

Warm Home Discount **Annual Report** **2016-17**

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Foreword

I am pleased to present our sixth annual report on the Warm Home Discount (WHD) scheme. The report covers the support provided to vulnerable consumers through the WHD scheme from 23 July 2016 to 31 May 2017, referred to as Scheme Year (SY) 6. 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 take a look at some important changes to scheme activities brought in for 2017-18 and beyond.

Due to customers switching supplier from larger to smaller companies, more suppliers are reaching the threshold to be full participants in the WHD scheme. In SY6, Extra Energy¹ was obligated for the first time. Two other suppliers, Bristol Energy and Our Power, volunteered to participate in SY6 and deliver the Core Group element.

We are pleased to report that, despite non compliance by one supplier, overall the participants met the scheme spending obligations for scheme year 6, providing over £323 million of support to vulnerable consumers including £140 rebates to nearly 2.2 million vulnerable consumers.

For 2017-18, three new suppliers have passed the threshold for full participation, and I am delighted to note that the suppliers who previously volunteered continue to participate in the scheme to support their customers.

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 seventh 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 which encourages suppliers to fund new and innovative initiatives, following the introduction of limits on funding debt write-off support from SY6 onwards².

Having reviewed the scheme delivery up to the end of scheme year (SY) 5, 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. The government has announced it will extend the scheme until at least March 2021, as a key part of the Fuel Poverty Strategy, and will continue to develop the scheme throughout this time.

Chris Poulton - Managing director, E-Serve

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

² See [Government Response to the Warm Home Discount Consultation 2016/17](#)

³ The regulations are made under the Energy Act 2010 and are referred to in the remainder of this report as the WHD Regulations 2011.

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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
https://www.ofgem.gov.uk/system/files/docs/2016/09/final_whd_supplier_guidance_sy6.pdf
- The Warm Home Discount: Annual Report Scheme Year 5
<https://www.ofgem.gov.uk/publications-and-updates/warm-home-discount-annual-report-scheme-year-5>
- Department of Energy & Climate Change (DECC), *Consultation on the Warm Home Discount*
<http://www.decc.gov.uk/assets/decc/Consultations/warm-home-discount/956-consultation-warm-home-discount.pdf>
- DECC, *Warm Home Discount Scheme 2016/17*
<https://www.gov.uk/government/consultations/warm-home-discount-scheme-201617>
- Warm Home Discount reports and data
<https://www.ofgem.gov.uk/environmental-programmes/social-programmes/warm-home-discount/warm-home-discount-reports-and-statistics>

Overview

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 in discharge of our duty to keep under review the operation of the scheme, and suppliers' compliance with it⁴. **This report covers the sixth year of the scheme - 23 July 2016 to 31 May 2017 (SY6).**

For Ofgem, transparency is an important part of our statutory duties and a core governance principle to support the predictable, authoritative decision-making which is key to independent economic regulation. By publishing our reports on WHD externally, we adhere to the principle of transparency through providing clear, consistent, comparable and accessible information.

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 customers of the licenced supplier and any other licenced suppliers in the same group of companies. Currently, any licenced supplier within a group which has a total of 250,000 customer accounts for gas or electricity (calculated annually), must 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. Due to delays in bringing the regulations into force for the sixth scheme period, a decision was taken to set the scheme period for SY6 from July 2016 to May 2017. As a result, delivery of the scheme outcomes was in some cases later than in previous years, and this report has been scheduled later than previous years to allow inclusion of the outcomes for that scheme period.

Rebate Provision and Delivery

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

Changes were introduced to the WHD Regulations 2011 before the start of SY6 which required suppliers to report the amount of rebates, both in the Core Group and Broader Group, which had been successfully delivered to consumers. This was designed to incentivise suppliers to ensure their customers could cash in any rebates which could not be applied directly to an account, and were provided as a voucher or cheque instead.

⁴ Section 13 of the Energy Act 2010.

We define 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, a technical issue might prevent a customer from receiving the rebate, or the customer may simply not redeem a voucher or cheque that had been sent to them.

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 SY6, 98.8% of rebates provided were successfully redeemed by customers.

The value of rebates which were not redeemed by customers during SY6 has been added to supplier obligations for SY7, 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 Regulations 2011 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 regulations place a maximum cap on the amount that could be spent on Industry Initiatives, which effectively creates a minimum obligation of Broader Group spend.

The scheme budget rises with inflation, so is maintained in real terms. Over the life of the scheme, the cap on Industry Initiative spending each year has remained consistent at £30m per year, and this will continue to scheme year 7. However, in scheme years 6 and 7, spending on writing off customer debt will be limited to encourage innovation in other types of support.

The development in scheme budget can be seen in this table:

	SY4	SY5	SY6	SY7
Overall non-core scheme year target	£144m	£128m	£143m	£155m
Overall scheme Industry Initiative limit	£30m	£30m	£30m	£30m
Overall scheme Industry Initiative debt write-off cap	N/A	N/A	£15m	£12m
Overall Broader Group minimum	£114m	£98m	£113m	£125m
Overall spending target	£310m	£320m	£323m	£329m
Core and Broader Group rebate value	£140	£140	£140	£140

Compliance in SY6

There were 14 scheme participants in the WHD scheme in SY6 – 12 suppliers were compulsorily obligated and 2 suppliers joined on a voluntary basis.

We determined one supplier, Extra Energy, as non compliant with their scheme obligations. The remaining 11 compulsorily-obligated and two voluntarily obligated suppliers complied overall with the requirements of the WHD Regulations 2011 in the scheme year. Extra Energy have agreed remedial action as a result of this non-compliance

Extra Energy was found non compliant as they had not paid enough rebates to customers to meet the Broader Group minimum. Extra also did not meet their 5% verification target to provide assurance that rebates were being provided to eligible customers. We adjusted their attributable spend on the basis of this non-compliance.

During SY6, obligated suppliers provided the budgeted £323m worth of eligible support to consumers in total, with almost all meeting each of their individual 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 1.27m 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 rebates. 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 SY6.

Broader Group

More than 896,000 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 around £19.4m 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 SY7, which runs from 1 June 2017 to 31 March 2018. Three new suppliers passed the threshold for participation and one more supplier chose to join voluntarily. The structure of the scheme remains the same as for SY6, so suppliers will continue to deliver the Core Group, Broader Group and Industry Initiative elements.

We anticipate that a consultation will be issued in early 2018 regarding the plans for continuing the scheme after the end of SY7, in line with the government's intention to support the scheme until at least 2021.

As customers eligible for the Core Group are identified by the Department of Work and Pensions (DWP), spending on this element by suppliers is balanced by a reconciliation process. From SY7 onwards, Ofgem will perform this process on behalf of the scheme.

Ofgem has decided to extend protection to customers in receipt of WHD. This will be achieved by extending the safeguard tariff currently in place for prepayment customers to more vulnerable customers. Following implementation, the safeguard tariff will be applied 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 will limit the cost of their tariff.

1. Compliance in Scheme Year 6

Chapter overview

This chapter presents the overall achievements of suppliers against their obligations in Scheme Year 6, explaining the obligations and what suppliers did to meet them. We also outline any areas of concern.

Our assessment of compliance with WHD regulations

	Overall compliance	Core Group	Broader Group	Industry Initiatives
Bristol Energy	Compliant	✓	N/A	N/A
British Gas	Compliant	✓	✓	✓
Co-operative Energy	Compliant	✓	✓	✓
EDF Energy	Compliant	29	✓	✓
E.ON	Compliant	✓	✓	✓
Extra Energy	Non Compliant	✓	X	✓
First Utility	Compliant	✓	✓	✓
Npower	Compliant	✓	✓	✓
Our Power	Compliant	✓	N/A	N/A
Ovo	Compliant	2	✓	✓
SSE	Compliant	✓	✓	✓
ScottishPower	Compliant	16	✓	✓
Utilita	Compliant	✓	✓	✓
Utility Warehouse	Compliant	✓	✓	✓
Key to symbols				
✓	∅	X	N/A	
No contraventions	Minor contraventions (number of)	Non-compliance	Did not deliver this element	

Figure 1.1: Supplier compliance with Scheme Year 6 obligations

1.1. In SY6 of the WHD scheme, compulsory participating suppliers had an obligation across three elements of the scheme: Core Group, Broader Group and Industry Initiatives. In July 2017, suppliers each submitted a report summarising the support they had provided to consumers during SY6, which they intended to attribute to meeting their obligations. We assessed whether suppliers had met each of their obligations, with the results summarised above.

1.2. We assess 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.

1.3. 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 SY6 was 79% 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 assess 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.

1.5. Having made these assessments, we make an overall determination of a supplier's compliance with the WHD scheme for the year. We take a proportionate approach to dealing with contraventions of scheme regulations, such that minor contraventions which have little or no impact on consumers are 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 2011. 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 reasonably low, we did not determine that the supplier was non-compliant overall.

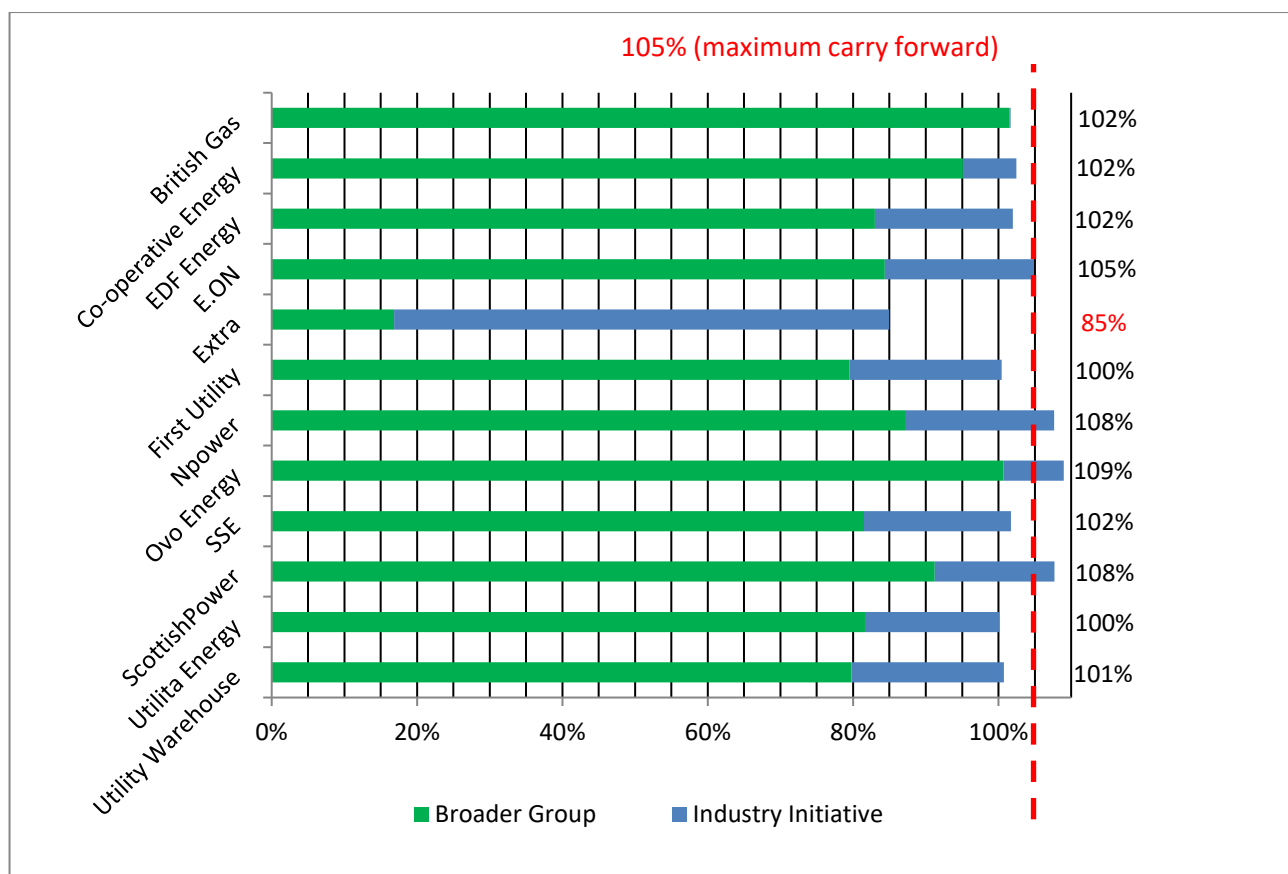
1.8. Having assessed all supplier activities reported to us relating to SY6, we determined that 11 of the compulsory participating suppliers in SY6 were compliant with their obligations, with a small number of minor contraventions. The two voluntary suppliers were deemed to be compliant with delivering the Core Group Obligation.

1.9. Extra Energy were found non-compliant as they did not meet their Broader Group minimum or their verification target.

Supplier spend against non-core spending obligations

1.10. Suppliers who exceeded their obligation are able to carry over part of their spending to SY7, 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 SY6. Eleven suppliers reported spend in SY6 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 obligations



1.11. 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 regulations and show the flexibility of delivery models available to suppliers.

1.12. The WHD Regulations 2011 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 payments, how the rebates can be provided, and how customers are told they have received their rebate.

1.13. In SY6, 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.

1.14. 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 improving their scheme administration processes.

1.15. We are pleased to see that the majority of obligations across suppliers were met with no contraventions of the WHD Regulations 2011.

1.16. Although three suppliers had minor contraventions, this should be viewed in the context of the entire scheme. The total of 47 infringements in the Core Group represents less than 0.01% of the 1.27m rebates provided.

1.17. From the above assessment we have concluded that, with the exception of Extra Energy's non-compliance, the scheme has generally been delivered very successfully by the participating suppliers in SY6. The voluntary suppliers have also ensured that they have met the requirements of the WHD scheme. We will provide further details of Extra Energy's non compliance in chapter 3.

1.18. We have talked to the suppliers that had made minor contraventions in one of their obligations to ensure that customers were not adversely affected and that the infringements have been resolved.

1.19. Each of EDF Energy, Ovo Energy and Scottish Power 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 these issues are one-off and action plans are in place to prevent them in future.

1.20. We are satisfied that suppliers have made significant reductions in the number of minor contraventions which occurred in SY6 compared to SY5, but further work is required to completely prevent these type of minor contraventions.

1.21. We do not expect to see these contraventions repeated in SY7 or any future scheme years, and will continue to monitor supplier activity to prevent them from recurring.

2. Core Group

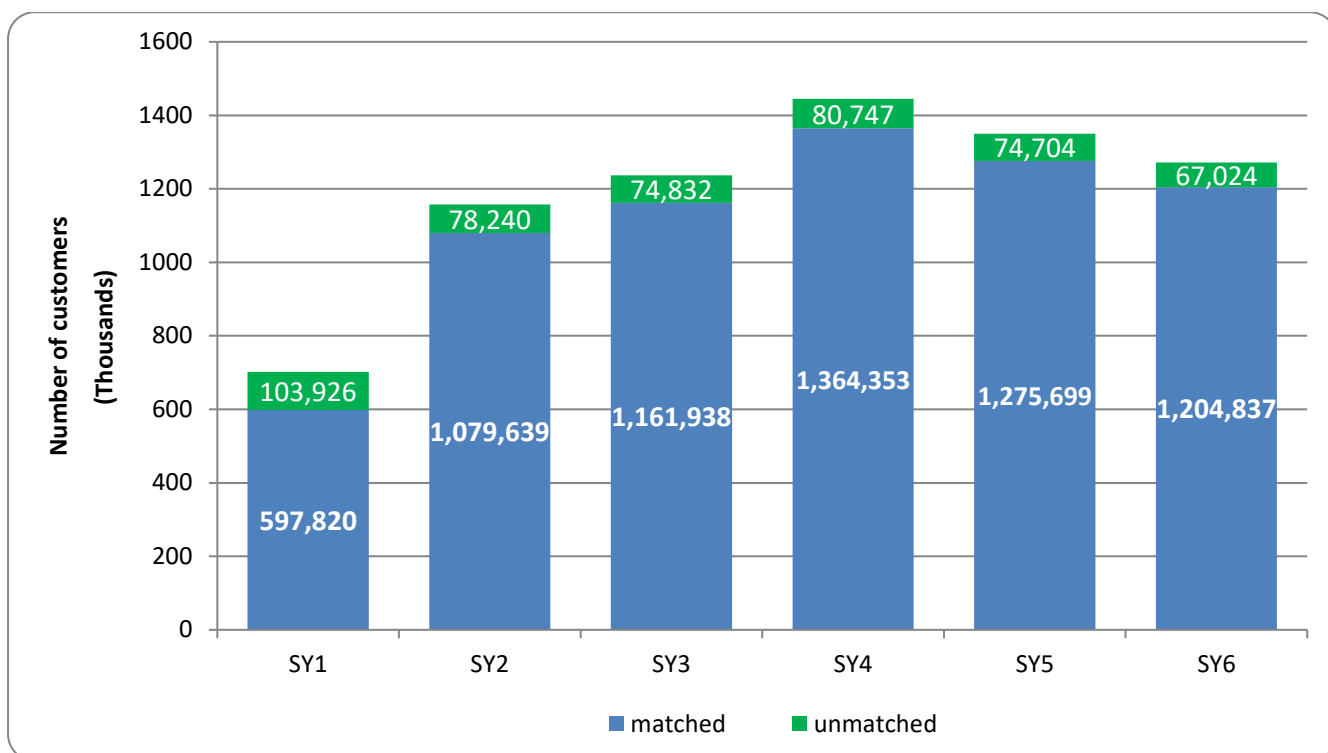
Chapter overview

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 SY6, one new supplier, Extra Energy became a compulsory participant 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.
- 2.4. In total, 1,271,861 customers were provided a Core Group rebate in SY6. This was 78,542 fewer 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 SY6



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 SY6, 94.74% of Core Group customers received their rebate this way (94.47% in SY5), 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 67,024 'unmatched' customers (5.27% of the total) who needed to do this during SY6.
- 2.8. Suppliers are expected to fulfil each rebate instruction they are sent. However, the WHD Regulations 2011 recognise that there can be certain specific situations where this isn't possible. Regulation 8 allows the Secretary of State (SoS) to determine situations where it would not be practical to provide the rebate.
- 2.9. 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.

- 2.10. 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. In total, suppliers treated 146 instructions as exceptions in SY6, about 0.01% of the total instructions issued to suppliers. 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. One of the main changes in the regulation for SY6 was the requirement to report on the delivery of the rebates. 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 SY7. 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 SY6, 1,271,861 rebates were *provided* with a value of over £178 m. The total value of the *delivered* core group rebates was £176 m (98.95% 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 attempt would be in addition to normal processes used to deliver outstanding rebates to customers.
- 2.15. Prior to SY6, BEIS recognised that customers may wish to have benefit of the rebate on their gas account to help with heating costs. A provision in the WHD Regulations 2011 was made to allow the customer to have the rebate applied to their gas account on customer request.
- 2.16. In SY6, 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.

3. Broader Group

Chapter overview

This chapter summarises the delivery of support to low income and vulnerable customers through the Broader Group in SY6.

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. Rebates are provided at the same value as the Core Group throughout the duration of the scheme, which was £140 in SY6.
- 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 there is a *de facto* minimum spend on Broader Group for each supplier.
- 3.3. In SY6, Industry Initiatives were capped at £30m, therefore the Broader Group minimum spending obligation across all suppliers was £113m, 79% of suppliers' total non-core spending obligation of £143m.

Banking of SY5 spending – adjustments to scheme obligations.

- 3.4. Suppliers who spend more than their minimum non-core spending obligations in a scheme year may 'bank' this additional spending for the following scheme year, under the WHD Regulations. 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 aggregate, suppliers spent £2.85m above their non-core spending obligations during SY5. All suppliers exceeded their SY5 spending obligations, although the value varied by supplier in relation to their chosen delivery plan. We amended each supplier's SY6 non-core spending obligation and minimum Broader Group spending for SY6 after completing our compliance assessment for SY5.
- 3.6. Once these adjustments to obligations were issued, suppliers needed to collectively provide at least 786,788 rebates to customers (equivalent to approximately £110.2m).
- 3.7. In SY6 suppliers provided 896,633 rebates for a total value of around £125.6m. This figure takes account of the compliance determination where Extra Energy were only allowed to attribute 1,260 rebates as they had not completed sufficient verification checks.

- 3.8. The £125.6m spend in SY6 made up 89% of non-core spending in SY6, with the remaining attributable £19.4m being spent on Industry Initiatives. We look at Industry Initiatives in more detail in Chapter 4.
- 3.9. Eleven suppliers met their individual Broader Group minimum obligation and in each case exceeded their obligation (as described in Chapter 1). One supplier, Extra Energy, was found non-compliant; we provide further details on this at paragraph 3.19 below.

Broader Group eligibility

- 3.10. From Scheme Year 5 onwards, the WHD Regulations 2011 include a mandatory set of criteria which all suppliers must use as a minimum⁵, 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 2011.
- 3.11. In SY6, one supplier used this mandatory set and successfully met their Broader Group obligation. The remaining suppliers all included additional criteria in their initial Broader Group submissions,.
- 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 2011 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.
- 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. Eleven out of twelve suppliers achieved this requirement for SY6. In all, 124,615 applicants to Broader Group schemes were asked to provide evidence to support their application, and 81.5% of the sample successfully passed the check. We are satisfied that these 11 suppliers made reasonable efforts to minimise the risk of fraud or abuse of the scheme during the scheme year.
- 3.15. For SY6, 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 SY7.
- 3.16. In SY6, more than 896,000 rebates were provided with a value of nearly £125.6m. The change to SY6 regulations meant that suppliers would have the value of the undelivered rebates added to their individual non-core obligation in the following

⁵ 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

year. The total value of the delivered broader group rebates was £124m (98.75% 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.

Non Compliance- Extra Energy

- 3.19. Extra Energy did not meet their Broader Group minimum and were found non-compliant due to not identifying enough applicants for Broader Group rebates. Extra Energy did not submit an application to transfer their spend to Industry Initiative, under Regulation 15(3(A)). The facility to transfer spending obligations has been part of WHD since SY5, but was not taken up by Extra Energy in SY6. However, they did spend an additional £493K on white good appliances for vulnerable consumers to make up the equivalent of their Broader Group minimum. Provision of energy efficient appliances is an eligible WHD activity under Industry Initiatives.
- 3.20. Extra Energy did not begin offering support through the scheme until late in the scheme year, which significantly limited the time available to deliver and to make use of certain scheme provisions within the WHD Regulations. While Extra Energy did provide some rebates to customers during the scheme year, they did not complete sufficient verification of customer eligibility to provide assurance that the rebates were correctly targeted.
- 3.21. Extra verified 1.37% of its applicants for documentary evidence, with 68.4% of those sampled not having returned their evidence. This is significantly lower than the required 5% successful verification. Extra Energy conducted their verification checks near the end of the scheme year, leaving customers with a shorter period to return their evidence. Because Extra Energy could not provide sufficient assurance of appropriate targeting of support, we have restricted the amount of attributable spend in proportion to the number of applicants successfully verified. This shortfall in spending will be carried forward to Extra Energy's SY7 obligation.
- 3.22. As a result of these issues, Extra Energy were determined to be non-compliant with the WHD scheme for SY6. Due to being non-compliant in SY6, Extra Energy are required to provide additional support to consumers during SY7. We have made it clear to Extra Energy that they need to improve their scheme delivery planning and ensure they can provide support to consumers in SY7 which meets the requirements of the WHD Regulations, up to the value of their obligation for SY7 and the shortfall from SY6.

3.23. We expect that Extra Energy will take action in SY7 to ensure that the documentary evidence checks are started earlier in the scheme year.

3.24. As part of our written determination of non-compliance in SY6, we have made our expectations for improvement clear to Extra Energy. We will be closely monitoring Extra Energy's progress throughout SY7 to ensure they are taking appropriate steps to meet their obligations.

4. Industry Initiatives

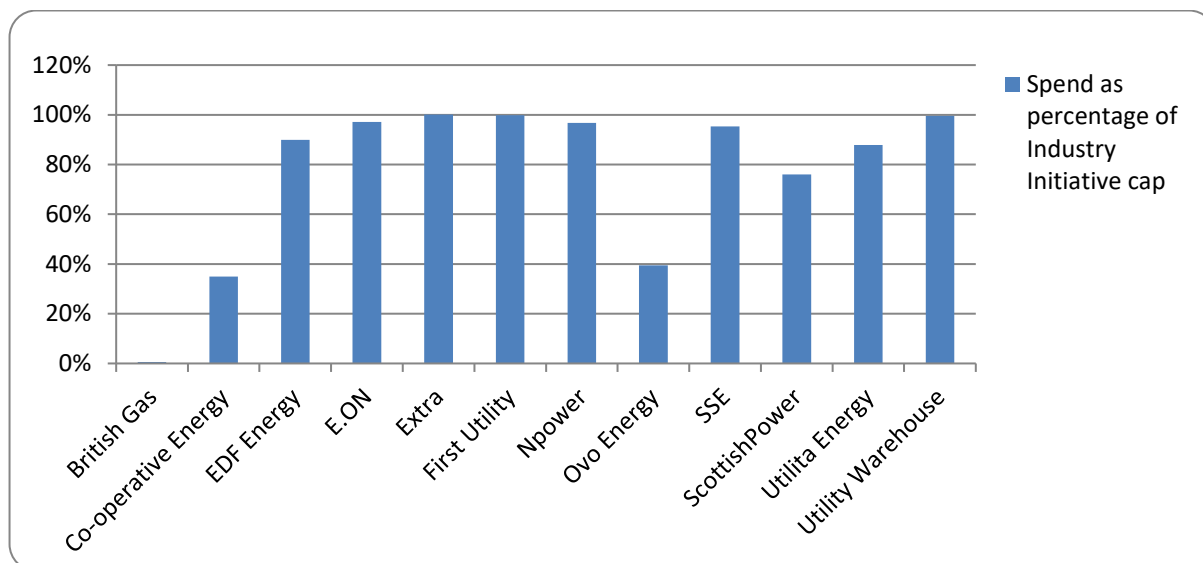
Chapter overview

This chapter summarises the activity funded through the Industry Initiatives element of the scheme in SY6, and explains which activities which 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 SY6 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. We approve the Industry Initiative if the proposal is in line with the requirements of the WHD Regulations 2011, and has clear robust plans to deliver the activity successfully.
- 4.4. In total, suppliers spent £19.4m on attributable Industry Initiative activities in SY6, including some spending beyond their industry initiative cap.
- 4.5. Suppliers' approach to using Industry Initiative allowances varied. Some focused their SY6 spending on the Broader Group (in one case almost exclusively on Broader Group, spending 0.55% 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 SY6.
- 4.6. The table below shows the spend included in the cap.

Figure 4.1: Supplier spend compared to Industry Initiative cap



Industry Initiative activities in SY6?

- 4.7. The WHD Regulations 2011 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. 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 value of the funding they provided to their own obligation, and the activity is

assessed as a whole through Ofgem’s compliance checking. Four Industry Initiatives in SY6 were collaborative projects.

4.10. In SY6, suppliers funded a total of 28 different Industry Initiatives. Seven of the 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 each type of direct consumer support activity in this table⁶:

Industry Initiative type	Spend attributed (£)	%	No. consumers helped	%
Referrals	0	0	0	0
Benefit checks	2,687,436	14.38	41,566	30.90
Energy efficiency	2,738,179	14.65	36,471	27.11
Energy advice	2,847,586	15.23	37,492	27.87
Debt assistance	9,224,875	49.35	13,391	9.96
Mobile homes	918,983	4.92	5,258	3.91
Risk group support	275,000	1.47	330	0.25
Total	19,419,453	100.00	134,508	100.00

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 £727,394 of spending (3.75% of the total Industry Initiative spending) which funded the training of 5,902 advisors.

Meeting the WHD requirements

4.14. The WHD Regulations 2011 place three 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 three 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 2011 (and summarised at paragraph 4.7)

⁶ The figures in this table include the additional spend made by Extra Energy Supply Ltd on energy efficiency appliances to make up the underspend on Broader Group rebates.

- The activity must benefit target groups who are wholly or mainly in fuel poverty, or in a fuel poverty risk group
- The activity should demonstrate value for money.

4.16. We found that all the activities funded in SY6 were eligible.

4.17. We are satisfied that the 134,508 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 5,902 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 activities were delivered at a reasonable cost. We compared the costs reported to us against industry benchmarks, confirming that all delivery costs were necessary to providing and managing 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.

Trends in Industry Initiative activity

4.20. In comparison to the previous scheme year (SY5), 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 significantly decreased from 58.6% in SY5 to 47.5% for SY6. We expected this decrease following the introduction of the debt relief cap, resulting in an increase of spend in other activities.
- Benefit entitlement checks represented an increased proportion of both money spent and consumers helped, continuing a trend seen in the previous year, (13.84% in SY6, 9.29% in SY5).
- The spend on rebates to Park Homes has significantly increased from 2.25% in SY5 to 4.06% in SY6. We had anticipated this increase from the interest generated in SY5.

4.21. The largest proportion of funding is made to provide debt assistance, 47.5% in SY6. BEIS will reduce the debt relief spend cap to 40% of the industry initiative cap for SY7. We expect to see a further increase in spend on other permitted activities.

4.22. The Pilot Industry Initiative concept was introduced for SY6 to encourage suppliers to support new initiatives and diversify the type of activities they fund. Two suppliers took advantage of this provision and supported six new initiatives for SY6, with a value totalling £790K. We saw new groups being targetted, such as an initiative supporting cancer sufferers in off gas grid homes.

- 4.23. In order to encourage suppliers to fund new 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 LEAP⁷ who continued their delivery into SY7 following a successful pilot in SY6, with six suppliers making a contribution.
- 4.24. Where delivery risks were identified, suppliers engaged with us early to notify any issues that had arisen.

⁷ Project LEAP (Local Energy Advice Programme) is a service to provide advice, support and energy saving measures to fuel poor and vulnerable households, funded jointly by WHD suppliers and delivered in partnership with UK Local Authorities and Housing Associations.
<https://www.projectleap.org.uk/>

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. 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.
- 5.2. We work with suppliers to provide the 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. As part of year-end reporting, all 14 participating suppliers had completed the required audit testing, and submitted the results and any findings. Suppliers agreed actions to mitigate any points of concern raised.
- 5.4. Our appointed auditors covered three areas of scheme activities, carrying out a total of 36 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
 - Verifying selected supplier reporting information after the scheme year end
- 5.5. The breakdown of results of our audits is shown here:

	Good / Satisfactory	Weak	Unsatisfactory
External audit ratings	33	2	1

- 5.6. 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.
- 5.7. We have discussed the two processes that were judged 'Weak' and the one judged as 'Unsatisfactory' with the suppliers and agreed how they will prevent similar problems in the future.

- 5.8. Our guidance document for suppliers⁸ 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.

⁸ Warm Home Discount Guidance for Suppliers SY6
https://www.ofgem.gov.uk/system/files/docs/2016/09/final_whd_supplier_guidance_sy6.pdf

6. Looking back: SY6 outcomes

Chapter overview

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

Participating suppliers

- 6.1. The WHD scheme has continue to expand to new energy suppliers as the domestic energy market diversifies. Extra Energy participated in the scheme for the first time in SY6 as they had reached the threshold for compulsory participation. They joined the existing 11 energy suppliers who delivered support to consumers in the previous year.
- 6.2. As discussed earlier in the report, Extra Energy failed to meet their obligations. A key lesson for all suppliers in the scheme is to prepare, and open, their scheme activities early in each scheme year. This allows support to be provided to consumers before or during the winter period, when it is most useful, and gives suppliers enough time to overcome any delivery challenges they encounter.
- 6.3. Ofgem will work closely with Extra Energy during SY7 to ensure that they can support consumers and meet their obligations for the scheme year, including, if necessary, use of regulation 15(3A) of the WHD Regulations 2011 to transfer spend from Broader Group to Industry Initiatives.
- 6.4. As in previous years, Ofgem will also engage with new suppliers for SY7 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

- 6.5. In SY6, nearly all suppliers complied with their obligations, which is a good result for consumers who have received support with managing their energy bills. Despite challenges on the Broader Group, we noted that Extra Energy successfully provided support to consumers through the Core Group and Industry Initiative elements, and made efforts to mitigate underspend on the Broader Group elements through other means of support for fuel poor customers.
- 6.6. 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 2011. 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.

- 6.7. 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

- 6.8. 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 accounts, in most cases without the customer doing anything.
- 6.9. 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% 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.
- 6.10. Eligibility for the Core Group has remained the same for SY6 as with SY5. 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.
- 6.11. 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.

Voluntary Suppliers in the WHD scheme

- 6.12. Scheme Year 6 saw the first time that small energy suppliers chose to volunteer for the WHD scheme. Two suppliers who had not reached the threshold for compulsory participation, Bristol Energy and Our Power, applied to be part of the scheme before the beginning of SY6, and were included in the Core Group element for the duration of the scheme year.
- 6.13. 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.
- 6.14. Prior to the beginning of the scheme year GB Energy applied to join the WHD scheme on a voluntary basis and were included in the Core Group element. However, partway through the scheme year, GB Energy ceased trading and as a result were unable to complete their obligations. Ofgem worked with GB Energy to

identify a supplier who could take on their customer base through the Supplier of Last Resort process.

6.15. Ofgem chose Co-operative Energy⁹ from the suppliers who volunteered to take on customers from GB Energy. As Co-operative Energy were already a participating supplier in WHD, this meant that GB Energy customers who were eligible for the Core Group could still receive their Core Group rebate. This also meant that former GB Energy customers could access the Co-operative Energy Broader Group.

The Broader Group

6.16. The total value of the Broader Group has increased in each year of the scheme. Customers of participating suppliers receive the same £140 rebate as through the Core Group, and these rebates make up around 80 - 90% of the value of the non-core spending. In SY6, suppliers provided rebates totalling around £125.6m.

6.17. Eligibility for the Broader Group is more flexible than the Core Group, to allow suppliers to best target the low income and vulnerable consumers in their own customer base. However since SY5, suppliers must include a minimum set of eligibility criteria within their chosen criteria, and may then add extra criteria to this with Ofgem approval. This means that consumers meeting these key mandatory eligibility criteria can be confident that, should they choose to switch energy supplier to another which participates in WHD, they will still be eligible for the Broader Group at their new supplier.

6.18. Almost all suppliers choose to extend their criteria beyond the mandatory minimum set, and we approved all of the proposed criteria to be used in the scheme year.

Industry Initiatives

6.19. Suppliers have funded Industry Initiatives in every year of the WHD scheme, which has covered a variety of values and types of activity over the six 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 around £19-22m per year.

6.20. In SY5, suppliers focused on Broader Group spending and therefore the total attributed spending on Industry Initiatives was £14.7m, however this increased again in SY6 to around £19.4m. We provide more detail on the spending made in Chapter 5.

6.21. A number of new activities were funded by suppliers in SY6, partly as a result of Ofgem's work to bring suppliers together with activity providers and to encourage suppliers to pilot new activities.

6.22. Ofgem organised 3 stakeholder events during SY6, to which were invited participating suppliers and third party organisations with proposals for activities to

⁹ Supplier of Last Resort Decision: <https://www.ofgem.gov.uk/publications-and-updates/appointment-co-operative-energy-limited-supplier-last-resort>

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.

- 6.23. 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.
- 6.24. The six 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.
- 6.25. There were also other activities new for SY6, 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.

Mobile Homes

- 6.26. Over the previous scheme year (SY5), Ofgem, suppliers, and independent third party agents worked together to design and deliver a mobile homes rebate scheme which could provide rebates to customers who did not have their own energy supplier.
- 6.27. The activity continued and expanded in SY6, with 5,258 customers (up from 1668 customers in SY5) provided a rebate in the scheme year, more than trebling the outcome of the previous year. Additional funding was secured towards the end of the scheme year. This allowed the provision of energy efficient home appliances to customers who had qualified for a rebate, further helping them to manage their energy bills. We are satisfied that the activity met all the requirements of the scheme and had been successfully delivered.
- 6.28. With the experience of the first year of delivery, delivery efficiencies were identified by the delivery agent, allowing more of the funding to be used to support consumers directly, which contributed to the significant increase in customers supported. The successful delivery in SY5 also meant that Ofgem could reduce their involvement and pass responsibility for maintaining the scheme to suppliers.

7. Looking forward: Future of WHD

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. The scheme regulations were extended to March 2018 (covering SY6 and SY7) as part of the government commitment to support the scheme through to March 2021. Including SY6, support to the value of £1.78bn has been provided across the length of the scheme, and the Spending Review and Autumn Statement 2015 announced that the scheme budget would be maintained in real terms, rising with inflation for each year up to 2020/2021.
- 7.2. The WHD Regulations will remain the same for SY7 as for SY6, therefore the scheme will continue with the same structure for SY7. We anticipate that the changes brought in for SY6 will be delivered more effectively by suppliers, such as reviewing methods for assisting customers to redeem their rebates in order to ensure rebate delivery is as high as possible.
- 7.3. Four new suppliers are part of the scheme for SY7; three compulsory suppliers and one new volunteer. The three compulsory suppliers are Economy Energy Trading Limited, Flow Energy Ltd and Spark Energy Supply Ltd, while Fischer Energy¹⁰ have volunteered to join the Core Group element of the scheme. The two previous volunteers, Bristol Energy and Our Power, have also chosen to continue to volunteer, which brings the total number of participants to 18 suppliers across the scheme. This shows how the domestic energy market has changed over the life of the WHD scheme, which began with six participants in 2011, and that volunteer suppliers recognise the importance of this support to their core group customers.
- 7.4. We have been engaging closely with these new participants during 2017 to assist with putting activities and processes in place to meet their obligations for the year. We anticipate that there may be more new suppliers joining the scheme in the next year, as the domestic market continues to develop, and 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.
- 7.5. As mentioned previously, the government intends to support the WHD 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 six scheme years and analysing the successes and areas for improvement of the scheme set up, as well as trends

¹⁰ Fischer Energy are licensed as Foxglove Energy Supply Limited

that have emerged over the scheme period. This report and the information in it contributes to that monitoring process.

- 7.6. We expect that the government will consult on the plans for extending the scheme beyond the current regulations, which expire in March 2018. Previous consultations have sought feedback on the proposed plans, including any changes which are being considered to ensure that the scheme is being delivered in the best interests of consumers in or at risk of fuel poverty.

Core Group Reconciliation

- 7.7. 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 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.
- 7.8. Under the The Warm Home Discount (Reconciliation) Regulations 2011 (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.
- 7.9. On behalf of GEMA, Ofgem will carry out the SY7 reconciliation process. Ofgem already make 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 held by the team.

Safeguard tariff

- 7.10. Following its energy market investigation, the Competition and Markets Authority (CMA) introduced a safeguard tariff for customers with prepayment meters.
- 7.11. In December 2017, Ofgem decided to extend protection to customers in receipt of WHD. This will be achieved by extending the safeguard tariff currently in place for prepayment customers to more vulnerable customers. This will provide a safeguard for low income and vulnerable consumers who have struggled to engage in the energy market until now, which often means that they are using Standard Variable Tariffs (SVTs) which turn out to be more expensive than other tariffs on offer.
- 7.12. This decision will take effect in February 2018. Following implementation, the safeguard tariff will be applied to all customers on SVTs and other default tariffs who have received a WHD rebate in the current or previous year. This will limit the cost of their tariff. These customers will still be able to change supplier or change tariff should they wish to, but will now be protected from high energy costs in the event that they struggle to engage. There are a number of support services to help

consumers find the best energy deal, including the Be An Energy Shopper campaign and others funded by suppliers in support of their WHD obligations, and these protections will benefit consumers until they can access the help they need to choose the best deal for themselves.

7.13. The safeguard tariff will end in December 2019, if it has not already been replaced by other price protection. In December 2017, Ofgem issued a consultation on proposals to refine the safeguard tariff and extend it to a broader group of vulnerable customers.

7.14. In October 2017, the government announced plans to place a cap on energy prices for domestic consumers and published a draft Bill for an energy price cap. This would require Ofgem to introduce a cap on SVTs and default tariffs in the domestic energy market. In the December consultation on the vulnerable safeguard tariff, Ofgem said that it would not implement the vulnerable safeguard tariff if the price cap is in place to protect vulnerable customers before winter 2018-19.

Appendix 1: Participating suppliers

WHD compulsory scheme electricity suppliers

Supplier Group*	Licensed Supplier (s)	Participation Scheme Years
British Gas	<ul style="list-style-type: none"> British Gas Trading Limited 	1, 2, 3, 4, 5, 6
Co-operative Energy	<ul style="list-style-type: none"> Co-operative Energy Limited 	4, 5, 6
EDF Energy	<ul style="list-style-type: none"> EDF Energy Customers Plc 	1, 2, 3, 4, 5, 6
E.ON	<ul style="list-style-type: none"> E.ON Energy Solutions Limited 	1, 2, 3, 4, 5, 6
Extra Energy	<ul style="list-style-type: none"> Extra Energy Supply Limited 	6
First Utility	<ul style="list-style-type: none"> First Utility Limited 	3, 4, 5, 6
Npower	<ul style="list-style-type: none"> Npower Limited Npower Northern Supply Limited Npower Yorkshire Supply Limited Npower Direct Limited 	1, 2, 3, 4, 5, 6
Ovo Energy	<ul style="list-style-type: none"> Ovo Electricity Ltd 	5, 6
ScottishPower	<ul style="list-style-type: none"> ScottishPower Energy Retail Limited 	1, 2, 3, 4, 5, 6
SSE	<ul style="list-style-type: none"> SSE Energy Supply Limited 	1, 2, 3, 4, 5, 6
Utilita Energy	<ul style="list-style-type: none"> Utilita Energy Limited 	5, 6
Utility Warehouse	<ul style="list-style-type: none"> Electricity Plus Supply Limited 	1**, 2**, 3, 4, 5, 6

*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.

** 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/eligibility>

WHD voluntary scheme electricity suppliers

Supplier Group	Licensed Supplier	Participation Scheme Years
Our Power	<ul style="list-style-type: none">• Our Power Energy Supply Limited	6
Bristol Energy	<ul style="list-style-type: none">• Bristol Energy & Technology Services (Supply) Limited	6

Appendix 2: Regulatory context

The Warm Home Discount (WHD) scheme

The Warm Home Discount (WHD) scheme requires obligated domestic energy suppliers to provide support to those who are in or at risk of fuel poverty. This support may be direct, through rebates to electricity or gas¹¹ accounts of eligible consumers, or indirect, through support to third parties who help consumers in or at risk of fuel poverty.

Originally, the scheme was intended to last for four years: 1 April 2011 to 31 March 2015. The Regulations were amended to extend the scheme to March 2018, with a budget of £323 million to be delivered in the sixth year. This report looks at the delivery of support to consumers by suppliers in scheme year (SY) 6: 23 July 2016 to 31 May 2017.

All energy supplier groups with 250,000 or more domestic customers are obligated to offer the WHD scheme to their customers, providing support to eligible consumers through the Core Group, Broader Group and Industry Initiatives. All of the licenced electricity suppliers within a supplier group receive an individual obligation if the group they are part of passes the obligation threshold. Each licenced electricity supplier's obligation is proportionate to their share of the total of all obligated parties' domestic energy customers.

Suppliers with fewer than 250,000 customers may volunteer to participate in the scheme. Voluntary participants are only required to provide rebates through the Core Group. Three suppliers volunteered in the sixth year of the scheme, with two of those suppliers continuing their support into SY7. GB Energy Ltd ceased trading in SY6 and Co-operative Energy took over responsibility of their accounts (see paragraph 7.14 for further detail). A list of participating suppliers can be found in Appendix 1.

Customers of participating suppliers may be eligible for direct rebates on their electricity or gas accounts if they receive certain Pension Guarantee credits (the Core Group) or by meeting eligibility criteria set by their supplier (the Broader Group). Their supplier must target customers in or at risk of fuel poverty – those who are on a low income and vulnerable to fuel poverty. Direct rebates accounted for just under 94% of the support provided by suppliers in SY6.

The remaining support – Industry Initiatives - was provided through indirect means to alleviate fuel poverty, such as advice on managing energy use, energy efficiency measures, and help to reduce energy debts. Again, this support was targeted at consumers in or at risk of fuel poverty. Suppliers were responsible for delivering this support to customers, and had discretion about balancing between direct Broader Group rebates and indirect support, within certain limits set by the WHD Regulations.

¹¹ Customers are identified as eligible through their electricity account, and most rebates are applied to the customer's electricity bill. However customers with a dual fuel contract can request it be applied to their gas bill should they prefer.

Amendments to the WHD scheme

The WHD Regulations 2011 were introduced with effect from 1 April 2011. They set the thresholds for obligation under the scheme, a standard rebate value for Core and Broader Group customers, arrangements for phasing out the use of subsidised tariffs in favour of easy-to-understand rebates, and eligible activities to indirectly support customers with their energy bills.

The scheme has been implemented successfully over the six years so far. The WHD Regulations 2011 have been subject to amendments during the period, as necessary, to ensure effective and continued delivery of the scheme. In summary, the amendments have:

- Increased flexibility of non-Core spending in scheme years 3 and 4;
- Initially extended the scheme to March 2016, introduced minimum mandatory eligibility criteria in the Broader Group, and new Industry Initiatives;
- Further extended the scheme to March 2018, placed additional responsibility on suppliers to ensure customers receive their rebate, and introduced new powers for the Secretary of State to propose eligible activities to help fuel poor customers.
- Flexibility for the provision of the rebate onto their gas account, upon request of the customer.

Appendix 3: Roles and responsibilities

The Energy Act 2010 sets out that the Secretary of State may make regulations which introduce support schemes for reducing fuel poverty, this led to the creation of the WHD Regulations 2011 to establish the WHD scheme. The WHD scheme is an important part of the government's strategy for helping households in or at risk of fuel poverty, as it directly reduces eligible customers' energy bills.

The Department for Business, Energy & Industrial Strategy (BEIS)¹² is responsible for WHD policy and legislation. BEIS set:

- the overall scheme budget,
- the methods for determining obligations placed on participating suppliers and
- the types of support that can be attributed to a supplier's obligation in a scheme year.

Where the regulations have been amended during the life of the WHD scheme, BEIS was responsible for consulting on policy changes and delivering the amendments through parliament.

Throughout the scheme, BEIS has worked with the Department for Work and Pensions (DWP) to administer the delivery of the Core Group and provide the data matching service that identifies the majority of customers eligible to receive a Core Group rebate.

The WHD regulations 2011 give Ofgem¹³ the task of delivering certain aspects of the scheme. This includes:

- administering the non-core elements of the scheme,
- monitoring suppliers' compliance with their obligations in the Core and non-core elements.
- Beyond our statutory duties, we support suppliers in delivering eligible support to customers through:
 - engaging with new participants before their obligations begin,
 - facilitating discussions between all stakeholders throughout the scheme year,
 - identifying and sharing best practice through our monitoring of scheme progress and regular process audits.

The Energy Act 2010 puts Ofgem under a statutory duty to review the operation of the WHD scheme, as well as the participating suppliers' compliance with it. To achieve this, we prepare an annual report detailing suppliers' performance against their obligations with an overall review of the outcomes achieved by the scheme as a whole.

This report is prepared to update the Secretary of State on supplier performance against obligations and to input to future policy development of the scheme by BEIS. The report

¹² Previously this responsibility was held by Department of Energy and Climate Change (DECC)

¹³ The Energy Act (and other associated legislation) gives powers and responsibilities to the Gas and Electricity Markets Authority ("GEMA" or "the Authority"), whose day-to-day functions are performed by their office, Ofgem. In this document, the terms "GEMA", "the Authority" and "Ofgem" may be used interchangeably.

Warm home discount

also informs participating suppliers of the overall progress of the scheme and interested stakeholders of the outcomes achieved.

We prepare the report based on information submitted by suppliers in their end-of-year compliance reports for each scheme year that they participated in. We have reviewed these reports and supporting evidence. We have required suppliers' internal auditors to verify the reports' accuracy and have additionally conducted our own audits to provide additional verification.