

Warm Home Discount (WHD)

whd@ofgem.gov.uk

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Draft Version 6



Guidance for Suppliers (Draft)

Energy Efficiency and Social Programmes

About this guidance

The Warm Home Discount (WHD) scheme, introduced in 2011, places a legal obligation on medium and larger energy suppliers to deliver support to people living in fuel poverty or a fuel poverty risk group.

Ofgem (on behalf of the Gas and Electricity Markets Authority) is the WHD scheme administrator. This document provides guidance on how Ofgem ('we', 'our' and 'us' in this document) will administer scheme years 8, 9 and 10 of the WHD in line with the requirements of the Warm Home Discount (2011) Regulations ("the regulations") and subsequent amendments.

An obligated supplier must achieve its WHD obligations for each scheme year. The obligation is divided between suppliers according to each supplier's relative share of the domestic gas and electricity market.

This guidance (Warm Home Discount: Guidance for Suppliers) addresses the following:

- when suppliers are obligated under WHD
- the core and non-core obligations that make up WHD
- Ofgem's interaction with the Core Group, including administering the Core Group Reconciliation Mechanism, and Specified Activities
- how suppliers should provide a rebate to customers
- how suppliers should comply with the Broader Group and Industry Initiatives
- how suppliers report progress towards achieving their obligations, and
- our role as the WHD administrator.

This guidance document is designed to help participating licensed electricity and gas suppliers understand and deliver the WHD scheme. This document revokes and replaces version 5 of the guidance published on 2 September 2016. It provides additional clarity on the administration of the WHD scheme in light of our own and supplier experience of the scheme so far. It also reflects changes brought in by the Warm Home Discount (Miscellaneous Amendments) Regulations 2018 ("the 2018 amending regulations").

When the 2018 amending regulations come into force the administrative requirements set out in this guidance version 6 should be used, replacing 'version 5.1' dated 2 September 2016.

It is the responsibility of each supplier to understand the provisions of the regulations and how those provisions apply to them. This guidance document is not a definitive guide to these provisions. Suppliers are responsible for ensuring that they comply with the applicable requirements of the law.

About this draft guidance for comment

This draft version of the guidance allows stakeholders to review the proposed changes. You may provide suggestions for changes or improvements to this draft guidance during a four week review period from 18th June 2018. Responses should be made by email to whd@ofgem.gov.uk by 16th July 2018.

Changes to the Draft Version 6 of this document are listed in Appendix 1 'Overview of amendments to this guidance' and include amendments to take into account changes in the 2018 amending regulations for Scheme Years 8 (2018-19), 9 (2019-20), and 10 (2020-21). Where we have changed our administrative processes or supplier requirements, this is listed in Appendix 1.

We are interested in getting comments on:

1. Our interpretation of the new regulations for Scheme Years 8, 9, and 10 (listed in appendix 1).
2. The overall tone and content of this guidance, including whether it is easy to read and understand.
3. Any areas where the document could be more user friendly.

We are not conducting a formal consultation on the amendments for Scheme Years 8, 9, and 10.

Date of effect for version 6 of the guidance

When the 2018 amending regulations come into force the administrative requirements set out in this guidance version 6 should be used, replacing 'version 5.1' dated 2 September 2016.

We have published this guidance in draft to provide an opportunity for stakeholders to comment and expect to publish a final version by early September 2018, which may include changes from the draft version.

Useful Links

The Warm Home Discount Regulations

<http://www.legislation.gov.uk/all?title=warm%20home%20discount>

The Warm Home (Reconciliation) Regulations 2011

http://www.legislation.gov.uk/uksi/2011/1414/pdfs/uksi_20111414_en.pdf

WHD Guidance Version 5.1 (superseded by this document)

https://www.ofgem.gov.uk/system/files/docs/2016/09/final_whd_supplier_guidance_sy6.pdf

The Department of Business, Energy and Industrial Strategy (BEIS) consultation on Warm Home Discount Scheme 2018 to 2019

<https://www.gov.uk/government/consultations/warm-home-discount-scheme-2018-to-2019>

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Contents

Contents	4
1. Introduction.....	6
What is the WHD scheme?	6
Supplier roles and responsibilities	7
The role of Ofgem and BEIS	8
2. Spending profile and limits	10
The WHD scheme estimated spend profile.....	10
The Core Group spending estimate.....	11
Calculating non-core spending obligations.....	11
Cap on Industry Initiatives	11
Cap on debt write-off activities	11
Cap on financial assistance with energy bills.....	12
3. Determining WHD obligations	13
Customer data notification	13
Market share calculations.....	14
Adjustments to the non-core obligation	15
4. Core Group.....	17
Core Group overview	17
Suppliers' obligations	17
Customers not provided with a Core Group rebate	18
Core Group Reconciliation	20
5. Broader Group.....	28
Broader Group overview	28
Eligibility criteria	29
Notification and approval process.....	34
6. Provision of rebates	36
The value of the rebate.....	36
Payment methods.....	36
Rebates to the electricity or gas account.....	36
Providing a rebate where the account is not credited directly.....	37
7. Industry Initiatives	40
Industry Initiatives overview	40
Permitted activities	41
Specified Activities	44
Eligibility criteria	44
Pilot Industry Initiatives.....	48
Notification and approval process.....	48
8. Reporting	52
Mid-year report: Transfer of Broader Group obligation	52
End-of-year reporting.....	53
End-of-year reporting process	54
Core Group report.....	54
Broader Group report	56
Industry Initiatives reports.....	57
Final rebate redemption report	58
9. Fraud and auditing	59
Ofgem's audit programme.....	59

Supplier internal audit requirements.....	60
Fraud, misuse and abuse prevention	62
Appendix: Amendments to the guidance.....	63

DRAFT

1. Introduction

1.1. This guidance details our administrative processes for the WHD scheme years (SY) 8, 9 and 10 and sets out the requirements for suppliers in accordance with the regulations. The scheme years will run from:

- 21 days after commencement of WHD Regulations – 31 March 2019 (SY8)
- 1 April 2019 – 31 March 2020 (SY9)
- 1 April 2020 – 31 March 2021 (SY10)

What is the WHD scheme?

1.2. The Warm Home Discount scheme, first introduced in 2011, places a legal obligation on larger energy suppliers to deliver support to people living in fuel poverty or in a fuel poverty risk group.

1.3. The WHD scheme is based on three key elements: the Core Group, Broader Group, and Industry Initiatives.

Core Group	Broader Group	Industry Initiatives
<ul style="list-style-type: none"> • Fixed rebate payments of £140. • BEIS identify customers in fuel poverty or in a fuel poverty risk group through a data matching process using DWP's Pension Credit database. • The cost of the Core Group is reconciled between participating suppliers according to market share. 	<ul style="list-style-type: none"> • Fixed rebate payments of £140. • Obligation size determined by supplier market share. • Eligibility criteria set by suppliers (within the scheme parameters, including some compulsory criteria) and approved by Ofgem. This is designed to target support at customers in fuel poverty or in a fuel poverty risk group. 	<ul style="list-style-type: none"> • Supplier funded programmes and partnerships which assist those in or at risk of fuel poverty (eg energy advice, energy efficiency measures). • Cap on spending of £40 million across suppliers. • Obligation size determined by supplier market share.

Figure 1: Summary of key elements of the WHD scheme

1.4. Core and Broader Group rebates are provided by suppliers to customers who are living in fuel poverty or in a fuel poverty risk group. The criteria that must be met to qualify for the rebate, the amount of rebate to be paid, and the administrative processes that need to be in place to effectively manage these obligations are explained in Chapters 4, 5 and 6.

1.5. Industry Initiatives provide a wider range of support to fuel poor customers. Chapter 7 of this guidance provides information to help suppliers deliver Industry Initiatives in line with the regulations.

- 1.6. If a supplier fails to meet the requirements of the regulations, we may take enforcement action and record non-compliance on our supplier performance report¹.

Supplier roles and responsibilities

- 1.7. There are four types of participant in the WHD scheme, which are established ahead of the start of that scheme year:

Compulsory Suppliers:² A licensed electricity supplier is a compulsory supplier in scheme year 8 if the supplier, plus any connected³ licensed gas and electricity suppliers, had at least 250,000 domestic customers on 31 December preceding the start of that scheme year.

Compulsory Smaller Suppliers: A licensed electricity supplier is a compulsory smaller supplier if the supplier had at least 200,000 domestic customers in scheme year 9 and 150,000 in scheme year 10 on the 31st December preceding the start of the scheme year. These suppliers will be obligated to deliver the Core Group only.

Voluntary Suppliers:⁴ A licensed electricity supplier that is not a compulsory supplier, notifies Ofgem of its intention to be a voluntary supplier⁵. Notifications should be submitted as part of the customer data notification described in Chapter 3. A voluntary supplier only has an obligation under the Core Group, and must comply with all aspects of the Core Group for the relevant scheme year.

Scheme Gas Suppliers (SGS): A licensed gas supplier is an SGS in a scheme year if it supplied domestic customers on 31 December preceding the start of the scheme year, and is connected to a licensed electricity supplier which is a compulsory supplier in that scheme year. A SGS can spend on behalf of a compulsory supplier for Industry Initiatives, but does not have an obligation of its own.

¹ Ofgem's supplier performance report shows when energy suppliers have not complied with their responsibilities for the environmental and social programmes we administer on behalf of the government. <https://www.ofgem.gov.uk/environmental-programmes/e-serve/maps-and-data/supplier-performance-report-government-environmental-programmes>

² In this guidance, 'compulsory supplier' has the meaning of 'Compulsory Scheme Electricity Supplier' in the regulations. A compulsory supplier is statutorily obligated to deliver the WHD scheme under ss. 25(8) and Schedule 6A, 6(f)(i) to the Electricity Act 1989 and 28(8) and Schedule 4B, 4(e)(i) to the Gas Act 1986.

³ For the purposes of the regulations, an electricity supplier or gas supplier (A) is connected to an electricity supplier or gas supplier (B) if A and B are companies belonging to the same group of companies.

⁴ In this guidance, 'voluntary supplier' has the meaning of 'Voluntary Scheme Electricity Supplier' in the regulations.

Table 1: Summary of WHD obligations for compulsory and voluntary suppliers

	Core Group	Non-Core Spending Obligation	
		Broader Group	Industry Initiatives
Compulsory suppliers	✓	✓	✓
Compulsory smaller suppliers (from scheme year 9)	✓	x	x
Voluntary suppliers	✓	x	x

1.8. As customer numbers are assessed annually, and as a result of the change to domestic customer thresholds, it is possible for a participant to move between the types of participant listed above across scheme years.

The role of Ofgem and BEIS

Ofgem

- 1.9. Our role in the WHD scheme is to administer the non-core elements of the scheme (Broader Group and Industry Initiatives) and to monitor and facilitate suppliers' compliance with all elements of the scheme. Our functions include:
- receiving suppliers' customer data notifications,
 - calculating the market share of each compulsory supplier (both for the Core Group and the non-core spending obligation) and each voluntary supplier (for the Core Group only),
 - setting compulsory supplier spending obligations and caps for the non-core obligation,
 - receiving proposals from compulsory suppliers for Broader Group and Industry Initiatives and approving, rejecting or seeking more information on the proposals,⁶
 - monitoring and assessing suppliers' compliance with the scheme, including through the use of external auditors,
 - determining whether suppliers' obligations are met, and
 - undertaking Core Group Reconciliations to ensure that scheme costs are shared equitably between the participating energy suppliers and no supplier is disadvantaged as a result of having a higher than expected number of consumers eligible for the rebate.

⁶ Ofgem has extensive powers to request further information under regulation 30 of the WHD Regulations.

- 1.10. For further information on our guidance or administration of the WHD scheme please contact the WHD inbox: whd@ofgem.gov.uk

BEIS

- 1.11. The Department for Business, Energy and Industrial Strategy (hereafter “BEIS”) maintain overall responsibility for the coordination and oversight of the WHD scheme and any policy changes. It also oversees the delivery of the Core Group and Specified Activities.⁷ BEIS also provides certain information to Ofgem and suppliers to enable them to undertake the WHD scheme duties and functions. For example, BEIS is responsible for publishing eligibility statements for each year prior to the start of the scheme year.⁸
- 1.12. Questions on the above should be directed to BEIS via email (warmhomediscount@beis.gov.uk). There is also information online (<https://www.gov.uk/the-warm-home-discount-scheme>).

⁷ Please see Chapter 8 ‘Specified Activities’.

⁸ As detailed in Regulations 2(1) and 6(2A)

2. Spending profile and limits

The WHD scheme estimated spend profile

- 2.1. From scheme year (SY) 8 onwards, the total WHD spending targets are:
- £340 million (SY8),
 - £340 million increased or, as the case may be, decreased by the percentage increase or decrease in the consumer price index⁹ (SY9 and SY10).
- 2.2. The annual spending target may also be adjusted to take into account under or over spend on the Core Group in previous scheme years. This will be determined by the Secretary of State (SoS) and included in Ofgem’s notification of suppliers’ spending obligations at the start of a scheme year.¹⁰

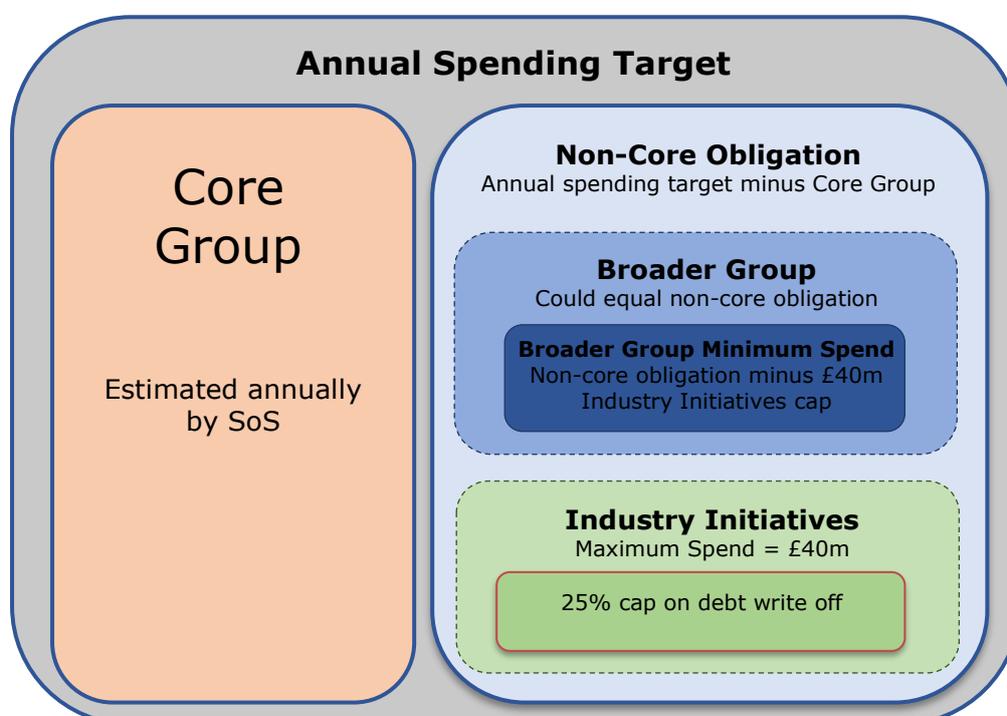


Figure 2: WHD spending target breakdown

- 2.3. We report the actual spend for each scheme year to the SoS annually and also publish these reports on our website.¹¹

^{9,9} As described in Schedule 1 to the regulations.

¹¹ <https://www.ofgem.gov.uk/environmental-programmes/social-programmes/warm-home-discount/warm-home-discount-reports-and-statistics>

The Core Group spending estimate

- 2.4. Before the beginning of each scheme year the SoS provides an estimate of that year's Core Group spend. This is based on the estimated number of eligible pensioners falling within the relevant Pension Credit subsets outlined in Chapter 4 'Core Group overview'.

Calculating non-core spending obligations

- 2.5. The aggregate non-core spending obligation for a scheme year is determined by the SoS. This is calculated by subtracting the SoS estimate for that year's Core Group spending from the total WHD spending target for that year (including any adjustments as described in Schedule 1 to the regulations).
- 2.6. A compulsory supplier's portion of this total non-core spending obligation is calculated using its market share. Details of this process are in Chapter 3 'Calculating non-core spending obligations'.

Cap on Industry Initiatives

- 2.7. The aggregate value of WHD spending that can be attributed to approved Industry Initiatives is £40m in each scheme year.
- 2.8. We calculate the proportion of each compulsory supplier's non-core spending obligation that can be delivered through Industry Initiatives based on each supplier's market share for the non-core obligation.
- 2.9. If a supplier spends above its cap for Industry Initiatives, the overspend will not count towards its WHD non-core spending obligation.¹²
- 2.10. Spending on Industry Initiatives is optional. A supplier may meet its entire non-core obligation through providing Broader Group rebates.

Cap on debt write-off activities

- 2.11. The total value of WHD scheme spending that can be attributed to debt write-off is:
- £10 million (SY8),
 - £8 million (SY9), and
 - £6 million (SY10).

¹² Unless an application has been made and accepted under regulation 15(B) (see Chapter 8)

- 2.12. We calculate the proportion of each compulsory supplier's non-core spending obligation that can be delivered through debt write-off activities. This is based on each supplier's market share for the non-core obligation.
- 2.13. If a supplier spends above its cap for debt write-off the overspending will not be counted towards its WHD non-core spending obligation.
- 2.14. This cap is on debt write-off only. This includes the reduction or cancellation of debt on a customer's electricity or gas account and any associated administration costs. Debt assistance activities are not affected by the cap. This may include: advice and support for vulnerable customers on financial management, energy efficiency and other non-monetary measures to keep down energy bills, measures which have a more holistic and long lasting impact on households.

Cap on financial assistance with energy bills

- 2.15. The cap for the amount of spending allowed for financial assistance with energy bills, is set at:
- £5m overall, or
 - 12.5% of suppliers' allowance under Industry Initiatives.
- 2.16. The cap will remain in place for the duration of the WHD regulations, until 2020/21, irrespective of the Safeguard Tariff.
- 2.17. We calculate the proportion of each compulsory supplier's non-core spending obligation that can be delivered through financial assistance with bills. This is based on each supplier's allowance under Industry Initiatives.
- 2.18. If a supplier spends above its cap for financial assistance with energy bills, the overspending will not be counted towards its WHD non-core spending obligation.
- 2.19. This cap is on financial assistance with bills only. This measure offers support to households that are in particular need and at risk of fuel poverty, in particular those ineligible for rebates. More details on the required targeting of this assistance and overlaps with debt write-off are set out under 'permitted activities' in section 7.14. For example, this could be providing vouchers for customers in fuel poverty who are struggling to top up their pre-payment meters during winter months, or a rebate for customers with a long term health issue which increases their heating needs and makes them more susceptible to a cold home.

3. Determining WHD obligations

- 3.1. Each licensed domestic electricity supplier, and any licensed domestic gas supplier connected to a licensed domestic electricity supplier, is required to notify Ofgem of the number of domestic customers it had on the 31 December preceding the start of a scheme year. We will use the information notified by suppliers to determine who is obligated and the size of their non-core obligations.

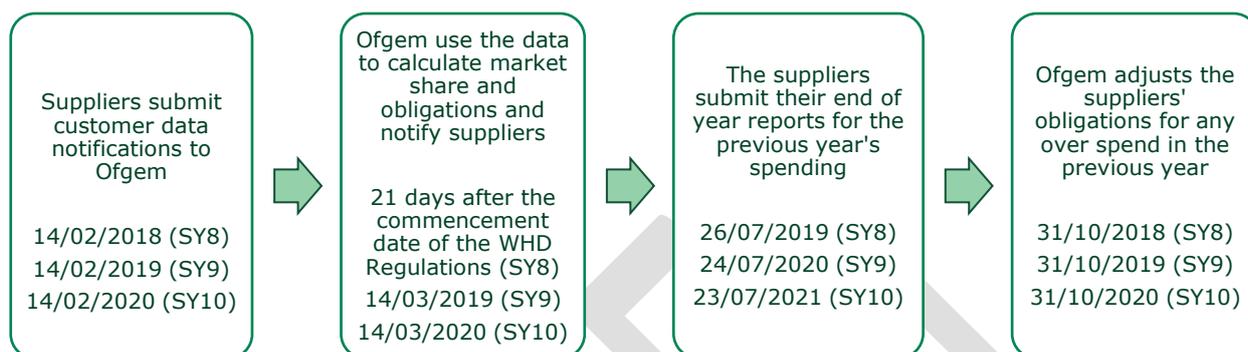


Figure 3: The process for determining obligations

Customer data notification

- 3.2. Each supplier must notify us of its customer numbers by:
- 14 February 2018 (SY8),¹³
 - 14 February 2019 (SY9), and
 - 14 February 2020 (SY10).
- 3.3. This information must be sent to us using the template that we email to suppliers before the notification date.
- 3.4. The customer data notification is the same information that some licensed domestic electricity suppliers are required to notify to us for other schemes. If this data has already been submitted to Ofgem for another scheme, we will use the existing submission. We request this information jointly to reduce the administration burden across ourselves and suppliers.
- 3.5. In each customer data notification we require the number of customers for the licensed domestic electricity suppliers and any licensed domestic gas suppliers connected to the licensed domestic electricity supplier.¹⁴ Domestic dual fuel customers need to be counted twice (once as an electricity customer and once as a gas customer). To reduce the administrative burden on suppliers, we encourage

¹³ We will use the data provided by the suppliers in February 2018 to calculate spending obligations for SY8 and will notify suppliers 21 days after the commencement of the WHD Regulations.

¹⁴ For the purposes of the regulations, an electricity supplier or gas supplier (A) is connected to an electricity supplier or gas supplier (B) if A and B are companies belonging to the same group of companies.

joint notifications from connected licensed domestic suppliers as long as they detail each licensed supplier's relevant customer data separately.

3.6. The regulations define customers as follows:

- "domestic customer" means an owner or occupier of domestic premises in Great Britain who is supplied with electricity or gas at those premises, wholly or mainly for domestic purposes, and
- "dual fuel" means where both electricity and gas are supplied to a domestic customer at the same domestic premises, by a person who is both a licensed electricity supplier and a licensed gas supplier.¹⁵

3.7. Where a supplier fails to provide the information specified above, or we consider that a notification is inaccurate, we may determine these figures ourselves. We will record this as scheme non-compliance on our supplier performance report and report it in our annual report. We will also take enforcement action if appropriate.

Market share calculations

3.8. We use the customer data notifications to calculate the market share of each compulsory and voluntary supplier for the Core Group, as directed by the Reconciliation Regulations.¹⁶ We then use the data to inform the reconciliation of the Core Group spending (see Chapter 4 Core Group 'Reconciliation').

3.9. For compulsory suppliers, we use the data provided by the customer data notifications to calculate the market share of each compulsory supplier for the non-core element of the scheme.

3.10. At the start of each scheme year, we notify a Scheme Gas Supplier¹⁷ of its status, and confirm to each compulsory and voluntary supplier:

- its market share for the Core Group,
- its market share for the non-core obligation,
- the value of its non-core spending obligation,
- the minimum amount of spending which a supplier must make under the Broader Group, and
- the cap to spending that a supplier can count towards its non-core obligation through Industry Initiatives, including the maximum amount of spending on debt write-off that may be attributed to the obligation.

3.11. We will notify suppliers of the above information by:

¹⁵ Regulation 2(1)

¹⁶ The Warm Home Discount (Reconciliation) Regulations 2011

http://www.legislation.gov.uk/uksi/2011/1414/pdfs/uksi_20111414_en.pdf

¹⁷ Scheme Gas Supplier is defined in Chapter 1 'Supplier roles and responsibilities'.

- 20 working days after commencement of the WHD Regulations (SY8),
- 14 March 2019 (SY9), and
- 14 March 2020 (SY10).

3.12. For compulsory suppliers, this notification will only provide an initial non-core spending obligation calculation. Compulsory suppliers' non-core spending obligations may be adjusted, as described below.

Adjustments to the non-core obligation

3.13. We will notify each compulsory supplier of its final adjusted non-core spending obligation by:

- 31 October 2018 (SY8),
- 31 October 2019 (SY9), and
- 31 October 2020 (SY10).

Adjustments for overspend on the non-core obligation

3.14. An adjustment can be made to a supplier's initial non-core spending obligation if that supplier has over spent on its non-core obligation in the previous scheme year.

3.15. Compulsory suppliers can carry over up to 5% overspend against the following scheme year's non-core obligation.¹⁸ Overspend up to 5% will be subtracted from a supplier's initial non-core spending obligation to provide an adjusted non-core spending obligation for the following scheme year. Whilst there is no limit to the amount a supplier can overspend on its non-core activities, only 5% can be carried over.

Adjustments for underspend on the non-core obligation

3.16. An adjustment will be made to a supplier's non-core spending obligation if it did not meet its non-core obligation in the previous scheme year.

3.17. If the core group is significantly below the BEIS estimate in any given Scheme Year, the corresponding amount may be added to the following year's non-core obligation.¹⁹ We would engage with suppliers to let them know if any such adjustment is likely to be made and, where possible, would include details in the notification to suppliers of adjustment to obligations.

3.18. Not achieving the minimum non-core spending obligation in a scheme year will mean that a supplier is non-compliant. As well as adding any underspend to the

¹⁸ 5% overspend is permitted for subsequent scheme years (regulation 14(3)(b)(iii)) – for overspend limits in previous years please refer to the regulations.

¹⁹ As described in Schedule 1 to the regulations.

supplier's obligation in the following scheme year, we may take enforcement action.

Adjustments for rebates not delivered

- 3.19. An adjustment will be made to a supplier's non-core spending obligation to account for rebates provided but not delivered in the previous scheme year. See Chapter 6 'Providing a rebate where the account is not credited directly'.

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4. Core Group

Core Group overview

- 4.1. The Core Group uses data sharing between government and suppliers to target rebates at low income pensioners.²⁰
- 4.2. Customers are eligible for the Core Group if:
 - their electricity supplier is a compulsory or voluntary supplier,
 - their or their partner's name is on the electricity bill,²¹ and
 - they receive the Guarantee Credit element of Pension Credit.
- 4.3. Customers identified as eligible for the Core Group must be provided with a rebate. For information on the value of the rebate, and how to provide a rebate, please see Chapter 6.
- 4.4. The Core Group administration is led by the Department for Business, Energy and Industrial Strategy (BEIS) and the Department of Work and Pensions (DWP). For further information, contact BEIS at warmhomediscount@beis.gov.uk.
- 4.5. We determine each supplier's compliance with its Core Group obligation following the end-of-year reporting process (see Chapter 8).

Suppliers' obligations

- 4.6. Suppliers will be told by the Secretary of State (SoS) which of their customers to provide a Core Group rebate to. The SoS provides a list of relevant customers following an initial "data matching" with data from the supplier, and then weekly list of relevant customers to each supplier. Each entry on this list is known as an "instruction".
- 4.7. A supplier must provide a rebate to the appropriate Core Group customer for each instruction that it is sent. Occasionally, a supplier may not be able to provide a rebate. Table 2 lists some of the scenarios where this might occur and what suppliers should do in such instances.
- 4.8. Suppliers must provide all Core Group rebates by 31 March in the relevant scheme year (SY).

²⁰ In Chapter 4 'Core Group', "suppliers" refers to both compulsory suppliers and voluntary suppliers, as defined in Chapter 1.

²¹ A DWP appointee can apply on behalf of a Core Group or Broader Group customer.

- 4.9. The value of rebates that a supplier does not *deliver* to customers will be added to the supplier’s non-core obligation for the following scheme year. Any rebates that are not *delivered* and the supplier has not made one additional reasonable attempt to do this, may be treated as non-compliance.²²
- 4.10. For further information on providing rebates, including *delivery* and *provision* requirements, please refer to Chapter 6.

Customers not provided with a Core Group rebate

- 4.11. In most cases, we expect a supplier to provide a rebate to all customers that are identified through the data matching process. Table 2 summarises some of the reasons why a Core Group rebate may not be paid and what suppliers should do in these scenarios.

Table 2: Customers not provided with a Core Group rebate

Scenario	Supplier actions to take
a) The customer instruction has been sent to the wrong supplier.	The customer instruction must be returned to the SoS within 30 days. ²³
b) The customer is deceased and their account is closed. The supplier has not been able to contact a relative or executor.	Situations (b) and (c) are confirmed as Exceptions under Regulation 8.

²² Regulation 14(3C) and the Government Response to the WHD consultation 2016/17, response number 48.

²³ Regulation 9(5)

Scenario	Supplier actions to take
<p>c) The customer is no longer living at that property, has closed their account and has no forwarding address.</p>	<p>Where suppliers do not provide the rebate to one or more Core Group customers under Regulation 8, the supplier must notify us of:</p> <ul style="list-style-type: none"> • the number of Core Group customers the supplier has not provided the rebates to • the reasons why the supplier has not provided the rebate to those customers, and • any steps taken by the supplier to attempt to provide the rebate to those customers.²⁴ <p>These exceptions are determined by the SoS and so may be subject to change.</p> <p>The application of Regulation 8 will be determined by us on a case by case basis.</p> <p>Suppliers are required to report the number of exceptions applied as part of the end-of-year reports.</p>
<p>d) A supplier's information does not match the data supplied ie the MPAN number doesn't match.</p>	<p>Suppliers should rectify and credit the correct domestic account.</p>

²⁴ Regulation 9(6)

Scenario	Supplier actions to take
<p>e) A supplier's information does not confirm that the customer is eligible ie this is a domestic property on a commercial tariff (eg farmhouse) or the customer is believed to be of commercial origin.</p>	<p>Suppliers should seek further information from the customer to clarify whether they meet the definition of a domestic customer:</p> <p style="padding-left: 40px;">"an owner or occupier of domestic premises in Great Britain who is supplied with electricity or gas at those premises used wholly or mainly for domestic purposes"</p> <p>If a supplier has evidence that this customer does not meet the definition of 'domestic customer', it should not provide the rebate. A section in the end-of-year reporting template is available to record these cases.</p> <p>This is not an 'exception', but a decision by a supplier that the information available about the customer does not meet the 'domestic customer' definition.</p> <p>Suppliers should keep a detailed record of the discussions and write to the customer to confirm why they will not receive the rebate.</p>
<p>f) The customer does not redeem or accept their rebate.</p>	<p>The rebate will still be considered '<i>provided</i>' but not '<i>delivered</i>'.</p> <p>Refer to Chapter 6, 'Providing a rebate where the account is not credited directly'.</p>
<p>g) Any other reason not outlined above.</p>	<p>Suppliers should contact DWP, or us, at the earliest opportunity.</p>

Core Group Reconciliation

4.12. The WHD scheme assumes that the total cost of Core Group rebates are shared among all participating suppliers according to their market share. In reality however, one supplier may have a higher or lower proportion of Core Group customers than its market share would suggest.

4.13. The WHD Reconciliation Regulations establish the process through which Core Group expenditure will be reconciled across scheme suppliers.²⁵

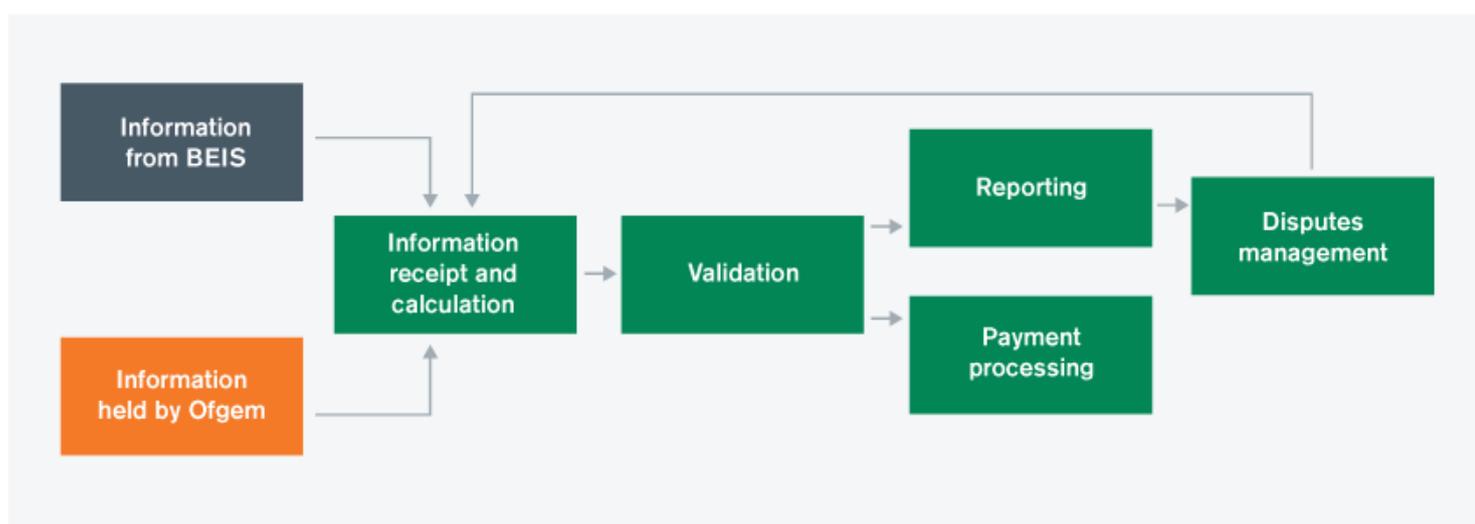
4.14. The purpose of the reconciliation mechanism is to ensure that:

- scheme costs are shared equitably between the participating energy suppliers, and
- no supplier is disadvantaged as a result of having a higher than expected number of consumers eligible for the rebate.

4.15. Ofgem operates the reconciliation mechanism using:

- market share information and suppliers' customer numbers collected as part of our regulatory and administrative duties,
- records of Core Group instructions sent to suppliers, and
- records of rebates provided and delivered by suppliers to consumers.

4.16. We calculate and process the reconciliation payments to be made or received by participating suppliers. We will also resolve any disputes arising from a reconciliation process.



²⁵ The Warm Home Discount (Reconciliation) Regulations 2011, (as amended).
<http://www.legislation.gov.uk/all?title=warm%20home%20discount%20reconciliation>

Figure 4: Simplified process for Core Group Reconciliation

The Annual timetable

- 4.17. Ofgem will process a reconciliation run when BEIS formally request us to do so. We expect to receive three requests per scheme year.
- 4.18. The first two runs each year will be interim reconciliations and the last run will be a final reconciliation.
- 4.19. For Scheme Year 8 (21 days after commencement date of WHD Regulations to March 2019) the first interim reconciliation will take place from November 2018, the second from late March 2019 and the final reconciliation will likely be in October 2019.
- 4.20. We will notify all scheme suppliers as soon as we receive a request to carry out a reconciliation run, and also advise suppliers of the detailed timetable for that run. We will also share the timetable with BEIS.

Interim reconciliations

- 4.21. We have outlined in detail the process of interim reconciliations below:

- Step 1** BEIS submit a formal request for Ofgem to run interim reconciliation.
- Step 2** Ofgem collates relevant data from BEIS and DWP (the number of eligible customers for each supplier identified in the initial data matching and “mop-up” exercise (the first reconciliation) and the “sweepup” process (second reconciliation)).
- Step 3** Ofgem produces a timetable for the reconciliation run, including payment dates, and sends this to BEIS and each of the WHD scheme suppliers.
- Step 4** Ofgem processes and validates the calculation described in regulation 6 of the Reconciliation Regulations 2011 using an in house, custom built system. A simplified calculation of the interim reconciliation can be found below.
- Step 5** Ofgem provides reconciliation notices to scheme suppliers according to regulation 9(1) of the Reconciliation Regulations 2011. As part of the notices Ofgem issues invoices and credit notes, confirms supplier market share and confirms the incoming and outgoing payment dates. Any outstanding amounts (such as distribution of interest) will also be included in the invoices and credit notes.
- Step 6** Suppliers will then make payments to Ofgem within 6 working days.
- Step 7** Ofgem processes all the incoming payments.
- Step 8** Within 10 working days of receipt of the incoming payments, Ofgem will process all of the outgoing payments to suppliers.

- 4.22. We expect suppliers to make payments within the timeframes provided. If suppliers anticipate being late with a payment, they should contact Ofgem immediately and provide details of the reasons for the delay and when they expect to be able to make the payment. Suppliers should note that they will be subject to interest charges as stated in regulation 12 of the WHD Reconciliation Regulations.²⁶

Interim reconciliation calculation

- 4.23. As the purpose of the reconciliation mechanism is to ensure scheme costs are shared equitably between participating energy suppliers, the interim liability for a period must be calculated for each supplier. Then, dependent on whether the interim liability for each supplier exceeds or is less than their respective market share, an interim reconciliation payment is received or made by participating suppliers.
- 4.24. The following is a simplified description of the calculations used for the interim reconciliation process. For further details, please refer to regulation 6 of the WHD [Reconciliation Regulations](#).²⁷

To calculate a supplier's interim liability for an interim reconciliation period: amount of prescribed rebate for the scheme year in which the period falls (£140), multiplied by the number of eligible domestic customers of that scheme supplier.

To calculate a supplier's interim market share liability for a period: amount of prescribed rebate for the scheme year in which the period falls, multiplied by M% of T,

Where:

M is that supplier's market share,

T is the total number of eligible domestic customers.

- 4.25. Therefore, if a supplier's interim liability for an interim reconciliation period **exceeds** the amount of their interim market share liability for that period, then that supplier is entitled to receive a payment equal to the difference between those amounts.

²⁶ The Warm Home Discount (Reconciliation) Regulations 2011, (as amended).
<http://www.legislation.gov.uk/all?title=warm%20home%20discount%20reconciliation>

²⁷ The Warm Home Discount (Reconciliation) Regulations 2011, (as amended).
<http://www.legislation.gov.uk/all?title=warm%20home%20discount%20reconciliation>

- 4.26. Similarly, if a supplier's interim liability for an interim reconciliation period **is less than** the amount of their interim market share liability for that period, a supplier must make a payment equal to the difference between those amounts.

Final reconciliation

- 4.27. After the end of each scheme year, and after a notification request from BEIS, Ofgem will use the following information to produce a reconciliation timetable for the final run:
- the value of Core Group rebates delivered by each of the WHD scheme suppliers to domestic consumers; and
 - total value of rebates delivered by all scheme suppliers.
- 4.28. Ofgem will then complete the calculation described in regulation 8 of the WHD Reconciliation Regulations to establish the final adjustment payments from or to each scheme supplier.²⁸
- 4.29. Once we have calculated these numbers, we will follow steps 5 to 8 of our interim reconciliation process.

Accrued interest

- 4.30. Ofgem will distribute any interest accrued over the year across the scheme suppliers, in proportion to their market share. Interest payments due to suppliers will be incorporated into invoices or credit notes as appropriate (step 6 of interim reconciliation process).

Missed payments and exceptions

- 4.31. A number of exceptions are possible during the processing of these reconciliation runs. The key exceptions are:
1. A supplier misses a payment
 2. A supplier believes that their invoice or credit note is incorrect
 3. An error is confirmed in our calculations and the payments need to be corrected
 4. A supplier licence is terminated mid-way through the year

²⁸ The Warm Home Discount (Reconciliation) Regulations 2011, (as amended).
<http://www.legislation.gov.uk/all?title=warm%20home%20discount%20reconciliation>

- 4.32. If any of these exceptions occur, we will contact all scheme suppliers and BEIS, and outline the next steps. The following sections describes the basic processes in each instance.

Missed Payment

- 4.33. If a scheme supplier (or suppliers) fails to make a payment, Ofgem will process a **mutualisation**, whereby other scheme suppliers make up the shortfall, based on their market share. The steps for the mutualisation process are as follows:

- Issue a notice to BEIS and all scheme suppliers stating that Ofgem are processing a mutualisation, and will provide the timetable for this mutualisation within two working days;
- Calculate the mutualisation amount by allocating the missing payment(s) between all the scheme suppliers other than the defaulting suppliers, in proportion to their market share. Mutualisation notices will be given to non-defaulting suppliers according to regulation 9(1) of the WHD Reconciliation Regulations.²⁹

- 4.34. If we receive the missing payment from the defaulting supplier before we receive the mutualisation payments, we will cancel the mutualisation process by issuing a notice to BEIS and all scheme suppliers and continue with the normal reconciliation process. If not, we will process the payments in line with steps 4 to 8 in the interim reconciliations process.

- 4.35. Once the missing payment is made, Ofgem will pay back the suppliers who provided additional funds as part of the mutualisation (within 10 working days).

Potential error in an invoice

- 4.36. If a supplier queries one of Ofgem's calculations, we will discuss their query with them and seek to resolve the issue. If they are still not satisfied with the results, then they can ask Ofgem to **raise a dispute**.

- 4.37. To raise a dispute, a request must be made in writing within 10 working days after the scheme supplier is notified of the determination.

Raising a dispute

- 4.38. To raise a dispute you should email whd@ofgem.gov.uk to receive a WHD Reconciliation Dispute form. The form should be completed and returned within 10 working days after the scheme supplier is notified of the determination.

²⁹ The Warm Home Discount (Reconciliation) Regulations 2011, (as amended).
<http://www.legislation.gov.uk/all?title=warm%20home%20discount%20reconciliation>

4.39. Disputes will be analysed by a separate team within Ofgem who are independent of the EESP directorate. If a dispute is raised, we will follow these steps:

- Step 1** Within 2 working days, Ofgem will notify BEIS and all WHD obligated scheme suppliers that a dispute has been raised.
- Step 2** Within 5 working days of Step 1, Ofgem will confirm a timetable for investigating and reporting on the dispute.
- Step 3** All dispute requests will be passed on to a Formal Dispute Officer (FDO) who will be of equal or greater seniority to the original decision maker. The FDO will be independent and have no previous involvement in the original decision-making process.
- Step 4** The FDO will have the opportunity to raise queries or request clarification. The supplier will also have the opportunity to respond to these queries and make further representations. The timescale for this is 10 working days from the point at which the dispute is raised.
- Step 5** The FDO will aim to reach a "minded to" decision within 10 working days following the period of clarification (step 4) and contact the affected supplier. If it is not possible to do so in that time, the FDO will explain this in writing to the affected person with an update within this timeframe. The update will give a timescale for when we will next be in contact about the review request.
- Step 6** Suppliers will then have 5 working days to make any written representations on the FDO's "minded to" decision. Any written representations should be submitted via whd@ofgem.gov.uk.
- Step 7** The FDO will review any representations received under Step 6 and proceed to make a final decision by either revoking or varying, or confirming the original decision. The FDO will communicate the final decision to the supplier concerned within 5 working days.
- Step 8** Ofgem will circulate the FDO's decision, redacting any confidential and commercially sensitive information, sharing the decision notice with BEIS and all WHD obligated scheme suppliers.

4.40. Affected scheme suppliers should note that raising a dispute marks the final stage of our internal review process. Should the affected supplier be dissatisfied with the FDO's response, they may take their own legal advice on any next steps, and/or take their complaint to the Parliamentary and Health Service Ombudsman who carries out independent investigations into complaints about public bodies. Details of how to make a complaint can be found on their website at www.ombudsman.org.uk.

'Make right amount'

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

- Step 1** Advise scheme suppliers that a 'make right amount' payment run will be made, in the same way we will do for interim reconciliation runs (step 3).

- Step 2** Recalculate the amounts attributed to each scheme supplier (including the interest applicable) to match the direction from the Secretary of State.
- Step 3** Compare the original payments by the scheme suppliers to these correct amounts, and issue requests for difference or a credit note, by following the same process as for interim reconciliations (steps 4 to 8).

Supply licence termination

- 4.42. If we are made aware that one of the scheme suppliers has exited the market (i.e. no longer supplies electricity or gas), we will exclude the exiting supplier from all further reconciliation runs and mutualisations after the exit date is confirmed.
- 4.43. Where a reconciliation run or mutualisation run is already in progress (for example we have already issued the payment requests), Ofgem still expects the scheme supplier to pay or receive, a payment (depending on their market share and liabilities under the WHD Reconciliation Regulations).
- 4.44. For all future reconciliations and distribution of accrued interest during the scheme year, we will use a revised market share for all of the remaining scheme suppliers, described in [regulation 11 of the WHD Reconciliation Regulations](#).³⁰

³⁰ The Warm Home Discount (Reconciliation) Regulations 2011, (as amended).
<http://www.legislation.gov.uk/all?title=warm%20home%20discount%20reconciliation>

5. Broader Group

- 5.1. The Broader Group forms part of a compulsory supplier's non-core obligation. It obligates suppliers to identify customers to provide a rebate to. The customers should be in fuel poverty or a fuel poverty risk group and not captured under the Core Group. This section outlines the obligations and conditions, including approval processes, for delivering Broader Group rebates.

Broader Group overview

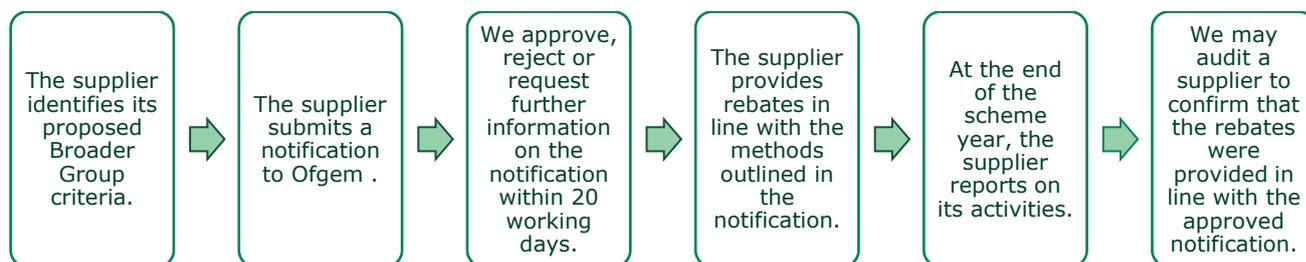
- 5.2. Broader Group rebates must be provided by the end of the scheme year (SY) to be counted towards a supplier's non-core spending obligation. The scheme year end dates are:
- 31 March 2019 (SY8),
 - 31 March 2020 (SY9), and
 - 31 March 2021 (SY10).
- 5.3. Suppliers should aim to provide rebates during the winter months, as the customer will get most benefit from this.
- 5.4. Table 3 lists compulsory benefits which a supplier must include in its eligibility criteria for Broader Group rebate payments. Suppliers can also choose additional eligibility criteria to target customers in fuel poverty or in a fuel poverty risk group.
- 5.5. Generally, rebates can only be paid to a supplier's own customers.^{31,32} However, if a customer approved for the rebate has switched supplier since applying, the supplier can choose whether or not to pay the rebate.
- 5.6. Rebates that are provided but not redeemed by the customer are considered *undelivered*. The value of undelivered rebates required to make up a supplier's spending obligation will be added to the supplier's non-core obligation for the following scheme year.³³ Suppliers should also make one reasonable attempt, in addition to normal processes, to deliver outstanding rebates to customers.
- 5.7. Suppliers who leave the scheme as they fall under the participation threshold for the following scheme year, would still need to report undelivered rebates to Ofgem. The value of the undelivered rebates will not count towards the supplier's contribution to the scheme obligation for the purposes of the end of year determination.

³¹ Regulation 18(1)

³² DWP appointees who hold an account on behalf of an eligible customer are also eligible.

³³ Regulation 14(3C)

5.8. For further information on providing rebates, including *delivery* and *provision* requirements, refer to Chapter 6.



*If we reject a notification, we will provide reasons and expect the supplier to amend and resubmit the notification

Figure 5: Process for confirming a supplier’s Broader Group eligibility criteria

5.9. For SY8 only, suppliers may count spending incurred on Broader Group activities from 1 April 2018, provided that we subsequently confirm that the spending meets all of the Broader Group requirements.³⁴

5.10. For SY9 and SY10, a supplier may “open” its Broader Group schemes before it has approval. However, suppliers should not pay any rebates until we confirm our approval following the notification process outlined in paragraphs 5.24 to 5.28.

5.11. A supplier must achieve a minimum spend on the Broader Group, and can meet all of its non-core obligation through providing Broader Group rebates if it chooses.

Eligibility criteria

Compulsory Broader Group criteria

5.12. All compulsory suppliers must include the compulsory Broader Group criteria in their notification. We provide notification templates which include these criteria as standard for suppliers to confirm that they are using the compulsory criteria.

Table 3: Compulsory Broader Group qualifying benefits³⁵

	And a) has parental responsibility for a child under the age of 5 who ordinarily resides with that person.
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³⁴ Regulation 20(1)(b)

³⁵ Schedule 2 to the Regulations

<p>1. A person who receives Income Support.</p>	<p>Or b) receives any one of the following in addition to Income Support</p> <ul style="list-style-type: none"> - Child tax credit which includes a disability or severe disability element; - A disabled child premium; - A disability premium, enhanced disability premium or severe disability premium; - A pensioner premium, higher pensioner premium or enhanced pensioner premium
<p>2. A person who receives Income-related Employment and Support Allowance (IR ESA) which includes a support component</p>	<p>And a) has parental responsibility for a child under the age of 5 who ordinarily resides with that person.</p> <p>Or b) receives any one of the following in addition to Employment and Support Allowance</p> <ul style="list-style-type: none"> - Child tax credit which includes a disability or severe disability element; - A disabled child premium; - A disability premium, enhanced disability premium or severe disability premium; - A pensioner premium, higher pensioner premium or enhanced pensioner premium
<p>2A. A person who receives IR ESA and who is a member of the work-related activity group</p>	<p>And a) has parental responsibility for a child under the age of 5 who ordinarily resides with that person.</p> <p>Or b) receives any one of the following in addition to Employment and Support Allowance</p> <ul style="list-style-type: none"> - Child tax credit which includes a disability or severe disability element; - A disabled child premium; - A disability premium, enhanced disability premium or severe disability premium; - A pensioner premium, higher pensioner premium or enhanced pensioner premium
<p>3. A person who receives Income-based Jobseeker's Allowance</p>	<p>And a) has parental responsibility for a child under the age of 5 who ordinarily resides with that person.</p> <p>Or b) receives any one of the following in addition to Income-based Jobseeker's Allowance</p> <ul style="list-style-type: none"> - Child tax credit which includes a disability or severe disability element; - A disabled child premium; - A disability premium, enhanced disability premium or severe disability premium; <p>A pensioner premium, higher pensioner premium or enhanced pensioner premium</p>
<p>4. A person who is in receipt of universal credit, and has an earned income between zero and £1,349 in</p>	<p>And (a) has limited capability for work or limited capability for work and work-related activity³⁶</p> <p>Or (b) is in receipt of the disabled child element</p>

³⁶ In accordance with Part 5 of the Universal Credit Regulations 2013. <https://www.legislation.gov.uk/ukdsi/2013/9780111531938/contents>.

at least one of the relevant assessment periods (beginning no earlier than 6 months before the start of the scheme year)	Or (c) has parental responsibility for a child under the age of 5 who ordinarily resides with that person
5. A person who is receiving child tax credit by virtue of an award which is based on an annual income not exceeding £16,190	And is in receipt of a qualifying component falling within paragraph (a) or (b) of the definition of a qualifying component (as criteria 1 to 3 above), Or (b) has parental responsibility for a child under the age of 5 who ordinarily resides with that person

5.13. Ofgem must **always** approve a supplier’s eligibility criteria, even where a supplier only uses the compulsory criteria to define its Broader Group eligibility.

Additional Broader Group criteria

5.14. Where a supplier wishes to include additional eligibility criteria, these criteria must demonstrate that the customer is both on a low income **AND** vulnerable, or wholly or mainly in fuel poverty. We must be satisfied that customers meeting the criteria will wholly or mainly be people in fuel poverty or in a fuel poverty risk group.³⁷

- **Low Income:** This can be indicated by receipt of benefits other than those outlined above, or low earned income. We will check the proposed eligibility criteria to ensure that it targets those on low income, and that the process adopted by a supplier ensures that the sources or indicators of this are recorded, and that evidence of eligibility is available. The low income threshold is aligned to the government’s child tax credit threshold.
- **Vulnerability:** A supplier must determine and be able to evidence the vulnerabilities it wishes to include. Vulnerability can include medical, social or age-related vulnerability. The criteria should be clearly specified, with reasons for their inclusion. For vulnerable older people, the minimum age threshold should be the same as the government’s pensionable age for women at:
 - April 2018 (SY8),
 - April 2019 (SY9), and
 - April 2010 (SY10).

³⁷ Regulation 19(5)(b)

A supplier may revert to its Priority Services Register or to criteria developed as part of its Voluntary Commitment.³⁸ However, this in itself is not sufficient to be evidence of vulnerability for the WHD scheme.

- **Fuel Poverty:**

- In Scotland: Once a household has paid for its housing, it is in fuel poverty if it needs more than 10% of its remaining income to pay for its energy needs, and if this then leaves the household in poverty.
- In Wales: A household is in fuel poverty if they spend 10% or more of their income on energy costs, including Housing Benefit, Income Support or Mortgage Interest or council tax benefits on energy costs.
- In England: Fuel poverty is measured using the Low Income High Costs model. For more information please see the published guidance.³⁹
- For WHD, suppliers may use any of these criteria or a mixture of the three to identify customers who are in fuel poverty or a fuel poverty risk group in all countries.

5.15. Additional eligibility criteria to target customers in fuel poverty or in a fuel poverty risk group could include proposals to pay the partners of those who would be eligible under Table 3, if the partner is the account holder.

5.16. Suppliers must ensure customers meeting the Broader Group criteria will wholly or mainly be people who were not Core Group customers in the previous scheme year.⁴⁰ The information provided to a supplier regarding Core Group rebates should be used to reduce the chance that a customer account receives more than one WHD rebate in each scheme year. If a supplier has included any pension credit customer group in its additional criteria, the supplier should monitor its Broader Group and Core Group to minimise the potential for duplication.

Evidencing eligibility

5.17. For all Broader Group customers, suppliers must verify that the customer meets its eligibility criteria before providing a rebate. To evidence this, suppliers must either follow the steps outlined below, or a process that is at least as effective as these steps.⁴¹ We will check that either a supplier's Broader Group call centre

³⁸ Voluntary Commitment means a commitment made by a licensed electricity supplier or a licensed gas supplier to the Secretary of State, in respect of the period from 1st April 2008 to 31st March 2011, to provide financial benefits to customers and carry out other initiatives, for the purpose of assisting persons in fuel poverty or in fuel poverty risk groups.

³⁹ <https://www.gov.uk/government/publications/fuel-poverty-methodology-handbook-2013>

⁴⁰ Regulation 19(6)

⁴¹ Regulation 19(7)

scripts or the application forms include information that addresses these requirements. The steps are as follows:

1. Obtain from each customer orally or in writing:
 - the customer's name, address and telephone number⁴²
 - a declaration that the customer meets the supplier's eligibility criteria, and
 - an explanation of how the customer meets the criteria.
 2. Explain to the customer that they may be asked to provide evidence of their eligibility before receiving the rebate.
- 5.18. Suppliers must also obtain documentary evidence of eligibility from at least 5% of their Broader Group customers. To make sure that this percentage is met, suppliers should take a larger sample so that if customers fail to respond to the request, the remainder makes up 5% of the total. The 5% sample should be generated randomly across the total Broader Group population for the full year.
- 5.19. Details of how a supplier will verify eligibility must be approved as part of the Broader Group notification.
- 5.20. Failure to demonstrate any of the above specifications may result in further investigation. A compulsory supplier will be at risk of non-compliance if we are not satisfied that measures have been put in place to ensure Broader Group payments have been targeted correctly, or eligibility has not been evidenced correctly.

Governance and management

- 5.21. We expect suppliers to have robust governance and management processes in place to be satisfied that the Broader Group element of the scheme is being delivered in line with the regulations. We seek evidence that a supplier can:
- oversee, at an appropriate level of senior management, the implementation of Broader Group schemes and rebate payments
 - monitor and report on implementation progress at management level, and
 - ensure at an operational level that there is sufficient management and administrative capacity to pay rebates on time.

⁴² In exceptional circumstances, where a customer may not be able to provide a telephone number, under regulation 19(7)(b) an email address may be considered as effective for verification purposes. We recommend that suppliers collect a statement from the customer that they do not have a telephone or prefer not to use one.

Fraud, misuse and abuse prevention

5.22. We expect suppliers to be able to manage fraud. We seek evidence in Broader Group notifications of the measures in place to:

- minimise the risk of misuse, abuse and fraudulent payments, and
- ensure that the rebate is paid to an eligible person or household (for example, this can include validating the account before a payment is provided).

5.23. Further details on audit and fraud prevention can be found in Chapter 9.

Notification and approval process

5.24. A supplier's Broader Group proposal must be submitted to the WHD inbox (whd@ofgem.gov.uk) using the notification template provided by us. A supplier should tell us if it is having any problems with using the template before it submits. Notifications should be signed by an appropriate senior officer from the supplier, who will be accountable for the activity outlined in the notification.

5.25. Within 20 working days of receiving a scheme notification the WHD team will approve or reject the proposal, or request additional information. If we ask for more information, we will provide a determination within 20 working days of receiving the information requested (unless further clarification is needed).

5.26. An activity should only be conducted in line with the approved notification for spend to be eligible. If there is a problem in undertaking the Broader Group activity in line with the approved notification, suppliers should contact the WHD team as soon as possible.

5.27. Approval of a supplier's Broader Group notification, including the estimated spend, does not mean that spend is counted towards the supplier's non-core obligation, or that a supplier complies with the regulations. Following the end of each scheme year suppliers must report on their Broader Group activity, as detailed in Chapter 8. We will assess the reports and inform compulsory suppliers of the attributable spend by:

- 30 September 2019 (SY8),
- 30 September 2020 (SY9), and
- 30 September 2021 (SY10).

5.28. Approval for Broader Group schemes can be requested and given for multiple scheme years, up to the end of existing legislation.

Amending an approved Broader Group notification

- 5.29. Any amendments to approved notifications must be submitted to Ofgem. Approval of amendments will follow the process outlined for initial notifications. Suppliers must have received our approval before implementing the amendments. Amendments can be submitted using the same templates as initial notifications. For minor amendments, suppliers should contact us to agree the best method for notification.
- 5.30. If a supplier believes there is a risk that it will not be able to meet its minimum level of spending on Broader Group activity, despite making all reasonable efforts, it must notify us by 15 December of that scheme year.⁴³ We will then determine whether the supplier is likely to spend below the minimum Broader Group amount and offset this with increased spending against Industry Initiatives. Refer to Chapter 8 section 'Mid-year report: Transfer of Broader Group obligation' for details.

⁴³ Regulation 15B(1)

6. Provision of rebates

The value of the rebate

- 6.1. The value of the rebate provided to Core Group and Broader Group customers can change each scheme year. For scheme years (SY) 8, 9 and 10 it is £140.
- 6.2. The value includes VAT. VAT should be applied to rebate payments when crediting an account or providing the rebate to a customer.⁴⁴

Payment methods

- 6.3. Providing a rebate means:
 - crediting the amount of the rebate to the customer's electricity or gas account,
 - providing a customer who prepays for electricity or gas with credit against future energy use, or
 - tendering payment to the customer.⁴⁵
- 6.4. Crediting against future use may include using the rebate to reduce debts on electricity or gas accounts.
- 6.5. The preferred methods are to directly credit the customer account or provide credit to the prepayment device. Tendering the payment by cheque or electronic transfer should be a last resort (minimising the opportunity for fraud).
- 6.6. A supplier must specify on the recipient's bill, or otherwise notify in writing, that the rebate was made under the WHD scheme.⁴⁶
- 6.7. Suppliers may provide rebates through a smart meter. In this scenario, the supplier must notify the customer in writing that the rebate was made under the WHD scheme.

Rebates to the electricity or gas account

⁴⁴ Regulations 20(2)(a) and 20(2)(c)

⁴⁵ Regulation 7(3) for Core Group and 20(2) for Broader Group

⁴⁶ Regulation 7(5) for Core Group and 20(4) for Broader Group

- 6.8. For customers with dual fuel accounts, the rebate may be provided to the customer's gas or electricity account, on their request.
- 6.9. Where there is not a separate account for gas and electricity, the suppliers should consider the rebate as being applied to the electricity account.
- 6.10. Suppliers must ensure that each customer is provided with the correct rebate amount, regardless of how this is distributed across accounts.
- 6.11. In the end-of-year reports we ask suppliers to provide the amount credited to each account type. This information should be provided where the rebate is directly applied to the gas account on the customer's request. Where the rebate is applied to an electricity account and then transferred to the gas account, suppliers do not need to report this.

Providing a rebate where the account is not credited directly

- 6.12. Some customers, for example prepayment meter (PPM) customers or Core Group customers who have since switched supplier, often receive their rebate via a voucher, cheque or Special Action Message (SAM). Sending a rebate is deemed as a rebate being *provided*. If the voucher/SAM/cheque is cashed or the account is successfully credited the rebate is considered *delivered*. If this payment is not redeemed or accepted the rebate is considered provided but not delivered.⁴⁷
- 6.13. A supplier's end of year report must notify us of:
 - the number of rebates that were provided but not delivered, and
 - the steps the supplier intends to take to deliver any outstanding rebates.
- 6.14. Where rebates are not delivered, suppliers must make at least one reasonable attempt, in addition to normal processes, to deliver rebates to customers (ie to make sure that the voucher is redeemed), and retain evidence of this. This should be distinct from the initial attempt(s) of delivery. For example, if a supplier originally made provision for the rebate through a voucher but this was not redeemed, an acceptable additional attempt could be telephoning the customer to remind them to redeem the rebate, or issuing a SAM. Simply reissuing the voucher would not count as an additional reasonable attempt. The additional reasonable attempt must have been made before suppliers report on the delivery of rebates.
- 6.15. Suppliers must provide the rebate to customer accounts before the end of a scheme year. Suppliers must report on the rebates that are delivered between:
 - 1 April to 31 August 2019 (SY8),
 - 1 April to 31 August 2020 (SY9), and
 - 1 April to 31 August 2021 (SY10).

⁴⁷ Regulation 14(3C)

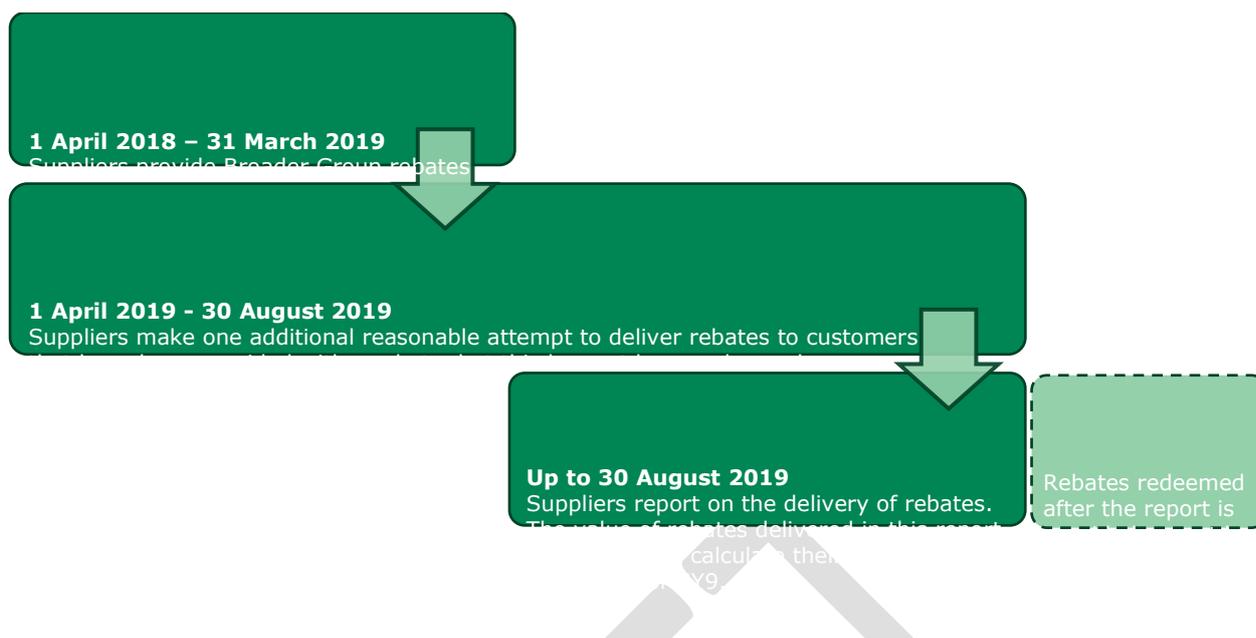


Figure 6: Timelines for monitoring rebate redemption in SY8

6.16. For rebates that are not delivered when a supplier provides its rebate redemption report, there are two possible outcomes for the supplier:

- If one additional attempt has been made to deliver the rebates, the supplier will be compliant with the Core or Broader Group obligation for that scheme year (if all other requirements are met), but the value of any undelivered rebates will be added to a supplier’s non-core obligation for the following scheme year. If this is not possible (for example for voluntary suppliers), we will assess this on a case by case basis.
- If one additional attempt has not been made to deliver the rebates by the reporting deadline, this is non-compliance. The value of the undelivered rebates will be added to a supplier’s non-core obligation for the following scheme year and we may take enforcement action.

6.17. For Broader Group, paragraph 6.16 is only applicable where the value of undelivered rebates is required by the supplier to meet its non-core spending obligation, as explained in the scenarios below.

Scenario 1 In SY8 a supplier must provide 100,000 rebates to meet its non-core spending obligation:

- the supplier provided 100,000 rebates by 31 March 2019
- when submitting its end-of-year report 90,000 of these were delivered
- on 31 August 2019 the supplier provides a report confirming that 8,000 more of these rebates were delivered, and that the supplier made at least one additional reasonable attempt to deliver the 2,000 outstanding rebates
- we confirm that the supplier’s non-core spending obligation is met for SY8 (assuming all other requirements are met), and

- the value of the 2,000 outstanding rebates is added to the supplier's non-core obligation for SY9.

Scenario 2 In SY8 a supplier must provide 100,000 rebates to meet its non-core spending obligation:

- the supplier provided 120,000 rebates by 31 March 2019
- when submitting its end-of-year report 100,000 of these were delivered
- the supplier has met its non-core spending obligation for SY8, and the undelivered rebates will not be added to their obligation for SY9
- the supplier may provide a report by 31 August 2019 to confirm that additional rebates were delivered, in which case the value of these rebates can be counted towards the supplier's 5% overspend and subtracted from the supplier's non-core obligation for SY9.

Dealing with suppliers no longer participating

- 6.18. Where a supplier participates in one scheme year and then does not participate in the following scheme year, for example, as a result of falling beneath the obligation threshold, the supplier is required to notify their customers that they will no longer be participating in the scheme.⁴⁸
- 6.19. A supplier must notify its former core group customers in writing that the supplier is not participating in the Warm Home Discount scheme no later than one month after the start of the scheme year.

The supplier must also publish a statement on its website detailing that they are not participating in the Warm Home Discount scheme. This should be readily accessible on the supplier's website during the remainder of the scheme year.

⁴⁸ Regulation 5A

7. Industry Initiatives

7.1. Industry Initiatives are projects that help customers who are fuel poor or at risk of fuel poverty through a variety of activities. This section describes the permitted activities, the approval process and how the projects are administered.

Industry Initiatives overview

7.2. Compulsory suppliers are able to meet part of the non-core spending obligation through Industry Initiatives. Spending on Industry Initiatives can be done by either licensed electricity or connected licensed gas suppliers. There are criteria that must be complied with to ensure that the Industry Initiatives spending can be counted towards a supplier's non-core obligation.

7.3. Overall spending on Industry Initiatives in each scheme year (SY) is capped at £40 million across all compulsory suppliers, and split between these suppliers according to their market share (see Chapter 2). Any spending that a supplier makes above its cap will not count towards its WHD non-core obligation for that year. The only exception to this is where approval for increased Industry Initiatives spend has been received under regulation 15(B) (see Chapter 8).

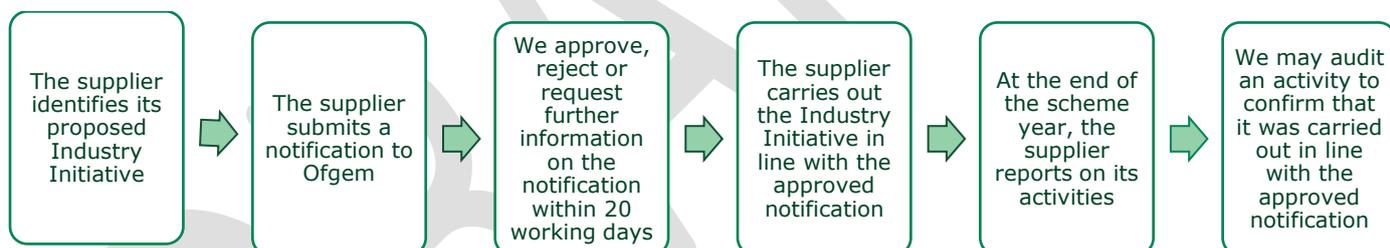


Figure 7: Process for confirming Industry Initiatives

7.4. For SY8 only, suppliers may count spending incurred on Industry Initiative activities from 1 April 2018, even though the scheme year starts 21 days after commencement of the WHD Regulations provided that we subsequently confirm that the spending meets all of the requirements for Industry Initiatives.⁴⁹

7.5. For SY9 and SY10, suppliers must have activities approved by Ofgem before spending can take place. If a supplier fails to propose measures that are suitably robust we may not approve the activity, as we will not have sufficient assurance that the money will benefit those in or at risk of fuel poverty.

7.6. Spending on Industry Initiative activities must be incurred by a supplier by the end of the scheme year to be counted towards its non-core spending obligation for that scheme year. The end of the scheme year is as follows:

⁴⁹ Regulation 17B

- 31 March 2019 (SY8),
 - 31 March 2020 (SY9), and
 - 31 March 2021 (SY10).
- 7.7. Schemes themselves can continue across these years, providing continuity for administration purposes, however the spending must be notified for the scheme year the activity was incurred against.
- 7.8. If the activity is a requirement under a supplier's electricity or gas supply licence, or if the activity is being used by a supplier in order to meet spending obligations or targets imposed in another scheme, then spending will not count towards a supplier's non-core spending obligation for WHD.
- 7.9. Spending will also not count towards the fulfilment of a supplier's non-core spending obligation if the activity is part of a settlement between Ofgem and a supplier to provide consumer redress as a result of previous licence breaches or failure to meet a target under a licence condition.
- 7.10. Suppliers must complete a declaration in the Industry Initiative notification to confirm that the activities undertaken in the Industry Initiative are not also being counted as part of another obligation or licence condition.
- 7.11. It is not necessary for recipients of support funded by a supplier through Industry Initiatives to be a customer of that supplier.
- 7.12. An Industry Initiative must:
- be permitted in the regulations
 - provide energy advice, so far as is reasonably practicable, to every customer benefitting from the Industry Initiative
 - be provided wholly or mainly to people in fuel poverty or in a fuel poverty risk group, and
 - represent value for money.
- 7.13. A supplier may run a new Industry Initiative activity as a pilot for one scheme year. If an Industry Initiative is notified as a pilot, we can be more flexible when assessing the success of targeting and value for money. See 'Pilot Industry Initiatives' below.

Permitted activities

- 7.14. An Industry Initiative must be an activity permitted under Schedule 4 to the regulations. The notification should clearly identify the different eligible activities and provide information describing how the service will be provided. Permissible

activities are summarised below, including a description of what types of spend can be counted towards a supplier's non-core obligation:

- **Providing energy advice.**

Energy advice should be provided, so far as is reasonably practical, to every customer benefitting from an Industry Initiative. Energy advice includes advice on fuel options, tariffs and energy bills, as well as thermal efficiency advice and energy efficiency advice.

Research has shown that energy advice services offer the best outcomes for vulnerable and poor consumers when the service is bespoke, offers additional support and is delivered in their home.⁵⁰ Where possible we encourage suppliers to consider delivering energy advice services in this way.

- **Paying organisations to refer customers who are in fuel poverty or a fuel poverty risk group and are, or may be, eligible to receive assistance through the WHD or for any other assistance from the supplier.**

- **Providing benefit entitlement checks and/or assistance in claiming benefits.**

- **Providing energy efficiency measures, thermal efficiency measures, energy efficient appliances or micro generation.**

A supplier must ensure that any measures provided through an Industry Initiative are not also counted towards any other obligation, and that it has a robust process in place for identifying potential overlaps.

- **Funding training for people to provide energy advice.**

A supplier may not count costs of training its own employees or contractors, or the employees or contractors of a company in the same group of companies as the supplier. For training initiatives, we would look for evidence that the trainees were from organisations that would be providing a service to fuel poor or low income households eg:

- charitable organisations working with people with particular vulnerabilities
- advice agencies that can show that their customers comprise wholly or mainly low income or fuel poor clients
- organisations solely operating in geographies with low scoring multiple deprivation indices.⁵¹

⁵⁰ Warm Home Discount - Energy Advice: Consumer Experiences (published 2014)
<https://www.ofgem.gov.uk/ofgem-publications/91104/warmhomediscountenergyadviceconsumerexperiencesfinal.pdf>

⁵¹ Multiple Deprivation Indices in:
England <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015>
Scotland <http://www.gov.scot/Topics/Statistics/SIMD>

- **Providing assistance to reduce or cancel energy debts, as part of a package of measures aimed at giving customers long-term relief from fuel poverty.**

A supplier may not count costs arising from a billing error, or back-billing that falls within the Ofgem criteria.⁵²

There is a cap on the amount of debt write-off that a supplier can count towards its non-core spending obligation.⁵³ This cap will be notified to suppliers, as described in Chapter 3.

Debt write-off is the reduction or cancellation of debt on a customer's electricity or gas account, and the administrative costs associated with this. Debt assistance activities are not affected by this cap. Debt assistance may include: advice and support for vulnerable customers on financial management, energy efficiency and other measures to keep down energy bills.

- **Provision of rebates to eligible occupants of mobile homes.**

A supplier may provide rebates to eligible occupants of mobile homes who would qualify under Core Group or Broader Group criteria. This includes buildings, such as Park Homes, which fall under the meaning given in Section 5 of the Mobile Homes Act 1983.

Rebates should be of the same value as, and made in line with, Core and Broader Group rebates. See Chapter 6 for information on how to provide a rebate.

Most occupants of mobile homes do not have a direct relationship with an energy supplier, and as such it will not be possible in the majority of cases to apply a rebate directly to an energy account. To encourage these recipients to use the rebate to pay for future energy use or to reduce debts on energy accounts, we expect that correspondence attached to the WHD rebate would state that the rebate is used to assist with energy costs. We also expect the notification to clearly show how the risk of fraud or abuse on these rebates will be minimised. This should include plans to counter fraud, abuse and misuse in relation to applications and interception of the rebate.

- **Providing energy advice or energy efficiency measures** to customers who are:
 - living in off-gas grid homes
 - living in households with a person who has a significant health problem or disability, or
 - living in communities where residents are wholly or mainly in fuel poverty.

Wales <http://gov.wales/statistics-and-research/welsh-index-multiple-deprivation/?lang=en>

⁵² <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/who-contact-if-its-difficult-paying-energy-bills/energy-back-billing-your-rights>

⁵³ Regulation 15(A)(5)

- **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.**
Suppliers may make payments of up to £140 per household towards the gas or electricity bills of consumers who are:
 - living in off-gas grid homes,
 - living in a household with a person who has significant health problems or a disability,
 - living in communities where residents are wholly or mainly in fuel poverty,
 - supplied with gas or electricity through a pre-payment meter, or
 - in emergency situations such as households in one of the risk groups described above who don't have sufficient credit, or where a heating system is broken and households are forced to use more expensive temporary heating.

The targeting of assistance can work well with ECO flexible eligibility declarations.

Consumers will only be eligible for financial assistance if they are **not eligible** for a Core Group rebate, or in receipt of a Broader Group rebate. As such they will be required to declare that they have not, or will not receive, a separate rebate during the scheme year.

The limit on the amount of spending allowed for financial assistance is described in Chapter 2.

Suppliers will not be able to count debt write-off spending under financial assistance, though financial assistance can be given in combination with other Industry initiatives, such as debt write-off. In the cases where both types of assistance is provided, suppliers will need to set out clearly the level of support provided as financial assistance and the level of support provided as debt write-off.

Specified Activities

7.15. Specified Activities were introduced in the 2016 amending regulations. BEIS will provide further guidance on Specified Activities as required.

Eligibility criteria

Targeting

7.16. The outcomes of Industry Initiatives must be delivered, as far as reasonably practicable, wholly or mainly to people in or at risk of fuel poverty.

- 7.17. We interpret 'wholly or mainly' to mean **significantly more than half**. We expect suppliers to show that a significant proportion of Industry Initiatives beneficiaries are in or at risk of fuel poverty. Fuel poor households are defined in Chapter 5 'Broader Group' paragraph 5.14.
- 7.18. Groups who may be at risk of fuel poverty could include vulnerable households who because of frailty, particular needs or medical conditions are required to heat their home for longer or to a higher ambient temperature. If suppliers provide alternative definitions or criteria these will be fully examined and considered.
- 7.19. We will check the notification to ensure that the supplier has clearly described how the initiative will be targeted and how evidence will be gathered to support targeting. Where a supplier conducts a financial assessment as part of its service we expect this to form part of the evidence proving the number of recipients on low income. If this type of information is not routinely collected about individuals, then we will look for evidence that the group targeted are wholly or mainly in or at risk of fuel poverty. This evidence could include:
- working with organisations that operate in areas of deprivation, or
 - working with client groups that are likely to be wholly or mainly fuel poor, or
 - listed in a declaration from a local authority (LA)⁵⁴ stating that the households are either:
 - living in fuel poverty (FP), or
 - living on a low income and vulnerable to the effects of living in a cold home (LIVC).⁵⁵
- 7.20. Those who are listed in an LA declaration under the "in-fill" category will not be eligible, as these households are not in fuel poverty.
- 7.21. To make LA declarations,⁵⁶ an LA must produce a valid statement of intent (SoI) regarding its delivery of the ECO flexible eligibility provision. This SoI should be publicly available (eg published on an LA's website) so that it can be easily accessed by interested parties.
- 7.22. The supplier must be able to evidence that:
- a) the SoI was published prior to any declarations being made by that LA, and

⁵⁴ The LA declaration must be valid from 1 April 2017 to 30 September 2018, or valid under ECO 3.

⁵⁵ BEIS have provided guidance on what types of households meet the criteria. However, the LA maintains discretion and flexibility on whether to apply criteria that better reflect local needs: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/608042/ECO_Help_to_Heat_flexible_eligibility_guidance_for_LAs.pdf

⁵⁶ Further information on LA declarations can be found in Chapter 5 of the ECO2t Guidance: Delivery: https://www.ofgem.gov.uk/system/files/docs/2017/12/energy_company_obligation_2017-18_eco2t_guidance_delivery_v1.1_0.pdf

b) the SoI includes a methodology on how the LA intends to target FP and LIVC households.

7.23. We encourage any supplier that uses a method of group verification to also randomly sample individual beneficiaries of an initiative to confirm that the group is wholly or mainly fuel poor or at risk of fuel poverty.

7.24. There are no restrictions on someone benefiting from a rebate under the Core Group or Broader Group also benefiting from an Industry Initiative.

Value for money

7.25. In assessing value for money we may take into account:

- the administration cost per applicant, awardee or trainee
- the average amount of each award or benefit
- the spend versus the outputs, and
- any additional value.

7.26. The type of information that a supplier should provide to demonstrate value for money depends on the nature and scope of the proposal. Administration costs must be provided if they are attributed to the non-core obligation. This should include the costs (where applicable) of the direct service, central overheads, publishing, advertising, equipment costs, accommodation costs, etc. We expect that activities like referrals, benefit entitlement checks, energy advice and training should be able to itemise their running costs within this overall heading. If the administration cost will not be attributed to the non-core obligation, the notification should confirm this.

7.27. For debt write-off schemes the administration costs must be included in the notification, as this will count towards the cap on debt write-off.

7.28. For debt assistance schemes there should be information on the range and average income of the beneficiaries and awards made to them. Information should also be included on the number of applicants that receive benefits or financial advice, energy efficiency advice, and other assistance whether this is energy efficiency measures, other financial assistance, etc.

7.29. For energy efficiency measures, in addition to providing separate information on the administration of the scheme, information on costs of the individual measures, the number of each type of measure provided, and the number of awardees should be included.

7.30. The cost breakdown detailed above should be provided as a minimum.

Governance and management

7.31. We expect a supplier's governance and management processes to be strong enough to satisfy themselves that the Industry Initiatives element of the scheme is being operated in line with the regulations. Suppliers must provide evidence that they can:

- oversee at senior management level the implementation of Industry Initiatives schemes and rebate payments
- monitor and report on implementation progress at management level, and
- ensure that there is sufficient management and administrative capacity to deliver the Industry Initiatives at operational level.

Delivery Agents

7.32. We recognise that suppliers may appoint third parties or engage in partnerships with organisations to effectively administer Industry Initiatives activities. We expect suppliers to be prudent when choosing a third party to carry out any of its functions as a compulsory supplier. Suppliers are responsible for ensuring that any third party spends the money correctly.

7.33. Suppliers should be able to demonstrate that a third party is the most appropriate organisation to deliver the activity. This can be either an explanation of why the organisation is the preferred provider, or through a tendering process demonstrating that the organisation provides the best value for money.

7.34. For Industry Initiatives that involve third parties the following information is required:

- a description of which organisation is responsible for which activities
- evidence that a contract or formal agreement is in place with the third party(ies), including instructions from suppliers to third party partners as to what the money must be spent on, relevant scheme restrictions and reporting and confirmation that the money was spent correctly by the third party partner
- the frequency and nature of reporting between a supplier and the third party organisation(s)
- other information eg on the internal governance structures of the third party organisation(s), and
- if a supplier provides a donation or other payment to a trust fund or charitable trust we expect the supplier to record details that the payment was made within the relevant scheme year, and to keep a record of this for audit.

7.35. If a supplier uses a third party, including a trust, the supplier is ultimately responsible for ensuring adequate controls and compliance.

7.36. We are able to discuss initiatives with third parties and advise them on proposals or reporting, if we receive confirmation from a supplier that they want us to do so.

- 7.37. If a supplier has any concerns regarding its obligations when working with third parties or trusts, it should contact the WHD team.

Fraud prevention

- 7.38. We expect suppliers to manage fraud and abuse. In its notification, a supplier will need to demonstrate how it plans to make sure that the funding committed to Industry Initiatives activity is used appropriately, and that the outcomes delivered by it are accurately represented. The WHD team needs to be satisfied with the fraud prevention measures in place before we approve an Industry Initiative.
- 7.39. Further details on audit and fraud prevention are in Chapter 9.

Pilot Industry Initiatives

- 7.40. A supplier may run a new Industry Initiative activity as a pilot for one scheme year. If an Industry Initiative is notified as a pilot, we can be more flexible when assessing the success of targeting and value for money. This is intended to encourage more innovative schemes.
- 7.41. Suppliers should specify in the notification that the Industry Initiative is a pilot. The notification should be as thorough and robust as for any other initiative. This includes demonstrating how the initiative will meet all of the criteria on Value for Money, Targeting, Governance and Management, and Fraud Prevention outlined in this guidance.
- 7.42. Pilot Industry Initiatives can only run for one scheme year, and should not have a value of more than £300,000.
- 7.43. Suppliers must submit an end-of-year report for pilot industry initiatives. We will assess the initiatives' successes against the outcomes described in Table 4. To clarify, if a supplier submits a new Industry Initiative that is valued over £300,000 or is designed to run for multiple scheme years, it will not benefit from the more flexible approach designed for pilot initiatives.

Notification and approval process

- 7.44. A supplier's Industry Initiative proposal must be submitted to the WHD inbox (whd@ofgem.gov.uk) using the notification template we provide. Notifications should be signed by an appropriate senior officer from the supplier who will be accountable for the activity outlined in the notification.
- 7.45. Within 20 working days of receiving a scheme notification we will approve or reject the proposal, or request additional information. If we ask for more information, we will provide a determination within 20 working days of receiving the information requested.

- 7.46. An activity should only be conducted in line with the approved notification for spend to be eligible. If there is a problem in undertaking the Industry Initiative activity in line with its approved notification, the supplier should contact us as soon as possible.

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Table 4: Possible outcomes for an Industry Initiative

Possible Outcome	Pilot Industry Initiatives	Non-Pilot Industry Initiatives
<p>The Industry Initiative was successfully delivered and achieved the outcomes specified in the notification.</p>	<p>We will confirm this to the supplier as part of the end-of-year reporting process.</p> <p>If the supplier wants to continue the activity in future scheme years, it will be assessed against the usual rules with regards to value for money and targeting.</p>	<p>We will confirm this to the supplier as part of the end-of-year reporting process.</p>
<p>The value for money or targeting did not deliver to the extent outlined in the notification.</p>	<p>If a supplier can give evidence that they attempted to meet the criteria, and followed the processes outlined in its approved notification, we will accept the Industry Initiative as compliant for that scheme year and count all of the spending on this initiative towards the supplier's non-core obligation.</p> <p>If a supplier intends to continue the activity in future scheme years, we expect it to make amendments to address any shortfalls. In this case the activity would be subject to our usual scrutiny and would no longer benefit from the more flexible pilot initiative approach.</p>	<p>We will count all of the spending on this initiative towards the supplier's non-core obligation.</p>
<p>The Industry Initiative was not successful for any other reason.</p>	<p>We will not count all or part of the spending on this initiative towards the supplier's non-core obligation.</p>	<p>We will not count all or part of the spending on this initiative towards the supplier's non-core obligation.</p>

7.47. Approval can be requested and given for activities spanning multiple scheme years, up to the end of existing legislation.

7.48. Joint Industry Initiatives, undertaken by one or more compulsory suppliers, are permitted under the WHD scheme. In this case, we will accept a single notification document on behalf of multiple suppliers, if each supplier confirms they are

supporting the initiative and the level of funding they will provide through an accompanying cover letter.

- 7.49. A supplier should inform us of any funding provided to Specified Activities, so that we can monitor spending on its non-core obligation.

Amending an approved Industry Initiative notification

- 7.50. Any amendments to Industry Initiative proposals must be submitted to Ofgem. This includes situations where anticipated spend or level of outputs has changed significantly from the original notification. Approval of amendments will generally follow the process outlined above for initial proposals. An amendment should not be put into effect by the supplier until we have approved it.

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8. Reporting

Mid-year report: Transfer of Broader Group obligation

- 8.1. Suppliers are under an obligation, if it is reasonably practical, to comply with the minimum spending commitment on Broader Group.⁵⁷
- 8.2. 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. Following the process outlined below, we will determine whether the supplier will fail to meet the minimum Broader Group amount and confirm this to the supplier.⁵⁸
- 8.3. Suppliers considering making this notification should engage with the WHD team early.

Making a notification

- 8.4. A supplier must make a notification that it may not achieve its Broader Group minimum obligation by midnight on 15 December of the relevant scheme year. The notification should be submitted to whd@ofgem.gov.uk.
- 8.5. For us to determine that a supplier is at risk of not meeting its minimum Broader Group spend we require the following information as a minimum:⁵⁹
 - details of the marketing and targeting strategy implemented by the supplier, which will include:
 - any analysis of its customer base, information from its Priority Services Register and any other relevant customer data sets
 - information about marketing through the supplier's web site, mailshots and other campaigns
 - the marketing strategy with key milestones, targets, monitoring information and any responses/actions.
 - the implementation plan for the Broader Group – including the assumptions behind the number of Broader Group applications required, the likely number of eligible applicants, the verification sample size, likely attrition rate, and the payment schedule. We also expect to receive the monitoring framework and any corresponding actions, and
 - the forward plan of action for the Broader Group from the date of the notification to the end of the scheme year.

⁵⁷ Regulation 12(5)(b)

⁵⁸ Regulation 15(3A)(a)

⁵⁹ Further Information on the Broader Group can be found in Chapter 5.

- 8.6. The minimum information that we will need to determine any increase in Industry Initiatives spending is:
- details of the targets, outcomes and spend profile of the initiative, and any reports that show the initiative has met existing targets and plans that show the initiative has the capability to meet the additional spending targets before the end of the scheme year.
- 8.7. Once an application is submitted, we will send an acknowledgement to suppliers.
- 8.8. After we have received an application, Ofgem has 20 working days to determine whether, and the extent to which, the supplier may spend below the minimum Broader Group amount and increase its spending on Industry Initiatives.
- 8.9. Suppliers may not request to amend the value of the transfer after 15th December of the relevant scheme year.
- 8.10. As a condition of approval, we would normally expect suppliers transferring funds under Article 15(B) to leave their Broader Group open to applications until at least one month prior to the scheme year end.

End-of-year reporting

- 8.11. Following the end of each scheme year (SY) we will write to each compulsory and voluntary supplier asking it to confirm that it complied with its Warm Home Discount obligations. This will include a bespoke reporting template.
- 8.12. Suppliers must complete the template and return it to the WHD mailbox (whd@ofgem.gov.uk) in the original format as provided (usually MS Excel). This format is used to reduce the risk of calculating errors and manual checking. If suppliers are unable to use the template as provided, they should contact the WHD team as soon as possible to agree a suitably robust alternative. We also require connected scheme gas suppliers to provide confirmation of any WHD activities they have undertaken, and outline how spending should be allocated to the suppliers. The report must be provided by:
- 26 May 2019 (SY8),
 - 26 May 2020 (SY9), and
 - 26 May 2021 (SY10).
- 8.13. Suppliers must submit accurate and correct information. Each end-of-year report we receive should include confirmation that the results reported by a supplier have been independently checked to be accurate and compliant with the regulations. We require each supplier to submit an audit report to accompany its end-of-year report. This should outline the audit assurances for compliance of the activities included in the end of year report. For further information, see the 'Supplier internal audit requirements' section of Chapter 9.

- 8.14. If we ask for clarification or additional information it must be provided within 15 working days of our request, or by the deadline indicated in the request.

End-of-year reporting process

- 8.15. We will initially review each of the individual reports for completeness (ie that the reports contain all the relevant information required to be able to determine compliance). If a supplier's report is considered incomplete we will contact the supplier and request the relevant information. Once we are satisfied that the information is complete, we will send a confirmation letter to the supplier. This letter will be issued within 20 working days of a supplier submitting its final report, or within 20 working days of a supplier submitting any additional information requested.
- 8.16. After determining completeness, we will review the reports to determine compliance. This will include ensuring that a supplier's spending obligations have been met (taking spending caps into account where appropriate), and ensuring that compulsory suppliers have carried out activities as described in their approved notifications. If concerns are identified at this stage, we will raise them with the supplier immediately.
- 8.17. Should we determine that an activity is not compliant with the regulations, we may not allow a supplier to attribute all or part of the spending towards its obligation.
- 8.18. We may choose to take action, including enforcement action against a supplier deemed non-compliant with its spending obligation or where it fails to complete other duties required under the regulations.
- 8.19. We will conduct end-of-year compliance checks, and report our final determination to suppliers, as soon as possible, and no later than:
- 30 September 2019 (SY8),
 - 30 September 2020 (SY9), and
 - 30 September 2021 (SY10).

Core Group report

Spend

- 8.20. Compulsory and voluntary suppliers are required to provide us with their total spending on the Core Group. We will check that the spending is in line with the rebates provided.

Rebates

- 8.21. Each supplier must provide details on the total number of Core Group rebates it has provided. This will include a breakdown of how many were provided as a result of the data match, and how many were provided through the sweep up exercises. We will use this data to cross-check against information provided by the Secretary of State (SoS).
- 8.22. Suppliers must also provide details of the total number of rebates delivered, and the steps it intends to take to deliver any outstanding rebates.
- 8.23. A breakdown of the value of rebates provided to electricity accounts and gas accounts must be provided where this information is available. This data will be used to monitor how the scheme is being delivered but will not be considered as part of our compliance assessment.
- 8.24. We will require confirmation that all Core Group rebates were provided by the end of the scheme year, or within 30 days of receiving the customer instruction from the SoS if this was provided after 1 March of that scheme year. If any late payments were made, the supplier should provide the reasons for this.
- 8.25. Where an instruction to pay a customer was returned to the SoS we need confirmation that this took place within 30 days. If any instructions were not returned or were returned late, the supplier should provide reasons for this.
- 8.26. The geographical breakdown of rebate provision between England, Wales and Scotland should be provided by suppliers. Suppliers may use their own methods, or the postcode areas given in our 'Guidance on monitoring supplier's performance in relation to domestic customers'.⁶⁰
- 8.27. Suppliers must confirm that all Core Group customers were notified that the rebate was provided as part of the WHD scheme and that rebates were delivered by one of the methods outlined in the 'Payment Methods' section of Chapter 6.

Exceptions

- 8.28. Suppliers must provide us with the total number of Core Group customers where they think a Regulation 8 exception should apply (see Chapter 4, Table 2). We require suppliers to explain the efforts they have taken to provide the rebates before the exception was determined.
- 8.29. In cases where a supplier is not able to provide a rebate and an exception is not available under Regulation 8, the supplier should set out the circumstances, provide the number of customers that fall under each circumstance and outline the steps taken in attempting to provide each of the rebates. The application or

⁶⁰https://www.ofgem.gov.uk/sites/default/files/docs/2015/05/slc32_direction_and_sor_guidance_may_2015_1.pdf Postcode areas are listed in appendix 3 of this document.

otherwise of any exemption under the WHD Regulations is a matter of discretion for Ofgem.

Broader Group report

Spend

8.30. The Broader Group report requires compulsory suppliers to provide us with the total spend on this element of the scheme and the total number of rebates provided. We will check that these match and that a supplier's minimum Broader Group obligation has been met.

Rebates

8.31. Suppliers must provide details of the total number of rebates delivered in the end-of-year reporting, and the steps it intends to take to deliver any outstanding rebates.

8.32. We require confirmation that all Broader Group rebates were provided by the end of the scheme year.

8.33. A breakdown of the value of rebates provided to electricity accounts and gas accounts must be provided where this information is available. This data will be used to monitor how the scheme is being delivered but will not be considered as part of our compliance assessment.

8.34. The geographical breakdown of rebate provision between England, Wales and Scotland should be provided by suppliers. Suppliers may use their own methods, or the postcode areas given in Ofgem's 'Guidance on monitoring supplier's performance in relation to domestic customers'.⁶¹

8.35. Suppliers must confirm that all Broader Group customers were notified that the rebate was provided as part of the WHD scheme, and that rebates were provided by one of the methods outlined in the 'Payment Methods' section of Chapter 6.

Eligibility criteria and evidence

8.36. Suppliers will need to confirm that the eligibility criteria used for the Broader Group were the same as those outlined in the approved scheme notification and any approved amendments. We also seek assurance that the quality controls outlined in the notification were applied.

⁶¹

https://www.ofgem.gov.uk/sites/default/files/docs/2015/05/slc32_direction_and_sor_guidance_may_2015_1.pdf Postcode areas are listed in appendix 3 of this document.

- 8.37. Suppliers should provide the breakdown of Broader Group rebates provided by eligibility criteria. This data will be used to monitor how the scheme is being delivered but will not be considered as part of our compliance assessment.
- 8.38. We need confirmation that the customer's eligibility was verified in accordance with the scheme notification and any amendments. We will require suppliers to outline the number of Broader Group customers who passed the documentary evidence check and, if available, the numbers that failed or did not return the documentary evidence, and that the verification reached the minimum 5% requirement.
- 8.39. Records of all Broader Group applicants must be kept until six months after the end of the relevant scheme year. This should include applications, documentary evidence submitted, and assessment records by the verifying party. This includes for applicants who fail the verification process.

Industry Initiatives reports

- 8.40. Suppliers must provide reports for each individual Industry Initiative as part of the end-of-year reporting process. All spending figures provided in each report should exclude any VAT.

Spend

- 8.41. Suppliers are required to provide details on how much was spent on the Industry Initiatives, and how much of that spend is to be attributed to the WHD scheme. If there is a variance of more than 5% between the spending projected in the notification and the actual spend, a supplier should explain this.
- 8.42. Where there is a variance, suppliers should contact the WHD team (at whd@ofgem.gov.uk in the first instance) as soon as possible and not rely on reporting this at the end of the scheme year.
- 8.43. Suppliers should provide evidence that the spending was incurred within the scheme year.
- 8.44. We will check whether a supplier's Industry Initiative cap is exceeded (including the cap on debt write-off). If any cap is exceeded, we will only attribute the maximum allowable spend to a supplier's obligation.
- 8.45. Suppliers should provide confirmation from BEIS of any spending on Specified Activities.

Targeting

- 8.46. Suppliers need to confirm that the targeting used was the same as approved in the scheme notification, and that any conditions put in place during the approval

process have been met. We will review the percentage of people evidenced as being in fuel poverty or in a fuel poverty risk group.

Activities

- 8.47. Suppliers must confirm that the activity carried out is in line with what was approved in the scheme notification. This will also include confirmation that:
- the spending or activity was not a requirement under a supplier's electricity or gas supply licence, and that the activity is not being used by a supplier to meet spending obligations or targets imposed in another scheme, and
 - the activities fall within the first column of the table in Schedule 4 to the regulations, and do not fall within an exception in the second column.
- 8.48. If a supplier fails to provide such evidence, the spend may not be eligible under the WHD scheme and the supplier may be found non-compliant.
- 8.49. For Industry Initiatives that have been counted toward a supplier's non-core obligation, but where the activities being funded have not been concluded at the reporting date, we will seek to complete the full end-of-year compliance checking later in the following scheme year.

Value for money

- 8.50. We look for evidence that any provisions put in place around value for money during the approval process are met. We will look at the spend versus the outputs to help us determine that value for money was delivered. We will also assess any evidence of additional value.

Final rebate redemption report

- 8.51. Following the scheme year suppliers must notify us of the total number of rebates delivered. The report must be provided by:
- 31 August 2019 (SY8),
 - 31 August 2020 (SY9), and
 - 31 August 2021 (SY10).
- 8.52. Suppliers must confirm that they have made at least one reasonable attempt to deliver the rebates to customers who have not redeemed the rebate, in addition to normal processes.
- 8.53. Suppliers must confirm that the data has been independently checked through an internal verification process.

9. Fraud and auditing

9.1. We carry out audits to help suppliers meet the requirements of the WHD, and monitor compliance. This section describes the requirements for the WHD scheme, including Ofgem's programme of audits, and the requirement for suppliers to conduct internal audits.

Ofgem's audit programme

9.2. Our audit programme could cover any element of the scheme. We take a risk-based approach to audit and assurance. Although any supplier's activities may be audited, it is more likely that we will audit a new scheme activity, a newly-obligated supplier or where earlier audits have identified recommendations.

9.3. Our audits aim to establish that:

- suppliers have robust processes for administering WHD
- suppliers are following the processes outlined in notifications for Broader Group and Industry Initiatives, and
- information provided by suppliers has been prepared accurately using appropriate evidence.

9.4. We will appoint an independent auditor to conduct WHD audits on our behalf. Suppliers will be notified at least two weeks in advance of when these will take place, along with the detail of the scheme activity we intend to audit. Audits will generally take place at four key stages:

- **Customer data notification:** we may audit the customer data provided by suppliers to inform the market share calculations. This is conducted because any variation in a single supplier's data affects every supplier's obligation. This audit usually takes place in February.
- **Mid-year audit:** this is to minimise the risk of supplier non-compliance at scheme year end. If the audit highlights problems with delivery of an obligation, the supplier will have to agree remedial actions, and confirm that these have been resolved before the end of the scheme year.
- **End-of-year audits:** may be conducted to verify specific information provided by suppliers in their annual reports. This audit would usually take place in the month following the end of year reporting deadline.

- Rebate delivery audit: to verify the number of rebates delivered and check any exceptions. This audit would usually take place in the month following the final reporting deadline for rebate delivery.
- 9.5. After an audit, a meeting will take place between the auditor and the audited party to share and discuss the main findings. If the audit report contains any significant findings we will highlight these to suppliers as soon as possible, so remedial action can be taken.
- 9.6. Suppliers will receive a copy of the draft audit report to consider within eight weeks of the date of visit. Key findings will be highlighted in the audit report, with associated recommendations to mitigate any issues. The supplier response to this should cover management’s proposed actions to address these recommendations, including timescales and who is responsible for which actions.
- 9.7. Once the finalised audit report has been agreed and issued, we will track the progress of agreed recommendations.
- 9.8. The WHD Compliance and Audit Manager may also request to conduct observation visits to selected supplier scheme activities during the scheme year. This helps us to assess the risk of non-compliance or fraud. We will notify suppliers before any visits and provide them with our expectations.

Supplier internal audit requirements

- 9.9. Suppliers must do their own internal audits to make sure that information in their end-of-year reports, and final rebate redemption reports, is correct. Ofgem will be specifically looking for confirmation and assurance on the areas outlined in Table 5.

Table 5: Supplier internal audit requirements

Scheme Element	Summary of confirmation required in the internal audit report
All	<ul style="list-style-type: none"> • The information submitted is accurate.
Core Group	<ul style="list-style-type: none"> • Core Group rebates were provided to all customers instructed by the Secretary of State on time, subject to any exceptions. • All Core Group customers were notified, either through their bill or in writing, that the rebate payment was made under the WHD scheme. • Incorrect customer instructions were returned to the Secretary of State within 30 days. • Exceptions have been reported in line with those identified in Table 2 of this guidance.

Scheme Element	Summary of confirmation required in the internal audit report
Broader Group	<ul style="list-style-type: none"> • The total number of Broader Group rebates provided by the end of the scheme year is correct. • All Broader Group customers were notified, either through their bill or in writing that the rebate payment was made under the WHD scheme. • The mandatory eligibility criteria and any additional approved eligibility criteria were used and consistently applied across all applications channels throughout the year. • The approved method of evidencing eligibility was used and consistently applied across all application channels throughout the year. • The supplier has done enough random sampling and at least 5% of Broader Group rebate recipients successfully provided documentary evidence to demonstrate that they met the eligibility criteria, or had their eligibility confirmed via an appropriate third party, before any Broader Group rebates were paid.
Industry Initiatives	<ul style="list-style-type: none"> • Total eligible spend is accurate. • The targeting used is consistent with the approved notification. • The activity cost breakdown and outputs achieved are accurately reported. • The activities were undertaken in line with the approved notification and spending was after the date of approval (SY9 and SY10).⁶²
Rebate Redemption	<ul style="list-style-type: none"> • Where accounts are not credited directly (eg PPM customers), the number of rebates delivered is correct and 'one reasonable attempt' in addition to usual processes has been made where these have not been redeemed. This audit will be required alongside the final rebate redemption report due by 31 August 2019 (SY8), 31 August 2020 (SY9) and 31 August 2021 (SY10).

9.10. Staff employed on this activity do not need to hold professional audit qualifications. However, they need to be competent to perform such functions. They should also be able to demonstrate their independence from company management and supplier WHD operational staff.

9.11. The audit report should accompany the end-of-year report and rebate redemption report, and should include details of the results of the verification, the

⁶² More information on spending can be found in Chapter 7 'Industry Initiatives'.

independence and competence of the party who did the audit, and when it was done.

- 9.12. Suppliers must ensure that audit assurance can be provided for the accuracy of the information reported for each activity under the WHD scheme, to support compliance assessment.

Fraud, misuse and abuse prevention

- 9.13. Ofgem takes a zero tolerance approach to fraud. A dedicated Counter Fraud team detects, prevents and deters fraudulent activity across the schemes we administer. In the context of WHD, fraudulent activity is any dishonesty or misrepresentation of the regulations that undermines the government's policy intent or our administration of the scheme.
- 9.14. It's important that suppliers have robust fraud prevention controls to maximise the benefits for consumers in or at risk of fuel poverty. Suppliers should work closely with us to reduce the risk of fraud, and the risk of reputational damage to them and us. We expect that Core Group rebate payments are only provided to customers identified by the Secretary of State and expect that suppliers will have effective internal management controls to allow for such assurance to be reached.
- 9.15. Suppliers should design and implement fraud, misuse and abuse prevention controls and details as a pre-requisite of approval for Broader Group proposals and Industry Initiatives. The Ofgem WHD and Counter Fraud teams will help suppliers do this.
- 9.16. Where Core Group and Broader Group rebates are not provided directly to a customer account (such as for those customers with prepayment meters) any alternative process should be strong enough that it cannot be intercepted by someone other than the recipient. Suppliers must outline how such payments are to be made and the controls they have that minimise the risk of cheques being fraudulently cashed. Suppliers should promptly report any instances of suspected fraud to the Ofgem Counter Fraud team at: counterfraud@ofgem.gov.uk. Suppliers must ensure that their investigations are thorough and completed promptly, and they should contact us if they have any questions about their investigation or findings.

Appendix: Amendments to the guidance

This guidance document has been updated to take account of recent amendments to the WHD through 'The Warm Home Discount (Miscellaneous Amendments) Regulations 2018'. These regulations extend the scheme for three years and introduce the below changes to the WHD obligation.

Other amendments have been made to make the document more user friendly and clarify existing requirements. Where we have changed our administrative processes or supplier requirements, this is listed below.

Summary of key changes to the WHD guidance draft version 6

Regulation	Summary of change	Areas of guidance impacted
15A(4)	Cap on Industry Initiatives increased to £40 million	Throughout
<i>Warm Home Discount (Reconciliation) Regulations 2011</i>	Addition of Core Group Reconciliation	Chapter 4: Core Group 'Reconciliation'
<i>Schedule 1</i>	Increased spending profile	Chapter 2: Spending profile and limits
15A(5)	Reduction in the cap on debt write-off through Industry Initiatives	Chapter 2: Spending profile and limits
<i>Part 1 of Schedule 2 paragraph 2 and paragraph 4</i>	Changes to Broader Group qualifying benefits	Chapter 5: Broader group 'Compulsory Broader Group criteria'
<i>Schedule 4</i>	Financial assistance added under Industry Initiatives	Chapter 7: Industry Initiatives 'Permitted activities'
19(5)	ECO Local Authority flexible eligibility eligible under Industry Initiatives	Chapter 7: Industry Initiatives 'Eligibility Criteria Targeting'
28(4)(a) and (5)	Ofgem response to notifications changed from '28 days' to '20 working days'	Throughout
Throughout	Timing of scheme years 8, 9 and 10	Throughout
Change to guidance only	'Ofgem E-Serve' changed to 'Ofgem'	Throughout
Change to guidance only	'correspondence@decc.gsi.gov.uk' changed to 'warmhomediscount@beis.gov.uk'	Throughout