations 2011 (as amended), the Warm Home Discount (Reconciliation) Regulations 2011 and the Disclosure of State Pension Credit Information (Warm Home Discount) Regulations
<http://www.legislation.gov.uk/all?title=warm%20home%20discount>
- The Warm Home Discount: Guidance for Suppliers v6.1²
<https://www.ofgem.gov.uk/publications-and-updates/warm-home-discount-whd-guidance-suppliers-version-61>
- The Warm Home Discount Annual Report: Scheme Year 7
<https://www.ofgem.gov.uk/publications-and-updates/warm-home-discount-annual-report-scheme-year-7>
- The Warm Home Discount Reports and Data <https://www.ofgem.gov.uk/environmental-programmes/social-programmes/warm-home-discount/warm-home-discount-reports-and-statistics>
- The Department of Business, Energy and Industrial Strategy (BEIS) consultation on the Warm Home Discount Scheme 2018 to 2019
<https://www.gov.uk/government/consultations/warm-home-discount-scheme-2018-to-2019>

² WHD Guidance for Suppliers: Version 6.1 in effect for SY8 to SY10.

Overview

Introduction

The Warm Home Discount Scheme (WHD) 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 review³. **This report covers the eighth year of the scheme – 15 August 2018 to 31 March 2019 (SY8).**

Operation of the Warm Home Discount scheme

The 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 eighth year, any licenced supplier within a group, which had at least 250,000 domestic customer accounts for gas or electricity (calculated annually), was obligated to participate in the WHD scheme.

The scheme imposes 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 eighth scheme period delayed the start date of the eighth scheme period and as such, a decision was taken to set the scheme period for SY8 from August 2018 to March 2019.

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" but not "delivered".

Linked to this, suppliers were required to show that they had made reasonable efforts to deliver the rebate to customers who had not redeemed their rebate, by making extra attempts

³ Section 13 of the Energy Act 2010.

to deliver the rebate and using different methods. In SY8, customers redeemed 98.8% of rebates provided.

The value of rebates which were not redeemed by customers during SY8 has been added to supplier obligations for scheme year 9 (SY9), 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.

WHD scheme budget and obligations

The WHD Regulations⁴ set an overall obligation 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 spend⁵.

The scheme budget rises with inflation, so the level of support is maintained in real terms. Over the life of the WHD scheme, for SY8-10, the spending cap on Industry Initiatives is £40m to encourage innovation and other types of support⁶. In SY8, spending on writing off customer debt was limited to £10m⁷ and this has decreased further to £8m⁸ for SY9 and will decrease again to £6m⁹ for SY10.

⁴ The Warm Home Discount Regulations 2011 (as amended)

⁵ Regulation 15A(4)(d) of the WHD Regulations

⁶ Regulation 15A(4) of the WHD Regulations, the cap on Industry Initiative spending in previous years remained consistent at £30m per year.

⁷ Regulation 15A(5)(a) of the WHD Regulations

⁸ Regulation 15A(5)(b) of the WHD Regulations

⁹ Regulation 15A(5)(c) of the WHD Regulations

The development in scheme budget

	SY5	SY6	SY7	SY8	SY9
<i>Overall non-core scheme year target</i>	£128m	£143m	£155m	£185m	£194m
<i>Overall scheme Industry Initiative limit</i>	£30m	£30m	£30m	£40m	£40m
<i>Overall scheme Industry Initiative debt write-off cap</i>	N/A	£15m	£12m	£10m	£8m
<i>Overall Broader Group minimum</i>	£98m	£113m	£125m	£145m	£154m
<i>Overall spending target</i>	£320m	£323m	£329m	£340m	£347m
<i>Core and Broader Group rebate value</i>	£140	£140	£140	£140	£140

Compliance in SY8

There were eighteen scheme suppliers obligated under the WHD scheme in SY8. Of these fifteen were compulsorily obligated and three joined on a voluntary basis. Two compulsory suppliers, Economy Energy and Spark Energy, ceased trading during SY8 and therefore were not considered as obligated for the duration of the scheme year. One voluntary supplier, Our Power, also ceased trading at the start of SY8 and therefore was not a voluntary supplier for the duration of the scheme year. The customers belonging to these suppliers were taken over by other energy suppliers as part of the Supplier of Last Resort (SoLR) process and the vast majority of these customers continued to benefit from the WHD Broader Group and Core Group thus supporting those in fuel poverty. We determined all fifteen remaining suppliers to be compliant across their obligations in SY8.

During SY8, obligated suppliers provided over £341.1m worth of eligible support to consumers' in total, with all meeting their respective spending obligations. This comprised direct energy bill rebates through the Core Group and Broader Group, and other support through Industry Initiatives.

Core Group

Low-income pensioners received over 1.1m 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 (DWP), 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 – two suppliers provided Core Group rebates on a voluntary basis in SY8.

Customers eligible for the Core Group are identified by DWP and spending on this element by suppliers is balanced by a reconciliation process. Two interim and one final reconciliation took place in SY8. One scheme supplier failed to make a payment for the first interim reconciliation and therefore Ofgem had to process a mutualisation, whereby other scheme suppliers made up the shortfall, based on their market share.

In SY7, there was an underspend of the Core Group of approximately £3m. This underspend was taken into consideration by BEIS when determining the total obligation for SY8 and as such the underspend was reflected in SY8 Broader Group.¹⁰

Broader Group

More than 1,090,000 other customers who were on a low income and at risk of fuel poverty received Broader Group rebates, also worth £140 per customer. 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 £30.3m 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.

SY9 Compliance Landscape

The WHD scheme is currently in SY9, which runs from 1 April 2019 to 31 March 2020. The amending WHD Regulations made in July 2018 cover WHD SY8-10¹¹.

One voluntary supplier from SY8 is now a compulsory smaller supplier in SY9 and is obligated to deliver the Core Group only. This is the first time the WHD scheme has seen a voluntary supplier becoming compulsorily obligated.

One voluntary supplier chose to continue participation in SY9. In addition, four new suppliers passed the threshold for mandatory participation. Overall, for SY9, there are nineteen participating suppliers, of which seventeen suppliers are compulsory suppliers, one is a compulsory smaller supplier and one is a voluntary supplier.

The structure of the scheme remains broadly the same as for SY8.

¹⁰ Schedule 1 (6) of the WHD Regulations

¹¹ The Warm Home Discount (Miscellaneous Amendment) Regulations 2018

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 8

Introduction

1.1. This chapter presents the overall achievements of suppliers against their obligations in Scheme Year 8, 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 8 obligations

Supplier	Overall Compliance	Core Group	Broader Group	Industry Initiatives
British Gas	Compliant	✓	✓	✓
Bulb Energy	Compliant	9	✓	✓
Co-operative Energy	Compliant	4	✓	✓
EDF Energy	Compliant	✓	✓	✓
EON Energy	Compliant	✓	✓	✓
Green Star Energy	Compliant	84	✓	✓
Npower Group	Compliant	✓	✓	✓
OVO Energy	Compliant	✓	✓	✓
Scottish Power	Compliant	✓	✓	✓
Shell Energy (formerly First Utility)	Compliant	✓	✓	✓
SSE Energy	Compliant	1	✓	✓
Utilita	Compliant	✓	✓	✓
Utility Warehouse	Compliant	✓	✓	✓
Bristol Energy (voluntary supplier)	Compliant	2	N/A	N/A
Robin Hood Energy (voluntary supplier)	Compliant	20	N/A	N/A
Key to symbols				
✓	Ø	Ø	N/A	
No contraventions	Minor contraventions (number of)	Major contraventions (number of)	Did not deliver this element	

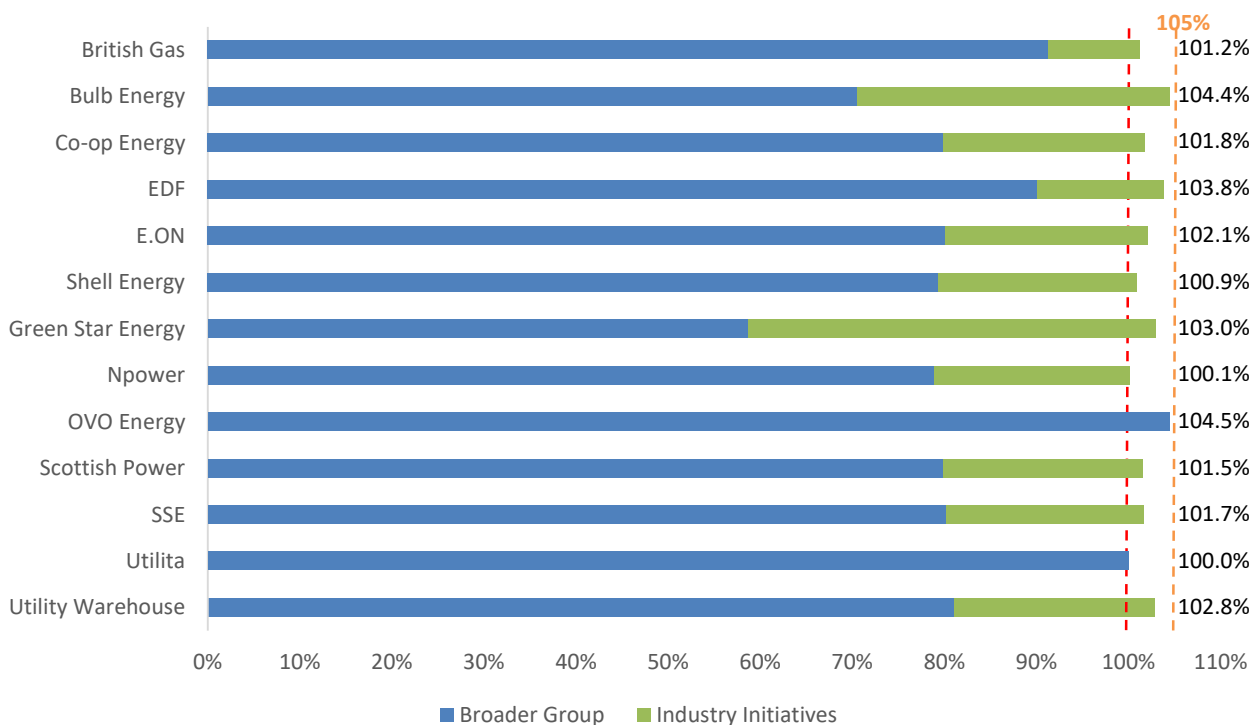
- 1.2. Compulsory participating suppliers had an obligation across three elements of the scheme: Core Group; Broader Group; and Industry Initiatives. Each supplier submitted a report summarising the support they had provided to consumers during SY8, which they intended to attribute to meeting their obligations. We assessed whether suppliers had met each of their obligations, with the results summarised in **Figure 1.1** above.
- 1.3. We assessed whether suppliers have 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.
- 1.4. 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 Broader Group rebates, which for SY8 was 76% 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.
- 1.5. We assessed whether the support each supplier has provided can be attributed to the scheme and whether the combined value of their activities for the year is sufficient to meet their overall non-core spending obligation.
- 1.6. 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.
- 1.7. 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.
- 1.8. For each contravention, we checked that the individual customers had not been significantly affected, that the administration or delivery of the scheme had not been affected as a whole, and that the supplier had resolved the issue within a reasonable timescale. If contraventions were deemed as minor, we did not determine that the supplier was non-compliant overall.
- 1.9. For those suppliers with minor contraventions, the largest percentage of contraventions was less than 1.3% of total core group rebates delivered to their consumers

- 1.10. Having assessed all supplier activities reported to us relating to SY8, we determined that all of the compulsory participating suppliers in SY8 were compliant with their obligations, with a small number of minor contraventions. The two voluntary suppliers were deemed compliant with delivering the Core Group Obligation, with a small number of contraventions.
- 1.11. Three suppliers, two compulsory (Spark Energy and Economy Energy) and one voluntary (Our Power), went into administration during SY8, meaning that they were not obligated for the duration of the scheme year.

Supplier spend against non-core spending obligations

- 1.12. Suppliers who exceed their SY8 obligation, by over delivering, are able to carry over part of their spending to SY9, 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 non-core obligation for SY8.¹² Thirteen suppliers reported spend in SY8 which allowed them to carry over some eligible spend. This does not reduce their obligation for SY9 but means the amount they will have to spend is reduced. In **Figure 1.2** below, we show supplier spend against their obligation, and how suppliers chose to split their spend between the non-core elements:

Figure 1.2: Supplier spend against non-core spending obligations



¹² Regulation 14(3)(b)(iii) of the WHD Regulations

- 1.13. 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 exclusively focusing on Broader Group to 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.
- 1.14. The WHD Regulations set specific requirements on how support through each element should be provided to eligible customers. For the direct rebates of the Core Group and Broader Group, these requirements primarily related to the timing of rebate payments, how the rebates can be provided, and how customers are told they have received their rebate.¹³
- 1.15. In SY8, 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.
- 1.16. 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.
- 1.17. We are pleased to see that the majority of obligations across suppliers were met with no contraventions of the WHD Regulations.
- 1.18. Although six suppliers had minor contraventions, these were all within the Core Group obligation. The total of 118 infringements in the Core Group represents less than 0.01% of the 1.1m rebates provided.
- 1.19. From the above assessment, we have concluded that the scheme, as defined by the regulations has been successfully delivered by the participating suppliers in SY8. The voluntary suppliers have also ensured that they have met the requirements of the WHD scheme.
- 1.20. We communicated with the suppliers with minor contraventions to ensure that customers were not adversely affected and that the infringements have been resolved.

¹³ Regulation 7 of the WHD Regulations

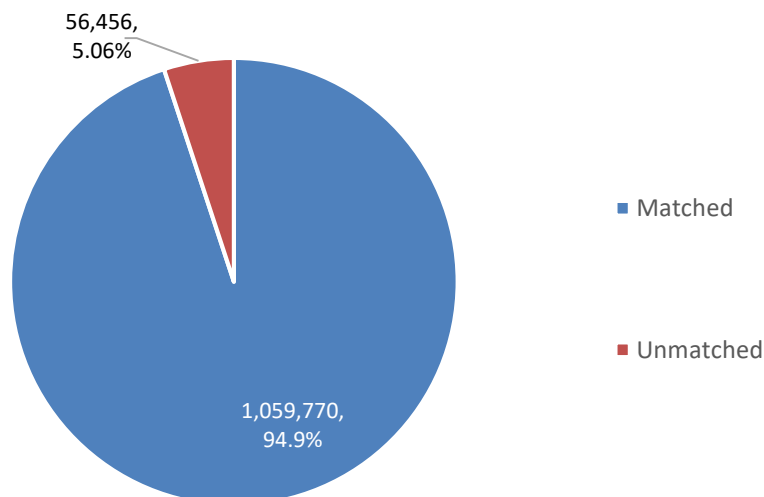
- 1.21. Bulb Energy, Co-operative Energy, Green Star Energy, SSE Energy, Bristol Energy and Robin Hood Energy provided explanations for the specific issues which led to the minor contraventions, and confirmed that they had resolved the errors on behalf of the affected customers. From our discussions with each supplier, we are satisfied that action plans are in place to prevent them in future.
- 1.22. There has been a slight increase in the total number of minor contraventions in SY8 compared to SY7. This can be attributed to the three new scheme participants who accounted for 111 (94.1%) of the total number of minor contraventions. For existing participants, the total number of minor contraventions decreased significantly to seven contraventions (84.1% reduction). Further work, via the actions plans referred to above, is required to mitigate the risks of these types of minor contraventions being repeated.
- 1.23. We do not expect to see these contraventions repeated in SY9 or any future scheme years, and will continue to provide suppliers with guidance to reduce the likelihood of them recurring.
- 1.24. Additionally, as the threshold for compulsory suppliers has decreased for SY9, we will see four new suppliers become compulsory participants on the scheme. We will work with these new suppliers by encouraging them to ensure that suitable processes are in place to keep minor contraventions to a minimum.

2. Core Group

Introduction

- 2.1. 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.
- 2.2. 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.
- 2.3. In SY8, 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. Customers identified as eligible for the Core Group must be provided with a rebate.
- 2.4. In SY8, two new suppliers, Bulb Energy and Green Star Energy became compulsory participants in the scheme, which widened access to the WHD scheme. In addition to this, two voluntary suppliers participated in the delivery of the Core Group to eligible customers.
- 2.5. In total, 1,116,226 customers were provided a Core Group rebate in SY8. This was 98,345 less than the previous scheme year. However, there was a corresponding increase in Broader Group rebates (134,211) so overall a consistent amount of rebate support has been provided to consumers.
- 2.6. **Figure 2.1** below illustrates the number of customers supported for each year of the scheme.

Figure 2.1: Core Group rebates provided, SY8



Data Matching

- 2.7. To identify customers eligible for the Core Group, suppliers share a limited amount of customer data with the DWP, who match 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 SY8, 94.9% of Core Group customers received their rebate this way (also 94.9% in SY7), without needing to take any action.
- 2.8. 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 56,456 'unmatched' customers (5.1% of the total) who needed to do this during SY8.
- 2.9. Suppliers are expected to fulfil each rebate instruction they are sent. However, the WHD Regulations recognise that there can be certain 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.
- 2.10. Currently, the SoS has determined that if a customer has died and their estate 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.
- 2.11. There may be other reasons why a supplier was not able 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.
- 2.12. Suppliers treated 453 instructions as exceptions in SY8, 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.
- 2.13. Suppliers have a requirement to report on the delivery of the rebates.¹⁴ 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 SY9. Any rebates that are not 'delivered' where the supplier has not made one additional reasonable attempt to deliver may be treated as non-compliance.
- 2.14. In SY8, 1,116,226 core group rebates were provided with a value of £156.3m. The total value of the delivered core group rebates was £154.3m (98.7% of rebate value was delivered). We are satisfied with the overall high redemption rate across all suppliers.

¹⁴ Regulation 9(6) of the WHD Regulations

- 2.15. 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 attempt would be in addition to normal processes used to deliver outstanding rebates to customers.
- 2.16. A provision in the WHD Regulations allows the customer to have the rebate applied to their gas account on customer request.¹⁵
- 2.17. In SY8, 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. 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

- 2.18. 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").
- 2.19. 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.
- 2.20. 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.
- 2.21. During the commencement of the first SY8 core group reconciliation in November 2018, Spark Energy entered into administration. As such and in accordance with Reconciliation Regulations, regulation 11(6), each supplier's core group market share percentage was adjusted to take on Spark Energy's core group market share percentage.
- 2.22. Following this, Economy Energy entered administration and, as a result, missed paying into the first SY8 core group reconciliation as due. This consequently led to Ofgem triggering mutualisation, the first time in eight years of the WHD scheme.

¹⁵ Regulation 7(3)(aa) and (d) of the WHD Regulations

- 2.23. Following the mutualisation, a second SY8 core group reconciliation was successfully completed in June 2019, and most recently, in November 2019, the third and final SY8 core group reconciliation was completed. This concluded SY8 core group reconciliation.
- 2.24. The total balancing payments for the mutualisation, second and final reconciliations were approximately £14,929,356.81.
- 2.25. Following each reconciliation, the SoS was provided with a report summarising the Core Group reconciliation.

3. Broader Group

Introduction

- 3.1. This chapter summarises the delivery of support to low income and vulnerable customers through the Broader Group in SY8.
- 3.2. 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 Group¹⁶ throughout the duration of the scheme, which was £140 in SY8.
- 3.3. Broader Group rebates form part of the non-core spending obligation for suppliers. The other part of the non-core obligation, Industry Initiatives, is capped at a maximum value, so therefore there is a *de facto* minimum spend on Broader Group for each supplier.
- 3.4. In SY8, Industry Initiatives were capped at £40m, therefore the Broader Group minimum spending obligation across all suppliers was £145m, 78.4% of suppliers' total non-core spending obligation of £185m.

Banking of SY7 spending – adjustments to scheme obligations

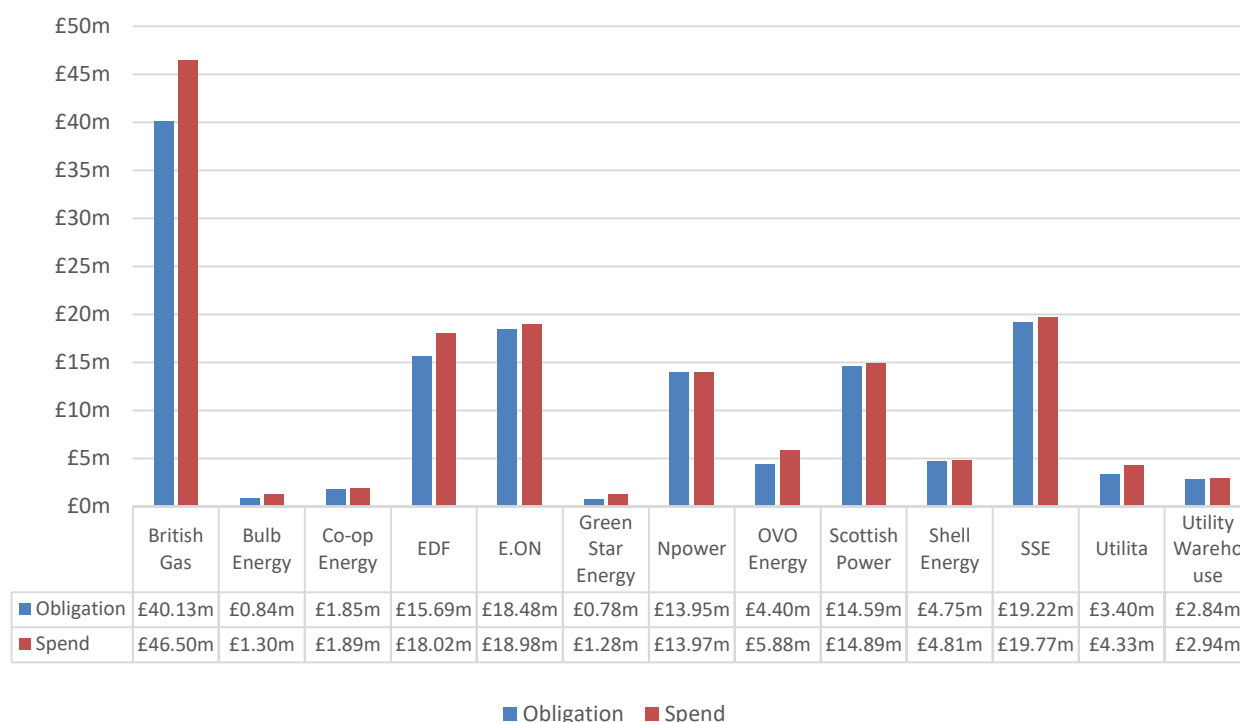
- 3.5. Under the WHD Regulations, suppliers who spend more than their non-core spending obligations in a scheme year may carry over up to 5% overspend against the following scheme year's non-core obligation. In practice, this means that a supplier's non-core obligation will be reduced in the following year, within a set limit.
- 3.6. We amended each supplier's SY8 non-core spending obligation and minimum Broader Group spending for SY8 after completing our compliance assessment for SY7. In total, suppliers spent £3.2m above their non-core spending obligations during SY7.
- 3.7. Once these adjustments to obligations were issued, suppliers needed collectively to provide at least 1,006,573 broader group rebates to customers (equivalent to approximately £140.9m).
- 3.8. In SY8 suppliers provided 1,103,968 broader group rebates for a total value of approximately £154.6m.
- 3.9. All suppliers exceeded their SY8 non-core spending obligations, although the value varied by supplier in relation to their chosen delivery plan.

¹⁶ There were two voluntary suppliers in SY8 who were only required to provide rebates for the Core Group and not the Broader Group.

3.10. The £154.6m spend in SY8 made up 83.6% of total non-core spending in SY8, with the remaining attributable £30.3m being spent on Industry Initiatives. We look at Industry Initiatives in more detail in Chapter 4.

3.11. All thirteen suppliers exceeded their individual Broader Group minimum obligation. This is shown in **Figure 3.1** below.

Figure 3.1: Supplier Broader Group spend against obligation in SY8



Broader Group Eligibility

3.12. From Scheme Year 5 onwards, the WHD Regulations included a mandatory set of criteria which all suppliers must use as a minimum¹⁷, 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.

3.13. In SY8, 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.

¹⁷ Regulation 19(5)(a) and Part 1 of Schedule 2 of the WHD Regulations 2011

- 3.14. 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.¹⁸
- 3.15. 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.
- 3.16. For SY8, suppliers were collectively required to obtain evidence of eligibility from 54,996 Broader Group customers in order to meet this regulation.
- 3.17. Individually all suppliers met this requirement and in all, 89,548 applicants to Broader Group schemes provided satisfactory evidence when asked, which is 162.8% of the 54,996 that were required to pass.
- 3.18. From SY7 onwards, 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 the following scheme year.
- 3.19. In SY8, more than 1,103,968 rebates were provided with a value of nearly £154.6m. The regulation changes mean that suppliers would have the value of the undelivered rebates added to their individual non-core obligation in the following year.¹⁹ The total value of the delivered broader group rebates was £152.7m (98.8% of rebate value provided). We are satisfied with the overall high redemption rate across suppliers.
- 3.20. 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.
- 3.21. 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.

¹⁸ Regulation 19(7)(a) and Part 2 of Schedule 2 to the WHD Regulations

¹⁹ Regulation 14(3C) of the WHD Regulations

4. Industry Initiatives

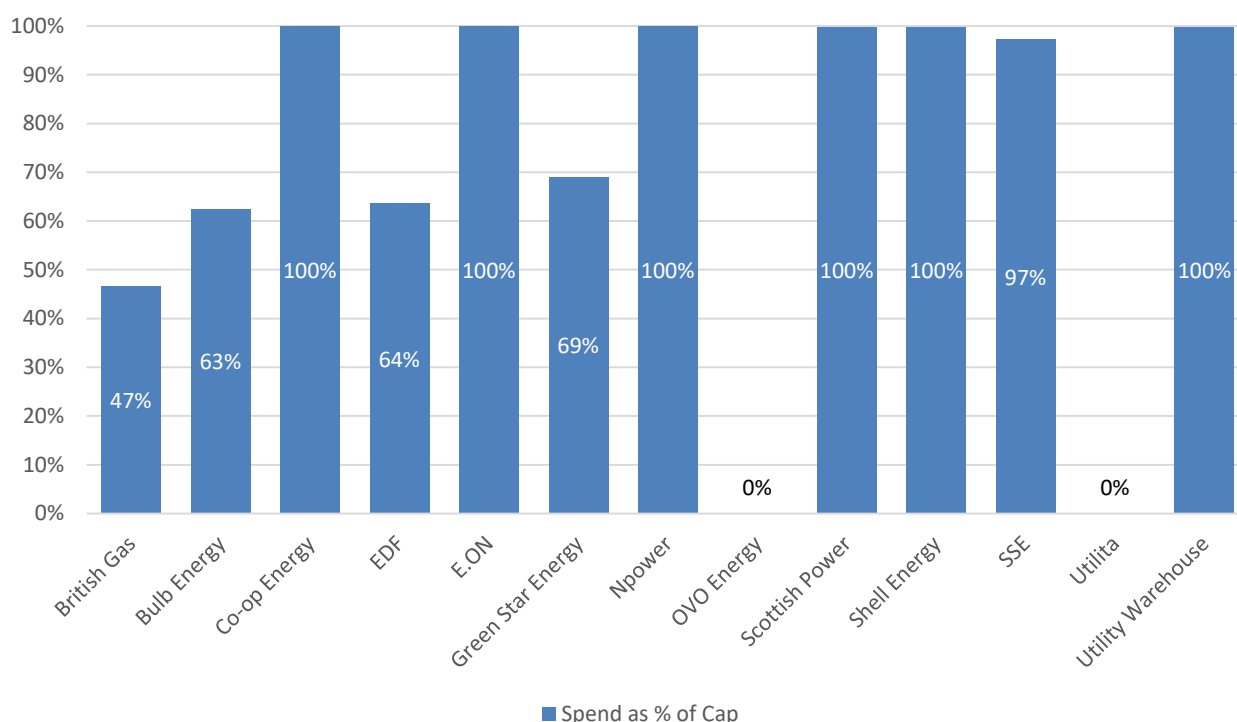
Introduction

- 4.1. This chapter summarises the activity funded through the Industry Initiatives element of the scheme in SY8, and explains which activities are deemed eligible for support by the WHD scheme.
- 4.2. 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. Eleven of the thirteen compulsory obligated suppliers in SY8 chose to attribute some Industry Initiative spend towards their obligations to supplement the Broader Group rebates.
- 4.3. For this scheme year, as in all years of the WHD scheme, suppliers had a combined maximum attributable spend on Industry Initiatives. For SY8 this was £40m²⁰, divided among them according to their market share.
- 4.4. 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.²¹ 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.
- 4.5. In total, suppliers spent £30.3m on attributable Industry Initiative activities in SY8.
- 4.6. Suppliers' approach to using Industry Initiative allowances varied. Some focused their SY8 spending fully on the Broader Group (two suppliers did not spend any of their Industry Initiative allowance), while others split their allowance to provide customers with different types of support. Both approaches are acceptable, and **Figure 4.1** below summarises each supplier's approach with a comparison to their maximum allowance in SY8.

²⁰ Maximum Industry Initiative spend increased to £40m in SY8 from £30m in SY7.

²¹ Regulation 27 of the WHD Regulations

Figure 4.1: Supplier spend against Industry Initiative cap in SY8



Industry Initiative activities in SY8

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.²² Broadly, these activities fall under nine categories:

1. Funding referral services to sources of support	2. Providing benefit entitlement checks and/or assistance to claim benefits
3. Providing energy efficiency measures, thermal efficiency measures, energy efficient appliances or micro generation	4. Funding the provision of energy advice or energy efficiency measures to consumers in particular fuel poverty risk groups
5. Providing or funding training for other organisations to provide energy advice	6. Providing assistance to reduce or cancel household energy debts
7. Providing rebates to eligible occupants of mobile homes for home energy use	8. Providing energy advice
9. Providing financial assistance to be spent towards energy bills, including rebates, to households that are particularly at risk of fuel poverty or in emergency situations	

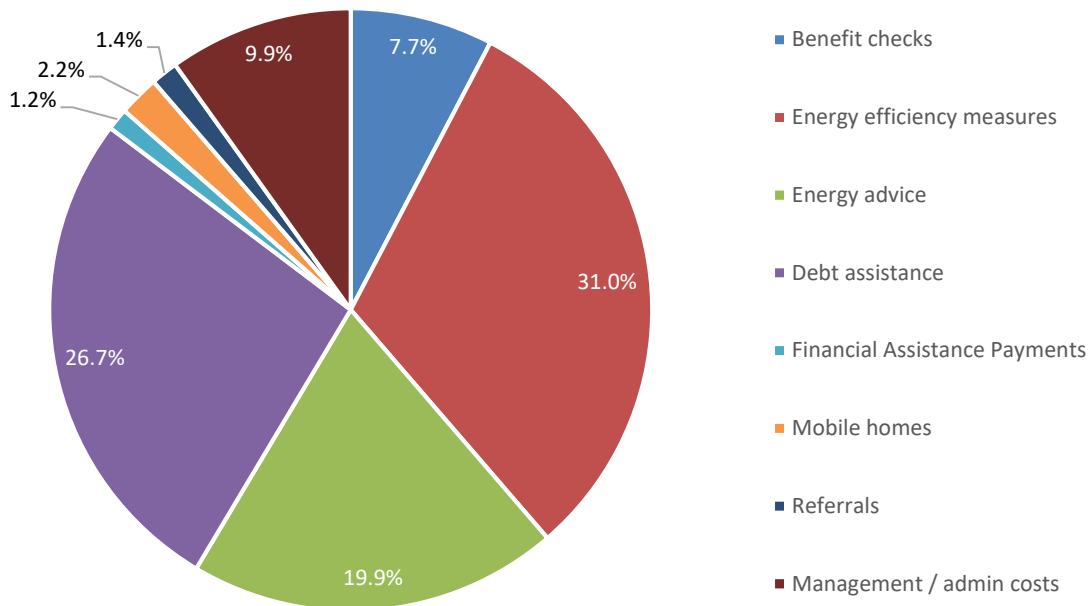
²² Regulation 26 of the WHD Regulations

- 4.8. The list of activities allowed under Industry Initiatives was expanded for SY8 as the ninth category of eligible activity, provision of financial assistance, was introduced in to the WHD Regulations.
- 4.9. 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.
- 4.10. 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 value of the funding they provided to their own obligation, and the activity is assessed as a whole through Ofgem’s compliance checking.
- 4.11. In SY8, suppliers funded a total of 44 different Industry Initiatives, eight of which were collaborations between suppliers. All nine types of activity were directly funded in at least one of the initiatives. There was a range of values of funding and numbers of consumers helped with each type of activity.
- 4.12. 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.
- 4.13. 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 figures in SY8

Industry Initiative Type	No. of consumers helped	Spend Attributed	% of total Attributed Spend
Benefit checks	31,359	£2,327,593.55	7.7%
Energy efficiency measures (including to consumers in fuel poverty risk groups)	24,368	£9,409,944.85	31.0%
Energy advice (including training to provide energy advice)	442,551	£6,034,627.09	19.9%
Debt assistance	34,680	£8,113,949.97	26.7%
Financial assistance payments	7,947	£357,656.46	1.2%
Mobile homes	4,711	£659,540.00	2.2%
Referrals	21,225	£439,671.35	1.4%
Management / administration costs	N/A	£3,003,024.88	9.9%
Total	566,841	£30,346,008.15	100%

Figure 4.3: Customer support activity spend as a percentage of total spend in SY8



4.14. 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.

Meeting the WHD requirements

4.15. 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 four conditions. At the end of the scheme year suppliers must be able to provide evidence that each of the conditions was met.

4.16. The four conditions can be summarised as follows:

- The activity funded must be one, or a combination of more than one, of the activities permitted in the WHD Regulations (and summarised in paragraph 4.7);
- The activity must benefit target groups who are wholly or mainly in fuel poverty, or in a fuel poverty risk group;
- The activity must 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.

- 4.17. We worked with suppliers to ensure they could evidence that all the industry initiative activities funded in SY8 were eligible. Following completion of annual compliance assessment, we allowed suppliers to attribute spend for all industry initiatives submitted in their end of year returns.
- 4.18. We are satisfied that the 566,841 consumers who received support through the Industry Initiatives were wholly or mainly in or at risk of fuel poverty. We are also satisfied that the 1,979 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.
- 4.19. We are generally satisfied that activities were delivered at a reasonable cost. We compared the costs reported to us against industry benchmarks, confirming that delivery costs were necessary to providing and managing the service effectively and that indirect delivery costs were kept acceptably low.
- 4.20. We noted in some 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 spend

- 4.21. If there is a risk that a supplier will not be able to meet its minimum spending obligation, the supplier can apply to transfer some of its obligation to Industry Initiatives.
- 4.22. During SY8, Green Star Energy and Bulb Energy identified that they were at risk of not meeting their respective minimum levels of spending on Broader Group activities. As such, Green Star Energy and Bulb Energy notified Ofgem to transfer £927,060 (54.2% of Broader Group minimum) and £600,000 (41.6% of Broader Group minimum) respectively to their Industry Initiative obligations by the deadline of 15 December 2018.²³
- 4.23. 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 represented reasonable attempts to deliver the Broader Group minimum.
- 4.24. Following Ofgem's approval of both suppliers' transfers, the suppliers contributed further to already approved Industry Initiative schemes and Green Star Energy set up a new scheme with an established WHD delivery partner. 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 ability to do so.

²³ Regulation 15B(1)

Trends in Industry Initiative activity

4.25. In comparison to the previous scheme year (SY7), the main differences in the funding provided and the outcomes achieved are:

- The proportion of funding used to help customers manage and repay energy debt has decreased from 34.1% in SY7 to 26.7% in SY8. We expected this decrease following the reduction of the debt relief cap, resulting in an increase of spend in other Industry Initiatives activities.
- Benefit entitlement checks represented a decreased proportion of both money spent and consumers helped, which is not representative of what has been seen in previous years (12.1% of spend in SY7, 7.7% of spend in SY8). This could in part be due to the introduction of a new type of activity in SY8, Financial Assistance Payments. In addition, management and administration costs along with referral costs has been included within **Figure 4.2**, thus representing benefit energy costs as a reduced percentage when compared to SY7.
- The spend on rebates to Park Homes has decreased from 4.0% in SY7 to 2.2% in SY8. This decrease could be as a result of the increase in number of Industry Initiatives (from 40 in SY7 to 44 in SY8) and variety of Industry Initiatives in SY8.
- SY8 saw the introduction of the Financial Assistance Package and three suppliers Industry Initiatives were approved.

4.26. The largest proportion of funding is made to provide energy efficiency measures, 31.0% in SY8.

4.27. The Pilot Industry Initiative concept was introduced in SY6 to encourage suppliers to support new initiatives and diversify the type of activities they fund. Three suppliers took advantage of this provision and supported four new initiatives for SY8, with a value totalling £435,314.48. We saw new groups being targeted, such as an initiative supporting fuel poor households living in properties rated F and G in Cornwall and Isles of Scilly, with health conditions made worse by cold/damp conditions.

4.28. In order to encourage suppliers to fund new and established initiatives, we held a stakeholder engagement event that allowed delivery partners to meet the obligated suppliers and ask for funding for their projects under the WHD scheme.

4.29. Where delivery risks were identified, suppliers engaged with us early to notify any issues that had arisen.

5. Audit Programme

Introduction

- 5.1. This chapter summarises the audit work that helps ensure suppliers use good practice in delivering their WHD activities.
- 5.2. Ofgem has a duty to keep under review the operation of any support scheme it administers.²⁴ 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.
- 5.3. 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.
- 5.4. Our appointed auditors covered three areas of scheme activities, carrying out a total of 27 audits across the scheme year. The three types of audit were:
- Verifying market share data (used to set scheme obligations)
 - Testing supplier support delivery processes during the scheme year (interim audit)
 - Verifying selected supplier reporting information after the scheme year end (final audit)
- 5.5. The breakdown of results of our audits is shown here:

Audit Type	Good	Satisfactory	Weak
Interim	9	4	0
Final	9	4	1
TOTAL	18	8	1

²⁴ Section 13 of the Energy Act 2010

5.6. 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.

5.7. The results of audits are shared with the 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.

5.8. We have discussed the audit that was judged 'Weak' with Co-operative Energy and agreed how they will prevent similar problems in the future. We sought assurances about their practices and controls to have confidence in their performance for SY9.

5.9. Our guidance document for suppliers²⁵ 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.

²⁵ 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: SY8 Outcomes

Introduction

6.1. This chapter looks at the key outcomes of the eighth WHD scheme year, and in particular compliance outcomes for obligated suppliers.

Participating suppliers

6.2. The WHD scheme has continued to expand to new suppliers as the domestic energy market diversifies. Bulb Energy and Green Star Energy participated in the scheme for the first time in SY8 as they had reached the threshold for compulsory participation. In addition, some previously obligated suppliers from SY7 have ceased to trade. In total there were 15 obligated suppliers at the end of SY8, including 2 voluntary suppliers.

6.3. As in previous years, Ofgem engaged 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

6.4. There was a positive outcome to SY8 compliance assessment, with all obligated suppliers found to have met their obligations. This is a good outcome as it demonstrates that suppliers positively impacted consumers as they, as a result, received support with managing their energy bills.

6.5. Overall, suppliers were 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.

6.6. 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

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

- 6.8. 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.
- 6.9. Eligibility for the Core Group remained the same for SY8 as with SY7. The Core Group has generally been delivered successfully by suppliers across the breadth of the scheme and provides consistent and predictable help to low-income pensioners. However, the general trend of the size of the core group has been falling below the estimate since SY5.
- 6.10. Data matching to confirm customer eligibility also supports the Broader Group verification requirement, and has again streamlined this process, making it easier and less intrusive for customers.

Core Group Reconciliation

- 6.11. Ofgem continues to be responsible for the core group reconciliation process, having taken this on in SY7. In SY8 the administration of this function was made more complex as a result of us being required to trigger core group mutualisation. This was required as some suppliers, who ceased to trade, failed to make payments.
- 6.12. Despite these complications, two interim reconciliation runs were completed successfully and the final one was completed successfully in November 2019. Overall, Ofgem and suppliers worked well in completing the reconciliation runs.

Voluntary Suppliers in the WHD scheme

- 6.13. SY8 saw Bristol Energy and Robin Hood Energy participate as voluntary suppliers. Both energy suppliers were included in the Core Group element for the duration of the scheme year.
- 6.14. Both 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.

Broader Group

- 6.15. All obligated suppliers were found to have complied with their broader group obligations during SY8, providing a greater number of rebates than the minimum requirement set for them.

6.16. In achieving the above, suppliers successfully identified customers who were considered to be in, or at risk of, fuel poverty using a mixture of compulsory and additional eligibility criteria. Where additional criteria were used, these were required to be approved by Ofgem.

Industry Initiatives

6.17. 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 eight years. The value of spend that suppliers could attribute to WHD obligations increased from £30m in SY7 to £40m in SY8.

6.18. Whilst no supplier is obliged to attribute spend to Industry Initiatives, eleven of thirteen choose to fund at least one. Of this eleven, six spent their entire Industry Initiative cap.

6.19. In total suppliers funded forty-four initiatives in SY8, up from forty in SY7. This may be in part expected due to the increase in the total Industry Initiative cap, but also demonstrates that most suppliers continue to be committed to providing support to fuel poor groups utilising methods other than the provision of rebates. This included the introduction of Financial Assistance Payments (FAP) as an Industry Initiative activity for the first time with three initiatives being delivered containing a FAP element.

6.20. Of the forty-four initiatives, four were considered to be pilot initiatives. Ofgem 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.

6.21. The four pilot activities carried out were assessed as being compliant. We worked with supporting suppliers throughout the year to be aware of progress and any alterations or risks to delivery.

7. Looking Forward

Chapter overview

- 7.1. 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

- 7.2. 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 amendment to the 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 was £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.
- 7.3. 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 will remain as £40m for SY9. Within this, the proportion of a suppliers Industry Initiative cap that can be spent on debt assistance will remain as 25% for SY9 (£10m), encouraging suppliers to focus on other activities.
- 7.4. 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 234,177 fewer customers received a Core Group payment when compared to SY5. The general increase in the non-core group obligation has resulted in some suppliers using the mechanism in the WHD Regulations to transfer Broader Group obligation to Industry Initiatives.
- 7.5. SY9 will see four suppliers participating on a compulsory basis for the first time, being Avro Energy, E Gas & Electricity, Green Network Energy and Octopus Energy. We have been engaging closely with these new participants during 2019 to ensure they put suitable activities and processes in place to meet their obligations for SY9.
- 7.6. In total, there are nineteen obligated suppliers in SY9, being four more than SY7. Of these, seventeen are compulsory suppliers, one is a compulsory small supplier (Robin Hood Energy) and one is a voluntary supplier (Bristol Energy). Compulsory small suppliers and voluntary suppliers will only be obligated under the Core Group element of the scheme.

- 7.7. Looking further forward, a key scheme development for SY10 is that the domestic customer number obligation threshold will reduce from the current 200,000 (SY9) to 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 around seven new compulsory participants 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.
- 7.8. 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, analysing the successes, 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

- 7.9. 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.
- 7.10. 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.
- 7.11. On behalf of GEMA, Ofgem will carry out the SY9 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.

Appendix 1

Participating Suppliers

WHD compulsory scheme electricity suppliers

SY8 Supplier Group*	Licenced Supplier(s)	Participation Scheme Years
British Gas	British Gas Trading Ltd	1, 2, 3, 4, 5, 6, 7, 8
Bulb Energy	Simple Energy Limited	8
Cooperative Energy	Co-operative Energy Ltd	4, 5, 6, 7, 8
Economy Energy	Economy Energy Trading Limited	7, 8****
EDF Energy	EDF Energy Customers Plc	1, 2, 3, 4, 5, 6, 7, 8
EON Energy	E.ON Energy Solutions Limited	1, 2, 3, 4, 5, 6, 7, 8
Green Star Energy	Hudson Energy Supply UK Limited	8
Npower Group	Npower Limited, Npower, Northern Supply Limited, Npower Yorkshire Supply Limited, Npower Direct Limited (Electricity)	1, 2, 3, 4, 5, 6, 7, 8
OVO Energy	OVO Electricity Ltd	5, 6, 7, 8
Scottish Power	Scottish Power Energy Retail Ltd	1, 2, 3, 4, 5, 6, 7, 8
Shell Energy**	Shell Energy Retail Limited	3, 4, 5, 6, 7, 8
Spark Energy	Spark Energy Limited	7, 8****
SSE Energy	SSE Energy Supply Limited	1, 2, 3, 4, 5, 6, 7, 8
Utilita	Utilita Energy Limited	5, 6, 7, 8
Utility Warehouse	Electricity Plus Supply Ltd	1***, 2***, 3, 4, 5, 6, 7, 8

*Supplier Groups include specific licenced suppliers, plus some alternative brand names and white label suppliers who do 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.

**formerly First Utility

***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.

****Supplier was obligated to participate however, ceased trading during the scheme year.

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

SY8 Supplier Group	Licenced Supplier(s)	Participation Scheme Years
Bristol Energy	Bristol Energy Limited	6, 7, 8
Our Power	Our Power Energy Supply Limited	6, 7, 8*
Robin Hood Energy	Robin Hood Energy Ltd	8

* Supplier volunteered to participate however, ceased trading during the scheme year.