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Warm Home Discount (WHD)
Annual Report
Scheme Year 12 (2022-23)

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Foreword

The Warm Home Discount (WHD) was introduced in 2011 with the aim of alleviating fuel poverty by providing support for low-income and vulnerable households to heat their homes. To achieve this, energy bill rebates are targeted at low-income pensioners and other low-income groups in or at risk of fuel poverty. Additionally, energy suppliers operate a range of 'Industry Initiatives' under the scheme. These provide different types of financial as well as non-financial support to vulnerable consumers. The WHD is part of a wider range of targeted support, which also includes cold weather and winter fuel payments for low-income and vulnerable consumers.

The Department for Energy Security and Net Zero (DESNZ) is responsible for setting WHD policy and maintains overall responsibility for the scheme. Ofgem has been appointed by DESNZ as the scheme administrator. Key to this role is calculation of the scheme targets energy suppliers must meet, and ensuring suppliers comply with their responsibilities under the scheme – taking compliance or enforcement action where appropriate.

Over the 12 years since launch, more than 28 million rebates have been provided, amounting to over 2 million households every year. In addition, over £324 million of support has been provided to households through supplier 'Industry Initiatives'. I am proud of the role Ofgem has played supporting vulnerable consumers through effective delivery of the WHD scheme.

The WHD scheme, together with a range of other support from government, has provided a real lifeline for many during the colder winter months, helping to keep homes warm and reducing the risk of cold related illness and excess winter deaths. The ongoing cost of living crisis has increased the pressures on household finances, and with government figures showing that in 2023, 13% of households in England were living in fuel poverty, the role WHD plays is vital in continuing to help tackle this.

Following Government consultation on reforms for the WHD scheme, this year saw significant change as the WHD split into separate schemes for England & Wales and another for Scotland. Whilst in Scotland the scheme retained the same structure as in previous years, in England & Wales the reforms introduced further fuel poverty targeting, meaning more households than ever could benefit from a rebate without needing to apply. I welcome this change along with the increase in rebate value from £140 to £150, and the lowering of the threshold at which energy suppliers are required to participate from 150,000 to 50,000 domestic customers.

I am pleased to report that these changes have helped result in more rebates being paid to support vulnerable households than ever before, and the vast majority of these were paid automatically. Although a total of £443.8 million was spent in Scheme Year 12- delivering tangible benefits to consumers who accessed the scheme - this was around £74 million less than anticipated by DESNZ. Several factors contributed to this, including fewer households

than expected calling the dedicated Warm Home Discount helpline after not automatically receiving a rebate. Whilst it is very disappointing that fewer customers benefited than expected, it is positive that DESNZ are rolling forward the unspent funds into the remaining scheme years and have lowered the threshold for households considered as having high energy costs to mitigate the risk of a similar underspend happening again.

When looking at individual supplier performance, we found that four suppliers did not meet their non-core spending obligations, marginally falling short by a combined total of £13,431. Incidents such as these are not acceptable, and we took action against those who were non-compliant. We encourage all suppliers to continue to work with us constructively to deliver this essential support for vulnerable consumers.

Looking forward, I am pleased that for the subsequent thirteenth year of the scheme the threshold for supplier participation has further reduced. This means that any energy supplier with 1,000 or more domestic customers is now required to participate, broadening access to the main elements of the scheme to even more people over the coming years.

As always, we welcome comments from readers on the content of this report, so if you want to get in touch, please use the contact details at the bottom of this page.

Neil Lawrence

Director, Delivery and Schemes

Feedback

We value your feedback on this report. Please contact us at SchemesReportingFeedback@ofgem.gov.uk with any comments or suggestions.

£443.8 million
of support

In SY12 suppliers delivered **£443.8 million** in WHD support to customers (**£395.2 million** in England & Wales and **£48.5 million** in Scotland). This is an increase of 23% on the £359.4 million spent during SY11.

2.66 million
Rebates

During SY12, energy bill rebates of £150 were provided to over **2.66 million customers** in or at risk of fuel poverty (**2.4 million** in England & Wales and **256,409** in Scotland). This is up from a total of 2.32 million in SY11.

£142 million
Rebates for low-income pensioners

946,572 of the 2.66 million rebates with a value of **£142.0 million** went to eligible low-income pensioners in SY12 (**858,346** in England & Wales and **88,227** in Scotland). This total is down slightly from the 968,452 rebates paid to low-income pensioners in SY11.

£257.5 million
Rebates for other fuel poor groups

The **1.72 million** other customers receiving rebates in SY12 is up from 1.35 million in SY11. **£232.2 million** went to customers on low incomes and with high energy costs in England & Wales and **£25.2 million** went to customers in or at risk of fuel poverty in Scotland.

£44.3 million
Industry Initiatives spend

Suppliers delivered a combined **£44.3 million** through other forms of support via Industry Initiatives in SY12 (**£34.3 million** in England & Wales and **£10.0 million** in Scotland). This was up from a total of £34.8 million spent in SY11.

£3.95 billion
Lifetime support

Since the start of the scheme in 2011, a total of **£3.95 billion** has been spent supporting vulnerable consumers through energy bill rebates and Industry Initiatives.

Executive Summary

Ofgem runs a range of environmental and social schemes on behalf of government and for the devolved administrations. Together, these were worth around £9.9 billion in 2022-23. Our schemes fall into three main categories: renewable electricity schemes, renewable heat schemes, and energy efficiency and fuel poverty schemes.

We work with energy companies, consumer groups and other stakeholders, including the UK's elected representatives and other delivery partners across government, to make sure policy targets are met in an economical and consumer conscious way.

The Warm Home Discount (WHD) Scheme

The WHD Scheme was first introduced by government in 2011 to help persons on low-income and who are vulnerable to cold-related illness or living wholly or mainly in fuel poverty in Great Britain. Since its introduction, 28.1 million energy bill rebates have been provided worth almost £3.63 billion. Additionally, a range of alternative support has been provided through Industry Initiatives, collectively worth over £324 million since the start of the scheme.

The elements that make up the WHD scheme are detailed below. These are designed to provide support to different groups of consumers living in or at risk of fuel poverty.

- **Core Group 1 (England & Wales) & Core Group (Scotland)** – Energy bill rebates are provided to low-income pensioners in receipt of Pension Credit Guarantee Credit
- **Core Group 2 (England & Wales)** - Energy bill rebates are provided to low-income households with high energy costs
- **Broader Group (Scotland)** – Energy bill rebates are provided to a wider group of fuel poor customers or those at risk of fuel poverty
- **Industry Initiatives (England & Wales and Scotland)** – A wide range of activities that include both financial as well as non-financial support, run by energy suppliers to help consumers living in or as risk of fuel poverty.

To benefit from a WHD rebate (in the Core or Broader Groups), households must buy their energy from an obligated energy supplier and meet certain eligibility requirements. Other households may also be able to benefit via Industry Initiatives, since these tend to target wider groups of fuel poor consumers and are often not restricted to customers of a specific energy supplier.

The Department for Energy Security & Net Zero (DESNZ) maintain overall responsibility for the coordination and oversight of the WHD scheme, including changes to policy. They also oversee delivery of the Core Group elements. Ofgem are responsible for administering the Industry

Initiatives and Broader Group in Scotland, monitoring supplier compliance, publishing guidance and publishing an annual report on activity under the scheme.

This report covers the twelfth year of the scheme – with support delivered between 1 April 2022 and 31 March 2023 – Scheme Year 12 (SY12). SY12 saw substantial change to the WHD as it split into separate schemes for England & Wales and Scotland, underwritten by separate pieces of legislation.¹

Overall Compliance (page 19)

There were 18 suppliers participating in the WHD scheme at the end of SY12. Of these, 16 were compulsorily obligated and two (Green Energy and Rebel Energy) participated on a voluntary basis. Voluntary suppliers are only obligated under the Core Group elements of the scheme.

During SY12, obligated suppliers provided almost £443.8 million of support to eligible consumers. Of this, £395.2 million was delivered in England & Wales and £48.5 million in Scotland. This included supporting around 2.66 million households with £150 rebates (up from 2.32 million households in SY11) and spending of £44.3 million on a range of alternative support through Industry Initiatives (up from £34.8 million in SY11). There was however a variance between the initial target budget of £523 million and the spending delivered. This was mainly due to an underspend of around £74 million across Core Group 1, Core Group 2 and Core Group (Scotland). This is discussed in the report at paragraph 2.19, but it should be noted that the shortfall in Core Group rebates was not the result of any administrative failure or non-compliance by obligated suppliers. Meanwhile, suppliers spent less on their non-core obligations compared to the original target due to overspend in SY11 being carried over, and some non-compliance by suppliers which is detailed below.

In England & Wales, four suppliers were found to be non-compliant. So Energy and Utilita both failed to meet their non-core spending obligations through Industry Initiatives. So Energy achieved 99.45% of their obligation, leaving a shortfall of £2,069, and Utilita achieved 99.24% leaving a shortfall of £8,888. For both suppliers, the shortfall was added onto their spending obligations for the following year, and each paid the same again to provide additional support to vulnerable consumers. Foxglove and Utility Warehouse met their spending obligations but were also found to be non-compliant as they missed a key scheme reporting deadline.

¹ [The Warm Home Discount \(England & Wales\) Regulations 2022](https://www.legislation.gov.uk/uksi/2022/772/contents/made) the 'WHD Regulations England & Wales': <<https://www.legislation.gov.uk/uksi/2022/772/contents/made>>
[The Warm Home Discount \(Scotland\) Regulations 2022](https://www.legislation.gov.uk/uksi/2022/1073/contents/made) the 'WHD Regulations Scotland': <<https://www.legislation.gov.uk/uksi/2022/1073/contents/made>>
These separate pieces of legislation are collectively referred to in this report as the 'WHD Regulations'.

In Scotland, four suppliers were found to be non-compliant. Ecotricity and Good Energy both failed to meet their non-core spending obligations. Ecotricity achieved 99.91% of their obligation, leaving a shortfall of £98, and Good Energy achieved 96.02% leaving a shortfall of £2,376. For both suppliers, the shortfall was added onto their spending obligations for the following year and each also paid the same again to the Ofgem Voluntary Redress Fund². As in England & Wales, Foxglove and Utility Warehouse achieved the required levels of spending but were found to be non-compliant as they missed a key scheme reporting deadline. Furthermore, Foxglove were found to be non-compliant due to a failure to offer Broader Group rebates to potentially eligible customers in their customer base. Foxglove agreed to provide additional payments equivalent to the Broader Group rebate to customers who were likely to have been eligible during SY12.

While the total supplier spending shortfall of £13,431 is relatively small in the context of the wider scheme, this sum is equivalent to the value of around 90 £150 rebates. Given the importance of WHD support to many households, it is vital that suppliers make every effort to avoid a shortfall of any size.

All of these incidents of non-compliance have been recorded in our Supplier Performance Report (SPR)³

The Warm Home Discount (England & Wales) (page 24)

Core Group 1

In SY12, the eligibility criteria for Core Group 1 remained the same as the previous scheme year; all customers of participating suppliers who received Pension Credit Guarantee Credit⁴ were eligible for a rebate of £150 each.

Overall, 858,346 households were supported with a Core Group 1 rebate in SY12, worth almost £128.8 million.

Core Group 2

Suppliers provided rebates to low-income households with high energy costs and rebates were provided at the same value as for Core Group 1.

Overall, 1,548,173 households were supported with a Core Group 2 rebate in SY12, worth over £232.2 million.

² [Information on the Voluntary Redress Fund](https://www.ofgem.gov.uk/publications/authority-guidance-allocation-redress-funds): <<https://www.ofgem.gov.uk/publications/authority-guidance-allocation-redress-funds>>

³ [Information about the SPR](https://www.ofgem.gov.uk/supplier-performance-report-spr): <<https://www.ofgem.gov.uk/supplier-performance-report-spr>>.

⁴ [Information on Pension Credit Guarantee Credit](https://www.gov.uk/pension-credit): <<https://www.gov.uk/pension-credit>>

Industry Initiatives

Industry Initiatives are the non-core component of the England & Wales WHD scheme. Suppliers had a combined minimum spend on Industry Initiatives in England & Wales of £40 million, divided among obligated suppliers according to their market share. However, due to an overspend by certain suppliers on their non-core obligation during SY11, this effectively reduced the combined minimum spend to approximately £33.8 million.

In total, suppliers spent £34.3 million on 37 attributable Industry Initiatives activities in SY12. These initiatives helped to provide support to over 1.2 million consumers.⁵

The Warm Home Discount (Scotland) (page 42)

Core Group

The Core Group in Scotland operated in the same way as Core Group 1 in England & Wales, with the eligibility criteria remaining the same as for the Core Group in SY11. All customers of participating suppliers who received Pension Credit Guarantee Credit were eligible for a rebate of £150 each.

Overall, 88,227 households were supported with a Core Group rebate in SY12, worth £13.2 million.

Broader Group

The Broader Group element of the WHD scheme required suppliers to provide rebates to a wider group of fuel poor customers or those at risk of fuel poverty. Rebates were provided at the same value as the Core Group.

Broader Group rebates form part of the Scottish non-core spending obligation for suppliers. The other part of the non-core obligation, Industry Initiatives, is capped at a maximum value. This in practice sets a minimum spend on the Broader Group.

In total the Scottish non-core obligation was £35 million in SY12, however due to overspend on the non-core obligation in SY11 this was reduced to £34.36 million. The maximum spending allowed on Industry Initiatives was £11.15 million (including transfers from the Broader Group – see below). This meant that the Broader Group minimum in SY12 was £23.21 million.

Overall, 168,182 households were supported with a Broader Group rebate in SY12, worth £25.2 million.

⁵ Customers often receive more than one type of support through an initiative (eg a benefit entitlement check and energy advice), and it may be possible that consumers receive support through more than one initiative. This should be considered when looking at the total number of consumers supported.

Industry Initiatives

Suppliers do not have any minimum spend on Industry Initiatives in Scotland and do not have to carry out any Industry Initiatives activity. Of the 16 obligated suppliers, 15 chose to meet some of their non-core obligation through Industry Initiatives spending.

Suppliers had a combined maximum spend on Industry Initiatives in Scotland. For SY12 this was originally £7 million but increased to £11.1 million due to certain suppliers being allowed to transfer some of their Broader Group spending obligations (collectively around £4 million) to Industry Initiatives. The total value of the non-core obligation to support customers remained unchanged. In total, suppliers spent £10 million on 22 attributable Industry Initiatives activities in SY12. These initiatives helped to provide support to almost 400,000 consumers.⁶

Audit Programme (page 59)

The onus is on obligated suppliers to ensure compliance with their obligations. To ensure the expected benefits are being delivered, our annual audit programme monitors supplier performance, providing assurance that information is being reported accurately and the risks of non-compliance are minimised.

Our appointed auditors carried out 11 audits for SY12, each focusing on a relevant area of a supplier's operations. Ten of these audits were rated as being 'Good' (no weaknesses were identified, or any shortcomings were minor in nature), and one was 'Satisfactory' (a small number of minor weaknesses were identified). The audit results are shared with suppliers and we work with them to agree any actions required to address the findings.

Consumer Experience Evaluation (page 63)

We carried out two consumer experience evaluation projects during SY12.

Following the substantial scheme changes brought in for SY12, concerns were raised through engagement with consumer groups and charities about the accuracy of some information being provided to consumers. Ofgem engaged with suppliers and required that the company directors confirm, in writing, that they understood the scheme changes and that their customer support teams had received appropriate training on how to advise customers. We will be following up with suppliers to ensure that a high quality of information provision to consumers is maintained.

Concern was also raised that suppliers were failing to make rebate payments promptly, waiting until the end of the scheme year in March to provide rebates. This would mean that customers

⁶ Customers often receive more than one type of support through an initiative (eg a benefit entitlement check and energy advice), and it may be possible that consumers receive support through more than one initiative. This should be considered when looking at the total number of consumers supported.

were not receiving their rebates during the colder months when they are needed the most. To enable us to analyse the timing of rebate payments we requested information from suppliers on their monthly delivery of rebates. Our analysis showed that rebate delivery reflected the pace at which data matching was completed. Almost 84% of payments were made over the colder months of November, December and January, and over 90% of rebates were paid between April 2022 and the end of January 2023. We found no evidence of suppliers systematically withholding payments until March.

Please note: we publish a spreadsheet containing the data used in this report alongside the report on our website.

1. About the Scheme

Chapter purpose

This chapter introduces the purpose, background and operation of the Warm Home Discount (WHD) scheme.

Introduction

- 1.1. The Warm Home Discount (WHD) scheme launched in April 2011 and requires participating domestic energy suppliers, including those who volunteer for the scheme, to provide support towards energy costs to persons on low-income and who are vulnerable to cold-related illness or living wholly or mainly in fuel poverty in Great Britain.
- 1.2. This support may be direct, through energy bill rebates to eligible customers, or indirect through Industry Initiatives, where support is available through a variety of services to reduce fuel poverty and its associated impacts. Support must be delivered within defined scheme periods.
- 1.3. In order for someone to benefit from a WHD rebate in the Core or Broader Groups,⁷ they must buy their energy from an obligated energy supplier and meet certain eligibility requirements. Other households may also be able to benefit via Industry Initiatives, since these tend to target wider groups of fuel poor consumers and are often not restricted to customers of a specific energy supplier.
- 1.4. This report covers the twelfth year of the scheme – with support delivered between 1 April 2022 and 31 March 2023 (SY12). SY12 saw the WHD split into separate schemes for England & Wales and Scotland,⁸ with certain differences between the two schemes.

Changes in SY12

- 1.5. SY12 saw the implementation of different core and non-core spending obligations for England & Wales and Scotland, as well as divergent spending targets. The components of the WHD scheme remained the same as in SY11 for Scotland, but in England & Wales a new element (Core Group 2) was introduced.

⁷ The elements of the WHD are defined in the section starting at paragraph 1.7.

⁸ [The Warm Home Discount \(England & Wales\) Regulations 2022](https://www.legislation.gov.uk/uksi/2022/772/contents/made) the 'WHD Regulations England & Wales': <<https://www.legislation.gov.uk/uksi/2022/772/contents/made>>
[The Warm Home Discount \(Scotland\) Regulations 2022](https://www.legislation.gov.uk/uksi/2022/1073/contents/made) the 'WHD Regulations Scotland': <<https://www.legislation.gov.uk/uksi/2022/1073/contents/made>>
These separate pieces of legislation are collectively referred to in this report as the 'WHD Regulations'

- 1.6. The spending profile for each scheme year is set in the 'WHD Regulations' and increases annually, with 9.4% of the total (2022-26) GB spending target apportioned for the scheme in Scotland. In England & Wales, the initial spending target for SY12 was £474 million and will rise to £511 million by SY15. Scotland's spending target was set at £49 million for SY12 and will rise to £53 million by SY15. For both schemes, the core spending obligation is estimated annually by The Department for Energy Security & Net Zero (DESNZ).

Elements of the WHD scheme

- 1.7. The WHD scheme is made up of core and non-core elements. Both mandatory and voluntary suppliers have obligations under the 'core' elements, whereas only mandatory suppliers have obligations under the 'non-core' elements. The 'core' elements of the WHD scheme are Core Group 1 and Core Group 2 in England & Wales, and the Core Group in Scotland. The 'non-core' elements are Industry Initiatives in England & Wales and the Broader Group and Industry Initiatives in Scotland.
- 1.8. Further information on each of these elements is provided in **Figures 1.1 & 1.2** below.

Figure 1.1: Elements of the WHD scheme in England & Wales

Core Group 1	Core Group 2	Industry Initiatives
<ul style="list-style-type: none"> •Targets low-income pensioners in England & Wales in receipt of Pension Credit Guarantee Credit. •Provides a rebate of £150 applied to the electricity or gas account. •The Department for Work and Pensions (DWP) works with participating suppliers to identify eligible customers. Most eligible customers receive their rebate automatically. •Customers identified as eligible under Core Group 1 must be provided with a rebate. •The cost of Core Group 1 rebates is reconciled between participating suppliers according to their market share. 	<ul style="list-style-type: none"> •Targets low income customers in England & Wales with high energy costs. •Provides a rebate of £150 applied to the electricity or gas account. •Customers on low income are identified through data matching with DWP benefit and HMRC Tax Credit data. Government data on property characteristics is used to identify which low-income households are likely to have high energy costs. •Customers identified as eligible under Core Group 2 must be provided with a rebate. •The cost of Core Group 2 rebates is reconciled between participating suppliers according to their market share. 	<ul style="list-style-type: none"> •The Industry Initiative element of the scheme encourages innovation and allows suppliers to help fuel-poor customers through a variety of activities (e.g. energy advice, energy efficiency measures). •Total spending obligation of £40 million on Industry Initiatives in England & Wales, split according to market share. •The spending obligation may be adjusted (up or down) to account for over or underspend in the Core Groups. The government committed to limit this to £10 million.

Figure 1.2: Elements of the WHD scheme in Scotland

Core Group	Broader Group	Industry Initiatives
<ul style="list-style-type: none"> •Targets low-income pensioners in Scotland in receipt of Pension Credit Guarantee Credit. •Operates in the same way as Core Group 1 in England & Wales. 	<ul style="list-style-type: none"> •Targets a wider group of customers in Scotland in or at risk of fuel poverty. •Provides a rebate of £150 applied to the electricity or gas account. •Suppliers' spending obligations determined according to market share. •In addition to mandatory eligibility criteria, suppliers had some discretion to vary the eligibility criteria to address their specific customer base. •Support under the Broader Group element of the scheme was generally delivered on a first come, first served basis and customers needed to apply for the rebate. 	<ul style="list-style-type: none"> •The Industry Initiatives element of the scheme encourages innovation and allows suppliers to help fuel-poor customers through a variety of activities (e.g. energy advice, energy efficiency measures). •Total spending cap of £7 million on Industry Initiatives in Scotland, split according to market share. •Spending on Industry Initiatives in Scotland is optional. •Suppliers at risk of not meeting their minimum spending obligation on the Broader Group can apply to transfer up to 100% of their Broader Group obligation to Industry Initiatives.

Suppliers on the WHD scheme

- 1.9. Obligated suppliers have either passed a threshold for compulsory participation or have volunteered to join the scheme. The threshold for compulsory participation is based on the number of domestic customers the licensed supplier and any other licensed suppliers in the same group of companies⁹ have in Great Britain.
- 1.10. Within the twelfth year, any licensed supplier within a corporate group which had at least 50,000 domestic customers for gas and/or electricity (calculated annually), was obligated to fully participate in the WHD scheme. This is a reduction from the 150,000 domestic customers required for full scheme participation in SY11, meaning one more supplier (Good Energy) was required to participate during SY12.

⁹ Suppliers with the same owner are treated as a group for the purposes of determining the obligation.

1.11. In England & Wales, voluntary suppliers participate in Core Group 1 and 2. In Scotland, voluntary suppliers only participate in the Core Group. Voluntary suppliers cannot participate in the non-core elements of the scheme. In England & Wales this means the Industry Initiatives, and in Scotland the Broader Group and Industry Initiatives.

WHD scheme budget and obligations

1.12. The 'WHD Regulations' set an overall obligation for each year of the scheme, to be shared among the participating suppliers for that year. The size of the Core Group is estimated by DESNZ each year before the start of the scheme year, with the remaining obligation being allocated to form the non-core obligation.

1.13. The non-core obligation must be met through just Industry Initiatives spending in England & Wales, or a combination of Broader Group and Industry Initiatives spending in Scotland. However, the 'WHD Regulations Scotland' place a maximum cap on the amount that can be spent on Industry Initiatives, which effectively creates a minimum obligation for Broader Group spend.

1.14. The scheme budget rises with inflation, so the sum spent on support over time is maintained in real terms. In England & Wales the overall spending target in SY12 was £474 million, whilst in Scotland the spending target was £49 million, giving a combined scheme budget of £523 million. More information on the WHD scheme budget is provided in **Figure 1.3** below.

Figure 1.3: The WHD scheme budget – SY8 to SY12

	SY8	SY9	SY10	SY11	SY12 (E&W)	SY12 (Scotland)
Industry Initiatives spending limit / obligation	£40m	£40m	£40m	£40m	£40m	£7m
Broader Group minimum spend	£145m	£154m	£167m	£184m	N/A	£28m
Core Group(s) spend estimate	£155m	£153m	£144m	£130m	£434m	£14m
Overall spending target	£340m	£347m	£351m	£354m	£474m (£523 million E&W and Scot. Combined)	£49m (£523 million E&W and Scot. Combined)

Core Group Reconciliation

1.15. Customers who are eligible for one of the Core Group rebates are not necessarily distributed evenly in proportion to supplier market shares, meaning that some suppliers may have a disproportionate number of customers eligible to receive rebates. To manage the financial impact of this, an important part of the Core Group elements is the mechanism to balance the cost of delivery across all participating suppliers. This process is known as the Core Group Reconciliation and is underpinned by the Warm Home Discount (Reconciliation) Regulations 2022 ('the Reconciliation Regulations').¹⁰ 'The Reconciliation Regulations' set out the method by which the costs are reconciled and therefore fairly distributed between suppliers through a series of payments organised by Ofgem.

The roles of Ofgem and DESNZ

Ofgem

1.16. Ofgem's role includes:

- Administering the non-core elements of the scheme (Broader Group and Industry Initiatives for Scotland, or just Industry Initiatives for England & Wales)
- Monitoring suppliers' compliance with all elements of the scheme
- Managing the reconciliation process
- Publishing scheme guidance for suppliers
- Publishing an annual report on activity under the scheme.¹¹

The Department of Energy Security and Net Zero (DESNZ)

1.17. DESNZ maintains overall responsibility for coordination and oversight of the WHD scheme and any policy changes. It also oversees delivery of the Core Groups.

¹⁰ [Warm Home Discount \(Reconciliation\) Regulations 2022:](https://www.legislation.gov.uk/uksi/2022/1162/contents/made)
<<https://www.legislation.gov.uk/uksi/2022/1162/contents/made>>

¹¹ Publishing this report is part of our discharging our ongoing duty to keep the scheme under the review under section 13 of the Energy Act 2010.

2. Overall Compliance

Chapter purpose

This chapter provides information on overall compliance with scheme obligations and contraventions for the England & Wales and Scotland WHD schemes.

Determining compliance

- 2.1. One of our key responsibilities administering the WHD scheme is to determine supplier compliance with scheme obligations. To do this, each supplier submits separate reports for England & Wales and Scotland, summarising the WHD support provided to consumers during the scheme year. We then assessed whether they had provided all support in line with the requirements of the WHD scheme.
- 2.2. The 'WHD Regulations' set specific requirements for how support through each element should be provided to eligible customers. For the direct rebates of the Core Group 1, Core Group 2 (England & Wales only) and Broader Group (Scotland only), these requirements primarily relate to the timing of rebate payments, how the rebates can be provided, and how customers are told they have received their rebate.¹²
- 2.3. We assess whether the non-core support that suppliers provided can be attributed to the scheme. For Industry Initiatives we worked with suppliers to ensure they could evidence that all the industry initiatives activities funded in SY12 were eligible. We also assess whether the value of their activities for the year was sufficient to meet their overall non-core spending obligations.
- 2.4. Having made these assessments, we make an overall determination of each supplier's compliance with the England & Wales and Scotland WHD schemes for the year.

Scheme compliance in SY12

- 2.5. There were 18 suppliers reporting compliance under the WHD scheme at the end of SY12. Of these, 16 were compulsorily obligated and two (Green Energy and Rebel Energy) participated on a voluntary basis. Voluntary suppliers are only obligated under the Core Group elements of the scheme.

¹² Regulation 10 to the 'WHD Regulations England & Wales'; Regulation 23 to the 'WHD Regulations Scotland'

- 2.6. Three suppliers (Ecotricity, ESB and Foxglove) changed from the now defunct status of 'compulsory smaller supplier'¹³ to being fully obligated, and one supplier (Good Energy) participated in the scheme for the first time as a compulsory participant.¹⁴ Details of all suppliers participating in the scheme can be found in **Appendix 1**.
- 2.7. In total, during SY12 obligated suppliers provided almost £443.8 million worth of eligible support to consumers. £395.2 million of this was delivered in England & Wales and £48.5 million in Scotland. The variance between the scheme budget of £523 million (as described in chapter 1) and delivered spending in England & Wales and Scotland is discussed at paragraph 2.19.

Contraventions

- 2.8. We categorise contraventions with the scheme regulations as either major or minor.
- 2.9. Major contraventions occur when there has been a failure to meet a legislative obligation, or a supplier's failure to meet scheme requirements has led to a detrimental impact on those consumers in or at risk of fuel poverty. Minor contraventions occur when a supplier has failed to comply with all the requirements of the 'WHD Regulations'¹⁵, but there has been no detrimental impact on those consumers in or at risk of fuel poverty.
- 2.10. In addition to the scheme's core obligations there are many scenarios where contraventions can occur, including:
- not providing support to customers in an efficient way
 - not passing information to other organisations within set timescales
 - delays to the provision of a customer's rebate
 - poorly targeted support
 - poor evidence of eligibility for targeted support.
- 2.11. For each major contravention we assess the impact on customers and the scheme overall. We also seek action from each supplier to mitigate the impact of customers

¹³ Introduced in SY9 'compulsory smaller suppliers' were suppliers that did not meet the customer threshold to be obligated under all elements of the scheme but were required to provide rebates to Core Group customers only. 'Compulsory small supplier' status was removed from SY12 onwards as part of obligation threshold changes.

¹⁴ In SY12 suppliers were obligated to participate in the scheme if they had 50,000 or more domestic customers.

¹⁵ The 'WHD Regulations England & Wales' and the 'WHD Regulations Scotland' are collectively referred to in this report as the 'WHD Regulations'.

missing out on the support that should have been provided, and ensure that suppliers do not benefit from not providing the support.

- 2.12. For each minor contravention we checked that the individual customers had not been significantly affected, that the administration or delivery of the scheme had not been affected as a whole and that the supplier had resolved the issue within a reasonable timescale. If contraventions were deemed as minor, we did not determine that the supplier was non-compliant overall. However, we still expect suppliers to take preventative actions in the future and repeated failures may be cumulatively considered to be a major contravention.

England & Wales non-compliance summary

- 2.13. In England & Wales two major contraventions were recorded as suppliers So Energy and Utilita both failed to meet their non-core spending obligations through Industry Initiatives. So Energy achieved 99.45% of their obligation, leaving a shortfall of £2,069, and Utilita achieved 99.24% leaving a shortfall of £8,888. These major contraventions meant they were both found to be non-compliant.
- 2.14. Although there were no major contraventions in their delivery of support to England & Wales customers, both Foxglove and Utility Warehouse failed to meet a key scheme reporting deadline. As a result they were deemed to have not met the requirements of the scheme and were found to be non-compliant.
- 2.15. A further 155 minor contraventions were recorded. Twenty-six in Core Group 1, 128 in Core Group 2 and one against an Industry Initiative.

Scotland non-compliance summary

- 2.16. In Scotland three suppliers recorded major contraventions with Ecotricity, Foxglove and Good Energy being found to be non-compliant. Ecotricity and Good Energy both failed to meet their non-core spending obligations. Ecotricity achieved 99.91% of their obligation, leaving a shortfall of £98, and Utilita achieved 96.02% leaving a shortfall of £2,376. Foxglove were found to be non-compliant due to a failure to carry out work to identify customers eligible for Broader Group rebates.
- 2.17. As with the England & Wales scheme, both Foxglove and Utility Warehouse failed to meet a key scheme reporting deadline. Although not classified as a major contravention, Utility Warehouse and Foxglove were both found to be non-compliant for this reason.
- 2.18. In addition to these there was a single minor contravention in the Core Group.

WHD SY12 underspend

- 2.19. The total budget for SY12 across England & Wales and Scotland was £523 million. Although suppliers broadly achieved their collective spending obligations, across the Core Groups there was £74 million less spent on rebates than expected. This underspend is split between Core Group 1 (£15 million), Core Group 2 (£58 million), and Core Group (Scotland) (£1 million). As a result of the issues detailed below, suppliers received fewer instructions to pay rebates than expected.
- 2.20. The budget for Core Group 1 (England & Wales) and Core Group (Scotland) is based on estimates of the number of households in receipt of Pension Credit Guarantee Credit¹⁶ who will be eligible for a rebate. DESNZ also includes a projection of the number of additional households that they expect to become eligible for Pension Credit Guarantee Credit (and therefore meet the WHD eligibility criteria) after the main data-matching process to identify eligible households has taken place. The actual number of households that became eligible after the initial assessment was lower than expected, meaning more rebates were expected than suppliers received instructions to pay.
- 2.21. Under Core Group 2 (England & Wales), when setting the threshold for households considered as likely to have the highest energy costs, DESNZ estimated that a certain number of households who did not receive the rebate automatically would confirm their eligibility via the dedicated helpline. These households were sent letters advising them to call the helpline, however a lot fewer households than expected did so. DESNZ believe there may be two reasons for this. The first reason is that more of such households than estimated may not have been named on the energy bill (which is an eligibility condition), and therefore decided not to make contact. The second reason is that some households may not have understood that they were eligible as they had already received other forms of support available over the winter, namely the Energy Bills Support Scheme and Cost of Living Payments.
- 2.22. In response, in England & Wales, DESNZ made adjustments in SY13 to mitigate the risk of a similar underspend under Core Group 2. This entailed lowering the threshold for households considered as having high energy costs, thereby expanding the eligible cohort to more households. This was confirmed in the Eligibility Statement for SY13.¹⁷
- 2.23. Additionally, across both WHD schemes in England & Wales and in Scotland, DESNZ are rolling forward the underspend so that, as closely as possible, the intended amount of

¹⁶ [Information on Pension Credit Guarantee Credit](https://www.gov.uk/pension-credit): <<https://www.gov.uk/pension-credit>>

¹⁷ [DESNZ, 'Warm Home Discount: eligibility statement \(England and Wales\), 2023 to 2024 scheme year onward', 12 September 2023](https://www.gov.uk/government/publications/warm-home-discount-eligibility-statement-england-and-wales-2023-to-2024-scheme-year-onward). Available at: <<https://www.gov.uk/government/publications/warm-home-discount-eligibility-statement-england-and-wales-2023-to-2024-scheme-year-onward>>

funding is spent supporting fuel-poor households via rebates across the remaining years of the scheme (ie until March 2026).

Core Group Reconciliation

- 2.24. There are three elements to the Core Group in WHD, respectively known as Core Group 1 (England & Wales), Core Group 2 (England & Wales) and Core Group (Scotland). As the elements are administered in a similar way, they were collectively reconciled in a single exercise referred to as the Core Group Reconciliation process.
- 2.25. An interim Core Group Reconciliation took place between February and March 2023. All participating suppliers in the Core Groups that were required to make payments made these in full. As a result, £28.5 million was collected and subsequently distributed to eligible suppliers in line with the Core Group Reconciliation process.
- 2.26. The final reconciliation took place in November 2023. All participating suppliers in the Core Groups that were required to make payments made these in full. As a result, £5.3 million was collected and subsequently distributed to eligible suppliers in line with the Core Group reconciliation process.

3. The Warm Home Discount (England & Wales)

Chapter purpose

This chapter provides a breakdown of activity under each of the components of the England & Wales WHD scheme.

England & Wales compliance summary

- 3.1. Of the 18 suppliers reporting end of year compliance, 16 met their respective spending obligations for the England & Wales scheme. So Energy and Utilita were both found to be non-compliant with their obligations due to an underspend on Industry Initiatives.
- 3.2. So Energy was £2,069 short, reaching 99.45% of their obligation spending target. The shortfall has been added to their spending obligations for SY13, and So Energy agreed to pay the same again into Ofgem's Voluntary Redress Fund¹⁸.
- 3.3. Utilita were £8,888 short, reaching 99.24% of their obligation spending target. The shortfall has been added to their spending obligations for SY13. Additionally, Utilita took the decision to provide £9,000 of non-repayable financial assistance payments to customers whom they know to be financially vulnerable.
- 3.4. Two suppliers (Utility Warehouse and Foxglove energy) failed to meet a key scheme reporting deadline and were late by a significant length of time. While there were no major contraventions in their delivery of support to England & Wales customers, they were considered non-compliant with the requirements of the scheme to provide reporting to Ofgem, which is required for us to carry out our administration.
- 3.5. Six suppliers had minor contraventions with a total of 155 being recorded. There were 26 within Core Group 1, 128 in Core Group 2 and one in relation to Industry Initiatives. The 154 infringements in the Core Groups represent a very small fraction of the 2.4 million rebates provided in England & Wales.
- 3.6. Bulb, Foxglove, OVO Energy, Rebel Energy and Utilita provided explanations for the specific issues that led to their minor contraventions. They also confirmed that they had resolved the errors on behalf of the affected customers. From our discussions with each supplier, we are satisfied that action plans are in place to prevent similar future contraventions.

¹⁸ [Information on the voluntary redress fund](https://energyredress.org.uk/): <https://energyredress.org.uk/>

- 3.7. All of these incidents have been recorded in our Supplier Performance Report (SPR)¹⁹. We take suppliers' compliance with their obligations, including engagement with Ofgem as scheme administrator, very seriously. We expect all suppliers to be diligent and proactive with their responsibilities and will continue to monitor all participants closely during SY13.
- 3.8. Details of individual supplier compliance and contraventions are shown in **Figure 3.1** below.

Figure 3.1: Supplier compliance with Scheme Year 12 England & Wales obligations

Supplier	Overall compliance	Core Group 1	Core Group 2	Industry Initiatives
British Gas	Compliant	√	√	√
Bulb Energy	Compliant	5	57	√
E Energy	Compliant	√	√	√
Ecotricity	Compliant	√	√	√
EDF	Compliant	√	√	√
E.ON	Compliant	√	√	√
ESB	Compliant	√	√	√
Foxglove	Non-compliant	5	17	1
Good Energy	Compliant	√	√	√
Green Energy (<i>Voluntary</i>)	Compliant	√	√	N/A
Octopus	Compliant	√	√	√
OVO Energy	Compliant	√	16	√
Rebel Energy (<i>Voluntary</i>)	Compliant	9	√	N/A
Scottish Power	Compliant	√	√	√
Shell Energy	Compliant	√	√	√
So Energy	Non-compliant	√	√	1
Utilita	Non-compliant	7	38	1
Utility Warehouse	Non-compliant	√	√	√

Key to symbols

√	∅	∅	N/A
No contraventions	Minor contraventions (number of)	Major contraventions (number of)	Did not deliver this element

¹⁹ [Information about the SPR](https://www.ofgem.gov.uk/supplier-performance-report-spr): <https://www.ofgem.gov.uk/supplier-performance-report-spr>.

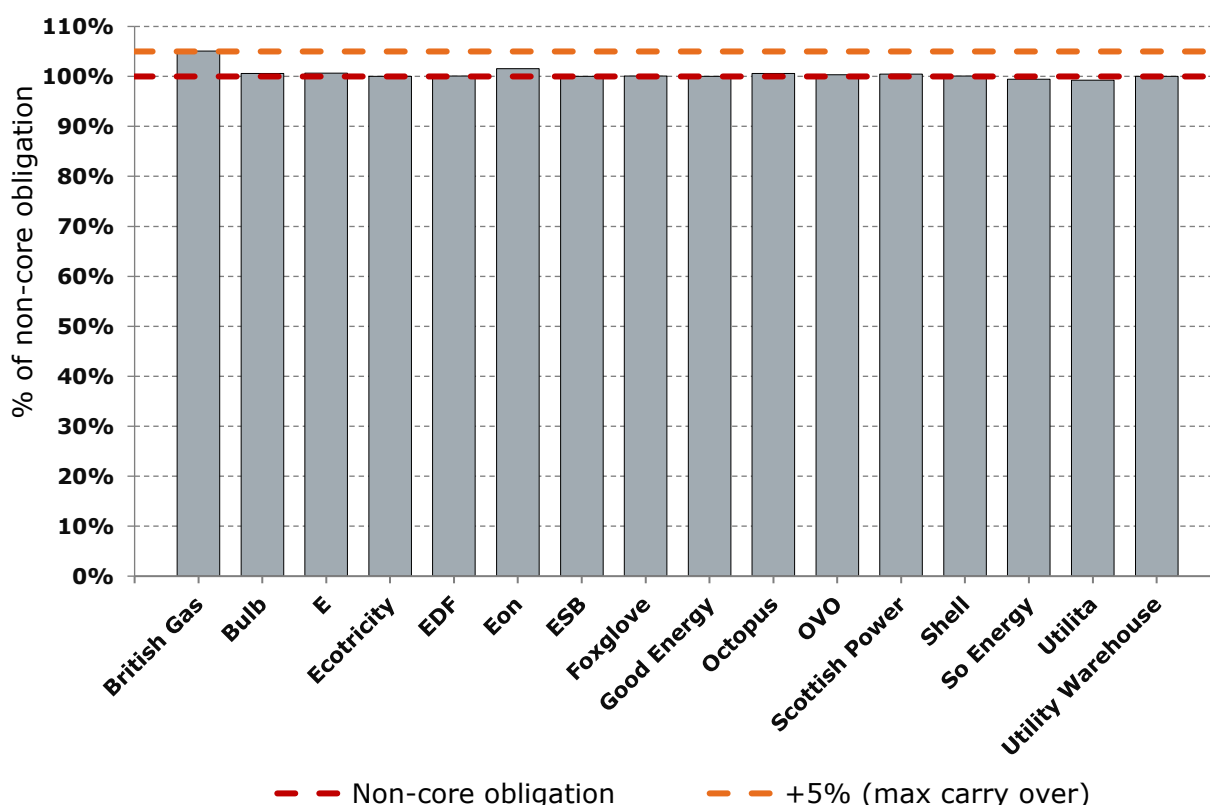
Non-core spending

3.9. Non-core spending on the England & Wales WHD is comprised solely of spending on Industry Initiatives. **Figure 3.2** below shows details of individual supplier spend against their non-core obligations in SY12.

3.10. Suppliers who exceeded their SY12 non-core obligation by over delivering can carry over the excess to SY13, reducing their spending obligation that year. However, this carry over is limited to 5% of the SY12 obligation value²⁰. Ten suppliers reported over delivery in SY12.

Figure 3.2: Supplier spend - England & Wales non-core spending obligations

Column chart showing each supplier's spending against their Industry Initiatives spending obligation in SY12. Fourteen of the 16 suppliers met or exceeded their spending target including British Gas who exceeded their target by 5.1%. Two suppliers (So Energy and Utilita) failed to meet their respective spending targets, achieving 99.4% and 99.2% respectively.



²⁰ Regulation 18(5)(a) to the 'WHD Regulations England & Wales'

Figure 3.2 (Table): Supplier spend - England & Wales non-core spending obligations

Supplier	Spend against non-core obligation (%)
British Gas	105.10%
Bulb	100.58%
E	100.68%
Ecotricity	100.00%
EDF	100.09%
Eon	101.59%
ESB	100.00%
Foxglove	100.07%
Good Energy	100.00%
Octopus	100.62%
OVO	100.33%
Scottish Power	100.49%
Shell	100.06%
SO	99.45%
Utilita	99.24%
Utility Warehouse	100.00%

Core Group 1 (England & Wales)

- 3.11. The Core Group 1 element of the WHD scheme is administered by DESNZ, which works closely with the Department for Work and Pensions (DWP) and participating suppliers to identify eligible Core Group 1 customers.
- 3.12. In SY12, the eligibility criteria for Core Group 1 remained the same as for the Core Group in SY11. All customers of participating suppliers who received Pension Credit Guarantee Credit²¹ were eligible for a rebate of £150 each. Customers identified as eligible for Core Group 1 must be provided with a rebate.
- 3.13. In total, 858,346 households were provided with a Core Group 1 rebate in SY12. These rebates were collectively worth £128.8 million.
- 3.14. It should be noted that there was an issue in Core Group 1 where DESNZ expected there would be more rebates than suppliers actually received instructions to pay. This resulted in an underspend of around £15 million from the original budget. For more information please refer to paragraph 2.19.

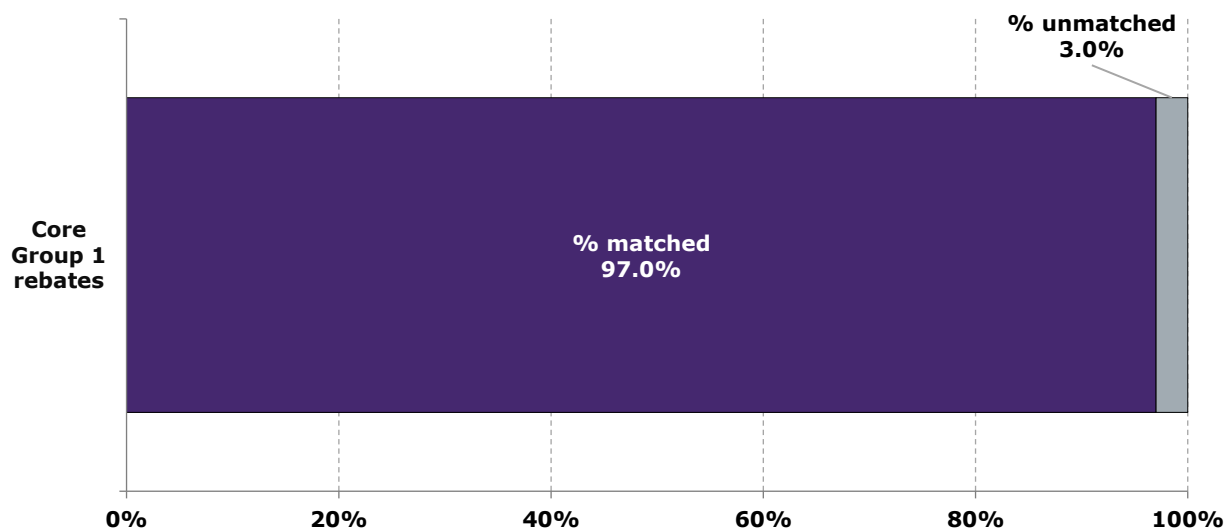
Data Matching

- 3.15. To identify customers eligible for Core Group 1, suppliers share a limited amount of customer data with the DWP who match this against records of Pension Credit recipients. If there is enough information for the customer to be 'matched', the relevant supplier receives an instruction to pay a rebate to this customer in the scheme year. As shown in **Figure 3.3**, for SY12, 97.0% of Core Group 1 customers received their rebate this way, without needing to take any action.
- 3.16. The remaining customers that received a rebate, who could not be matched automatically, were asked to provide further information to a government call centre to confirm their electricity supplier. There were 25,634 'unmatched' customers that received a rebate (3.0% of the total) through this method during SY12.

²¹ [Information on Pension Credit Guarantee Credit](https://www.gov.uk/pension-credit): <<https://www.gov.uk/pension-credit>>

Figure 3.3: Core Group 1 rebates matched in SY12

Stacked bar chart showing the percentage of matched and unmatched Core Group 1 rebates in SY12. 97.0% of rebates were matched, meaning that these customers received their rebates without having to take any action. This compares with 95.3% of customers being matched in SY11, before the split into England & Wales and Scotland WHD schemes.



Exceptions

- 3.17. Suppliers are expected to fulfil each rebate instruction they are sent. However, the 'WHD Regulations' recognise that there can be certain situations where this is not possible. 'Regulation 11' ('WHD Regulations England & Wales') allows the Secretary of State (SoS) to determine situations where it would not be reasonably practicable to provide the rebate.
- 3.18. The SoS has determined that if a customer has died and their estate cannot be contacted, or if the customer has otherwise closed their account and cannot be contacted by any means, these instructions may be treated as exceptions and the supplier is not required to pay the rebate.
- 3.19. There may be other reasons why a supplier was not able to provide a rebate to the named domestic customer. If suppliers provide an explanation and we agree it is justified, these may also be treated as exceptions.

3.20. Suppliers treated 221 Core Group 1 instructions as exceptions in SY12, about 0.03% of the total. We expect suppliers to make additional attempts to deliver rebates using alternative methods. However, based on our review of information provided we are satisfied in all cases that reasonable efforts were made to provide the rebate, and that the treatment as exceptions was justified.

Rebate Provision and Delivery

- 3.21. We treat a rebate as being 'provided' when a supplier attempts to give a rebate to a customer, and 'delivered' when the customer has successfully redeemed it. In a small number of cases, the customer may not redeem a voucher or cheque sent to them. These rebates are considered to be 'provided' but not 'delivered'.
- 3.22. We are aware that customers sometimes have difficulty redeeming rebates provided by suppliers. As such, the requirements imposed on suppliers ensure they make reasonable efforts to help customers get the benefit of rebates provided through the WHD scheme. We expect suppliers to treat customers fairly and in addition to normal processes used to 'deliver' outstanding rebates to customers, we ensured that suppliers followed this up and made at least one additional attempt to 'deliver' the rebate.
- 3.23. The value of rebates that a supplier 'provides' but does not 'deliver' to customers is added to the supplier's non-core obligation for the following scheme year.²² This allows suppliers to use unredeemed rebates to support additional customers in future scheme years. Any rebates that are not 'delivered' where the supplier has not made one additional reasonable attempt to deliver may be treated as non-compliant.
- 3.24. In SY12, 858,346 Core Group 1 rebates were 'provided' with a value of almost £128.8 million. In total, 847,504 Core Group 1 rebates were 'delivered' with a value of £127.1 million (98.7% of rebate value was delivered). We are satisfied with the overall high redemption rate across suppliers.

²² Regulation 18(6) to the 'WHD Regulations England & Wales'

Core Group 2 (England & Wales)

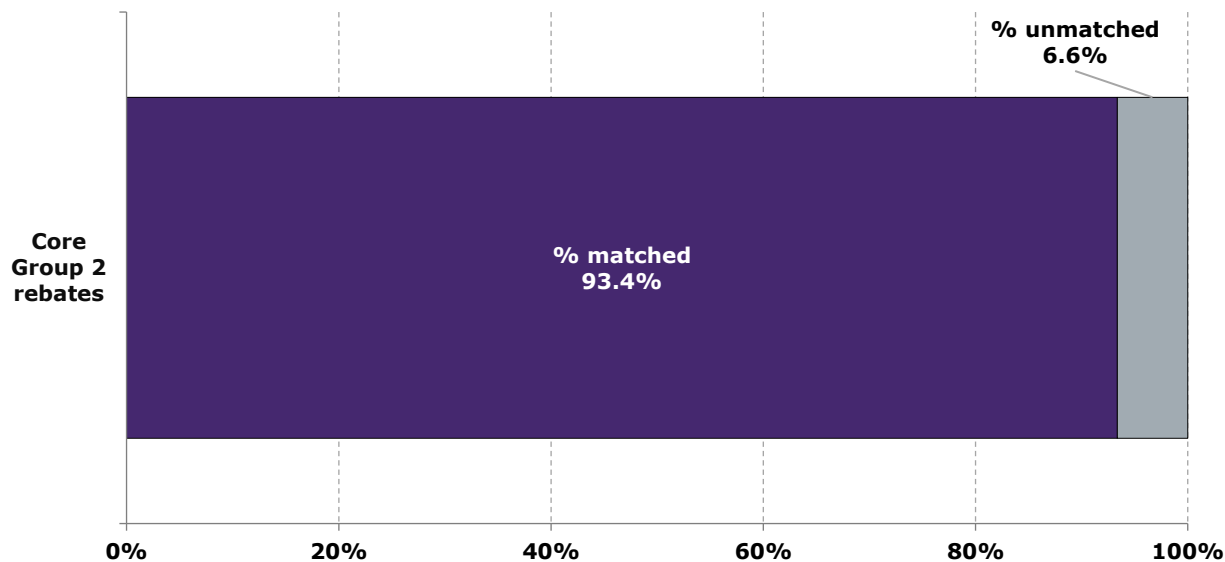
- 3.25. The Core Group 2 element of the WHD scheme is administered by DESNZ, which works closely with the DWP, HM Revenue & Customs (HMRC), and participating suppliers to identify eligible Core Group 2 customers.
- 3.26. Suppliers provide rebates to low-income households with high energy costs and rebates are provided at the same value as for Core Group 1, which was £150 during SY12. Customers identified as eligible under Core Group 2 must be provided with a rebate.
- 3.27. In total, 1,548,173 households were provided a Core Group 2 rebate in SY12. These rebates were collectively worth £232.2 million.
- 3.28. It should be noted that there was an issue in Core Group 2 that meant suppliers received fewer instructions to pay rebates than expected. This resulted in an underspend of around £58 million from the original budget. For more information please refer to paragraph 2.19.

Data Matching

- 3.29. As with Core Group 1, rebates are required to be provided automatically. To identify eligible Core Group 2 customers the following data is matched to identify low-income households with high energy costs:
- Benefits and Tax Credit receipts, which are held by DWP or shared by HMRC with DWP
 - Property characteristics, primarily obtained using Valuation Office Agency (VOA) data
 - Customer accounts provided by the participating suppliers.
- 3.30. If there is enough information for the customer to be 'matched', the relevant supplier receives an instruction to pay a rebate to this customer in the scheme year. As shown in **Figure 3.4**, for SY12, 93.4% of Core Group 2 customers given a rebate received their rebate this way without needing to take any action. The remaining customers that received rebates had to provide further information to a government call centre to confirm their eligibility.

Figure 3.4: Core Group 2 rebates matched in SY12

Stacked bar chart showing the percentage of matched and unmatched Core Group 2 rebates in SY12. 93.4% of rebates were matched, meaning that these customers received their rebates without having to take any action.



Exceptions

- 3.31. Exceptions in Core Group 2 are treated in the same way as exceptions in Core Group 1.
- 3.32. Suppliers treated 663 Core Group 2 instructions as exceptions in SY12, about 0.04% of the total. We expect suppliers to make additional attempts to deliver rebates using alternative methods. However, based on our review of information provided we are satisfied in all cases that reasonable efforts were made to provide the rebate, and that the treatment as exceptions was justified.

Rebate Provision and Delivery

- 3.33. In SY12, 1,548,173 Core Group 2 rebates were 'provided' with a value of £232.2 million. In total, 1,520,397 Core Group 2 rebates were 'delivered' with a value of £228.1 million (98.2% of rebate value was delivered). We are satisfied with the overall high redemption rate across suppliers.
- 3.34. For more information on the process for rebate provision and delivery refer to paragraph 3.21.

Industry Initiatives (England & Wales)

- 3.35. In England & Wales, Industry Initiatives are the only non-core element of the WHD scheme. As such, the England & Wales non-core spending obligation has to be met through spending on Industry Initiatives.
- 3.36. Suppliers had a combined minimum spend on Industry Initiatives in England & Wales. For SY12 this was £40 million, divided among obligated suppliers according to their market share. However, due to overspend by suppliers on their non-core obligation during SY11, this effectively reduced the combined required minimum spend to approximately £33.8 million.
- 3.37. Suppliers are required to submit notifications to Ofgem outlining their Industry Initiatives plans each scheme year. We approve Industry Initiatives if the proposal is in line with the requirements of the 'WHD Regulations', and there are clear, robust plans in place to deliver the activity successfully.
- 3.38. A supplier may run a new Industry Initiatives 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 suitable customers and delivering value for money. This flexibility is intended to encourage suppliers to develop more innovative initiatives.
- 3.39. There were four pilot initiatives conducted in SY12, all of which were deemed compliant:
- OVO's 'StepChange Debt Advice' provided non-monetary debt advice appointments for customers who have been recognised as being in or at risk of fuel poverty. StepChange worked with customers to create an income and expenditure statement in order to identify the most appropriate course of action for them. They received a personalised action plan, offering them access to a range of suitable debt solutions tailored to their circumstances. StepChange then either set up their managed solution or provided advice and guidance aiding the customer's financial recovery.
 - Octopus Energy's 'Energy Support Visits' trained 16 brand ambassadors to offer in-home visits across 12 regions in England & Wales. These offered customers energy saving advice, a room-by-room energy efficiency needs analysis, use of thermal imaging cameras to understand the thermal efficiency of the home, smart meter installation advice/referral and signposting to third party support companies to check eligibility for any unclaimed benefits.

- EDF's web-based entitlement finder (Onesee) helps fuel poor and at-risk customers find and claim all social and environmental entitlements that they are eligible for.
- EON's 'Customer Support Scheme' offered a holistic support package to vulnerable people in or at risk of fuel poverty, irrespective of their energy supplier. They offered a wide range of support and advice to customers to increase affordability, reduce energy consumption and in turn improve their overall well-being. The service included energy efficiency and smart meter advice, the potential to fund some measures such as loft and cavity wall insulation, and referrals to other organisations for support.

3.40. The 'WHD Regulations' place four conditions on approval of Industry Initiatives. Before receiving approval at the notification stage, the supplier must demonstrate plans meet each of the four conditions for the proposed activity. At the end of the scheme year, suppliers must be able to provide evidence that each of the conditions were met.

3.41. The four conditions can be summarised as follows:

- The activity funded must be one, or a combination of more than one, of the activities permitted in the 'WHD Regulations' (and summarised in paragraph 3.42)
- The activity must benefit target groups who are fuel poor, or at risk of fuel poverty
- The activity must ensure, as far as reasonably practicable, that every domestic consumer provided with benefits under the initiatives will be provided with energy advice and smart meter advice
- The activity should demonstrate value for money.

3.42. The 'WHD Regulations' require that Industry Initiatives spending must be on certain types of activity to be eligible.²³ Broadly, these activities fall into eight categories:

1. **Referrals** - Payments to organisations that refer customers who are in or at risk of fuel poverty and may be eligible for a benefit under the WHD scheme or any other support provided by the supplier
2. Providing **benefit entitlement checks** and/or assistance to claim benefits
3. Providing **energy efficiency measures**
4. Providing **energy advice**
5. **Training** persons to provide energy advice
6. **Debt assistance**, including non-monetary debt assistance and debt write-off
7. Payments to eligible occupiers of **mobile homes**
8. **Financial assistance payments** - towards energy bills, including rebates.

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

3.44. Suppliers may also collaborate on Industry Initiatives – an activity can be funded by more than one supplier to provide a joint service. Each supplier then attributes the value of the funding they provided to their own obligation, and the activity is assessed through Ofgem's compliance checking.

3.45. There were also several caps on different types of Industry Initiatives spending in SY12 and these are outlined below. If a supplier spent above their share of these limits, then the additional spend would not be counted towards their WHD non-core spending obligations.

- **Debt write-off** across all suppliers could not exceed £6 million.
- There was a collective minimum spend on **financial assistance payments** of £5 million, and a cap of £10 million.
- For **boiler and central heating replacements** there was a collective spending cap of £8 million.

3.46. For more information on the rules around Industry Initiatives please refer to our guidance.²⁴

²³ Regulation 21 of the 'WHD Regulations England & Wales'

²⁴ [Warm Home Discount Guidance \(England & Wales\)](https://www.ofgem.gov.uk/publications/warm-home-discount-guidance-v1-england-and-wales): <<https://www.ofgem.gov.uk/publications/warm-home-discount-guidance-v1-england-and-wales>>

Delivery

- 3.47. In total, suppliers spent £34.3 million on attributable Industry Initiatives activities in England & Wales during SY12. This compares to the £34.8 million spent in SY11 across England, Wales & Scotland. These initiatives helped to provide support to over 1.2 million consumers.²⁵
- 3.48. **Figure 3.2** earlier in this chapter shows each supplier's Industry Initiatives spend in relation to their spending target.
- 3.49. In SY12, suppliers funded 37 different Industry Initiatives, six of which were collaborations between multiple suppliers. All eight types of activity were funded in at least one of the initiatives.
- 3.50. We are aware from supplier reporting that referral services were in some cases offered at no additional cost alongside advice services. We are also aware that supplier methods for identifying customers in need of support took risk groups into consideration, although the focus was on individuals as in previous years.
- 3.51. We have summarised the spending and customers supported by activity type in **Figure 3.5** and **3.6** below.

²⁵ Customers often receive more than one type of support through an initiative (eg a benefit entitlement check and energy advice), and it may be possible that consumers receive support through more than one initiative. This should be considered when looking at the total number of consumers supported.

Figure 3.5: Customer support activity figures in SY12

Clustered column chart presenting the total spend and the number of customers helped in each Industry Initiatives category. The largest proportions of spending were allocated for energy efficiency (EE) measures (£7.23 million) and financial assistance (£6.60 million). However, the categories where most customers received support were training (862,428) and energy advice (134,059).

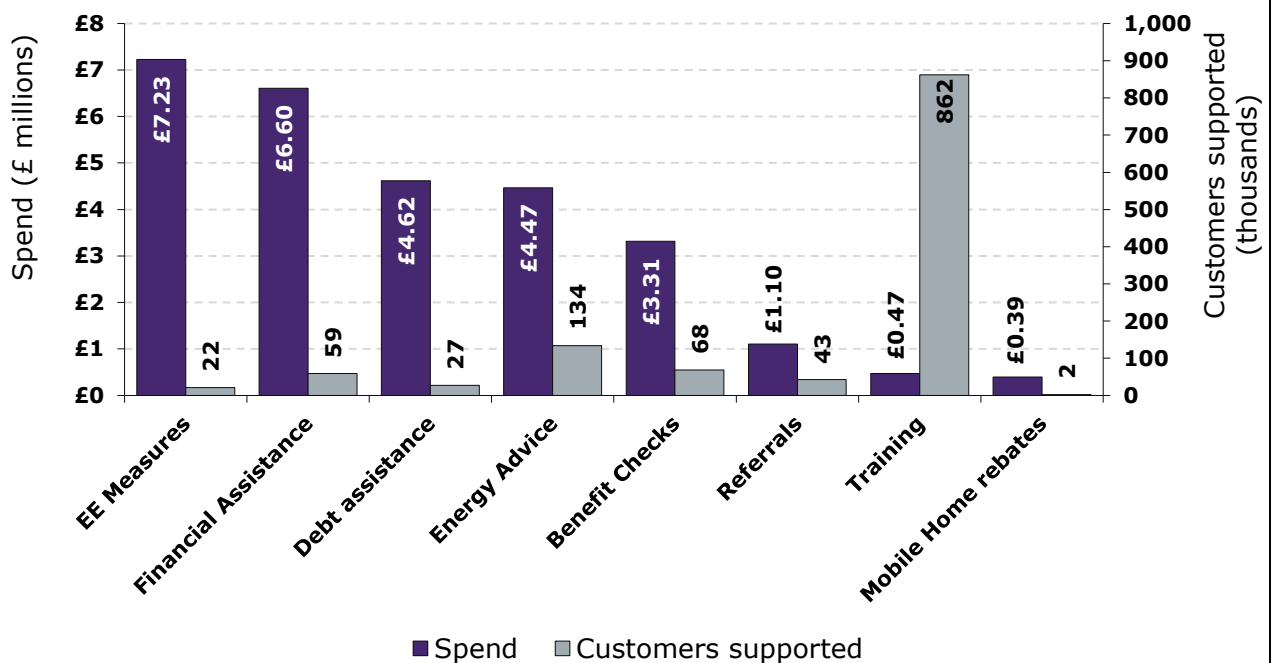
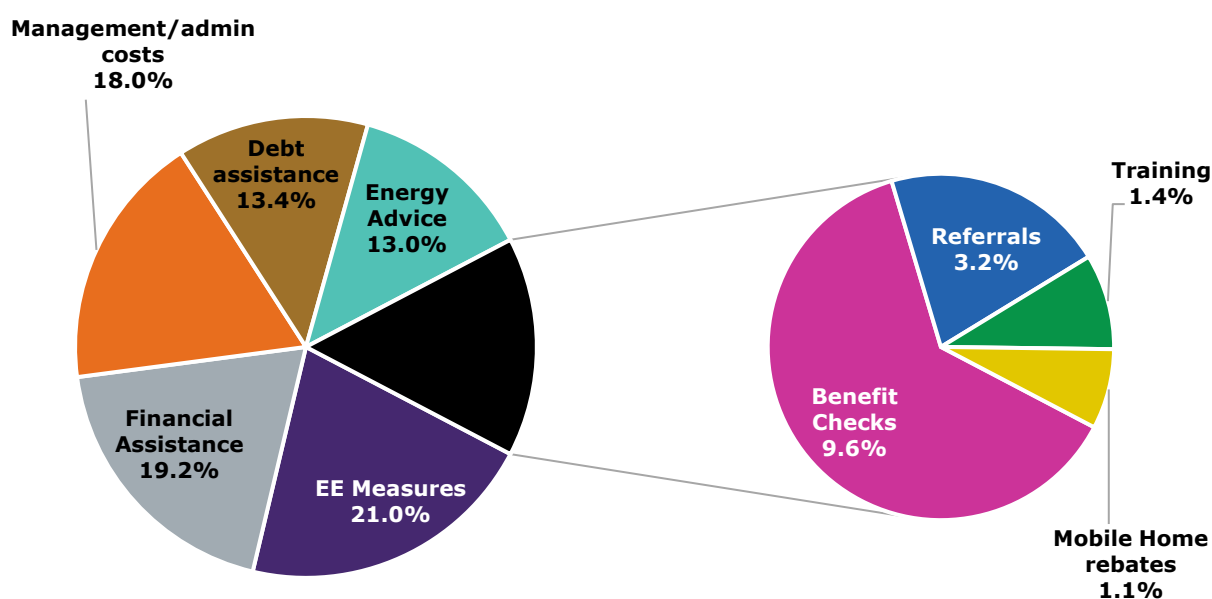


Figure 3.6 Industry Initiatives spending breakdown in SY12 (England & Wales)

Pie chart presenting the split of Industry Initiatives spending in SY12. Energy efficiency (EE) measures and financial assistance make up 40.2% of all spending. 18.0% was spent on management and administration costs, with debt assistance and energy advice making up the bulk of remaining spend, at 13.4% and 13.0% respectively.

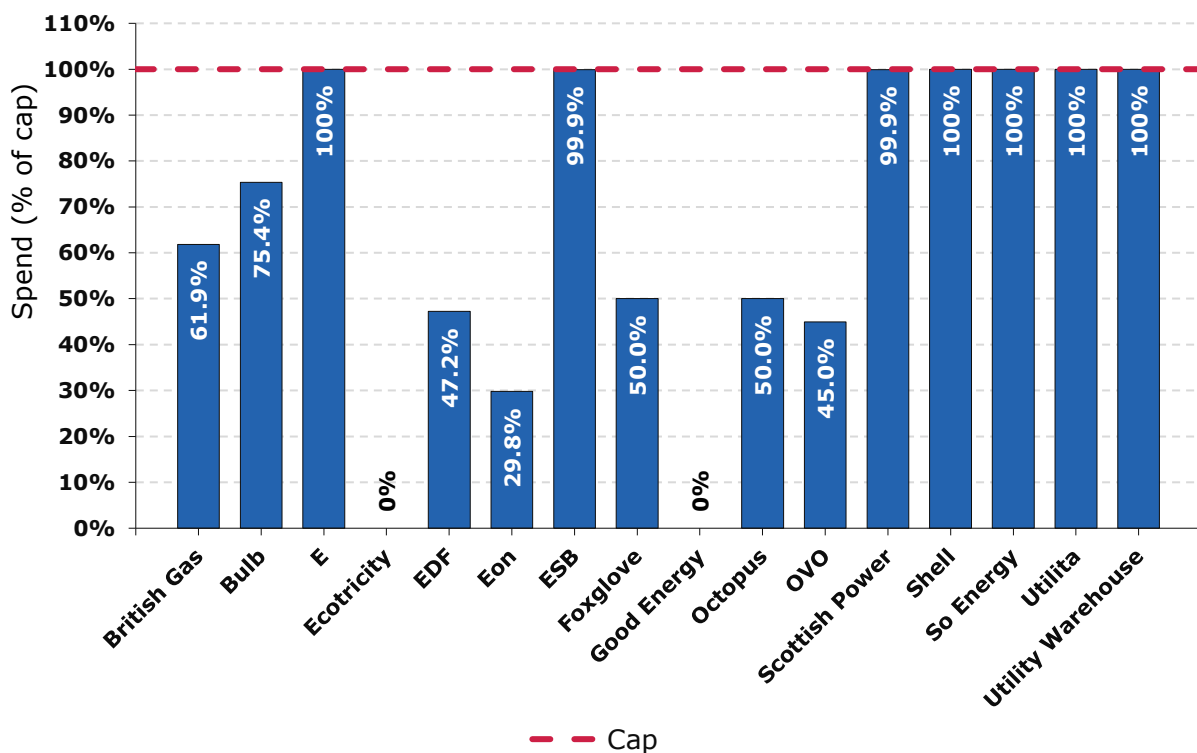


- 3.52. The largest proportion of funding was attributed to providing energy efficiency measures, accounting for over £7.23 million of total spend (21.0%). Suppliers were required to confirm that this spend was not double counted as part of any other obligation, such as the Energy Company Obligation (ECO).
- 3.53. In addition to funding activities which directly helped consumers, suppliers also funded the training of advisors who could assist consumers with managing their energy and energy bills. This made up only 1.37% of total spend but accounted for 70.8% of customers supported.
- 3.54. In total £6.18 million, or 18.0% of the Industry Initiatives spend went towards 'management and administration costs'.
- 3.55. Over £6.6 million was spent on Financial Assistance Payments. Well above the minimum required of £5 million, and well within the cap of £10 million.

3.56. Looking at debt write-off payments, collectively almost £3.6 million was spent. This represents 59.7% of the £6 million spending cap. **Figure 3.7** shows individual supplier spend against the debt write-off cap.

Figure 3.7: Individual supplier spend on debt write-off payments

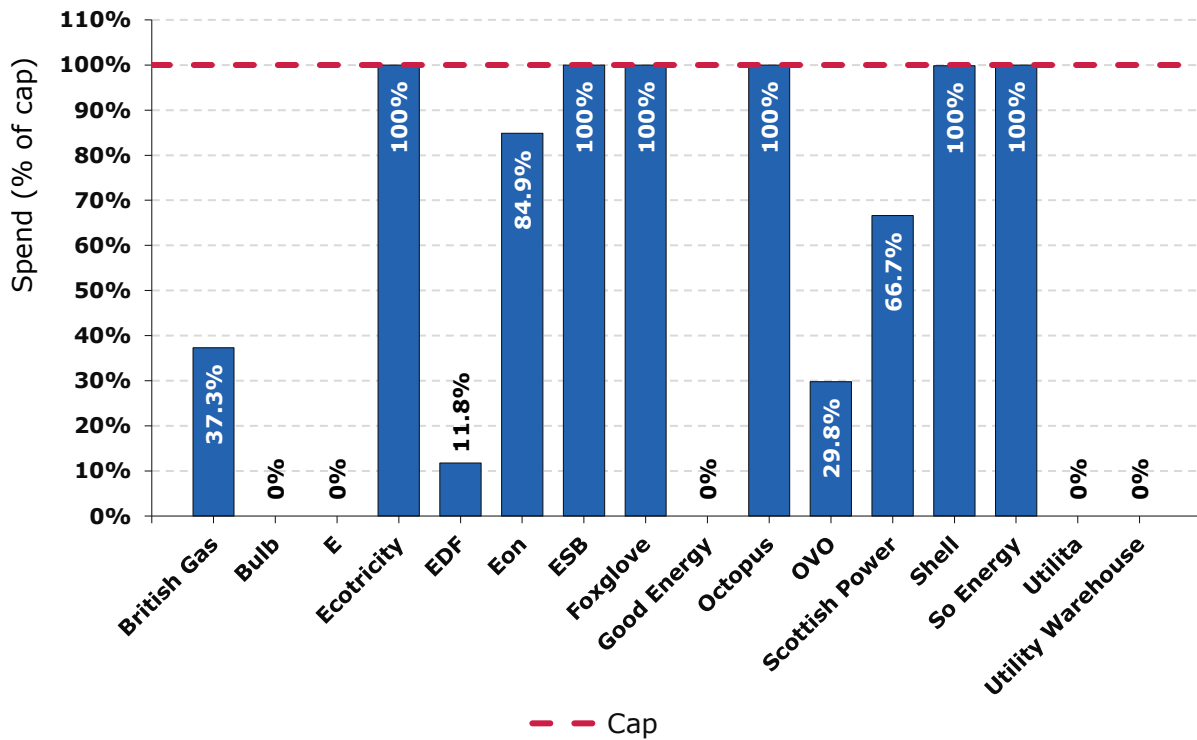
Column chart showing that five suppliers (E, Shell, So Energy, Utilita and Utility Warehouse) utilised 100% of the maximum allowed on debt write-off payments. A further two (ESB and Scottish Power) utilised over 99% and two (Ecotricity and Good Energy) spent no funds on debt write-offs.



3.57. For boiler and heating system replacements almost £4.1 million was spent. This represents 51.0% of the £8 million spending cap. **Figure 3.8** shows individual supplier spend against the boiler and heating system replacements cap.

Figure 3.8: Individual supplier spend on boiler and heating system replacements

Column chart showing that six suppliers (Ecotricity, ESB, Foxglove, Octopus, Shell and So Energy) utilised 100% of the maximum allowed on boiler and heating system replacement payments. Five suppliers (Bulb, E, Good Energy, Utilita and Utility Warehouse) spent no funds on boiler and heating system replacement payments.



Meeting the WHD Requirements

- 3.58. We worked with suppliers to ensure they could evidence that all the industry initiatives activities funded in SY12 were eligible. Following completion of the annual compliance assessment, we allocated eligible spend to the Industry Initiatives which are reported in this chapter.
- 3.59. Based on the information provided, we are satisfied that the consumers who received support through the Industry Initiatives were fuel poor, or at risk of fuel poverty.
- 3.60. We are generally satisfied that activities delivered were at a reasonable cost. We compared the costs reported to us against industry benchmarks, confirming that delivery costs were necessary to provide and manage the service effectively.
- 3.61. We noted in some cases that suppliers had chosen to absorb indirect management and administration costs, meaning that the full value of their spending went direct to services helping consumers.
- 3.62. We expect suppliers to be proactive in their engagement with us. Where they identified delivery risks, suppliers generally engaged with us early to notify us of any issues that had arisen.

4. The Warm Home Discount (Scotland)

Chapter purpose

This chapter provides information on the Scottish WHD scheme. Details are provided on overall compliance with scheme obligations, contraventions and a breakdown of activity under each of the components of the Scotland scheme.

Scotland compliance summary

- 4.1. Of the 18 suppliers reporting end of year compliance, 16 met their respective spending obligations for the Scotland scheme. Ecotricity and Good Energy were both found to be non-compliant due to an underspend on their non-core spending obligations. Additionally, Foxglove were found to be non-compliant due to a failure to offer Broader Group rebates to potentially eligible customers in their customer base.
- 4.2. Ecotricity were £98 short, reaching 99.91% of their obligation spending target. Therefore it was determined that Ecotricity should make a payment to Ofgem's Voluntary Redress Fund²⁶ in lieu of this underspend. Additionally, the underspend sum has been added to their SY13 obligation.
- 4.3. Good Energy were £2,376 short, reaching 96.02% of their obligation spending target. Therefore it was determined that Good Energy should also make a payment to Ofgem's Voluntary Redress Fund in lieu of this underspend, equivalent to the amount of this underspend. Additionally, the underspend sum has been added to their SY13 obligation.
- 4.4. Foxglove met their overall non-core spending obligation but were found to be non-compliant due to a failure to carry out work to identify customers eligible for Broader Group rebates, and for being late by a significant length of time in relation to a key scheme reporting deadline. We asked Foxglove to identify any potentially eligible Broader Group customers, and to confirm their process and eligibility criteria. Foxglove identified 58 customers who may have been eligible for the Broader Group rebate and proposed to pay £150 to each of them, in line with the scheme year rebate amount. This was agreed and subsequently a total of £8,700 was paid to customers.
- 4.5. Utility Warehouse also failed to meet a key scheme reporting deadline and were late by a significant length of time. While there were no major contraventions in their delivery of support to Scottish customers, they were considered non-compliant with the requirements of the scheme to provide reporting to Ofgem, which is required for us to carry out our administration.

²⁶ [Information on the voluntary redress fund](https://energyredress.org.uk/): <https://energyredress.org.uk/>

- 4.6. Utilita was the only supplier with a minor contravention recorded on the Scottish WHD scheme. This contravention occurred in the Core Group and related to three customers Utilita were unable to identify as Utilita Core Group customers. The instruction to pay these customers was not subsequently returned to the Secretary of State within the 30-day timescale as outlined in regulation 11(6). Delays can occur to customers receiving their rebate where suppliers do not meet these timescales.
- 4.7. Details of individual supplier compliance and contraventions on the Scottish WHD are shown in **Figure 4.1** Below.

Figure 4.1: Supplier compliance with Scheme Year 12 Scotland obligations

Supplier	Overall compliance	Core Group	Broader Group	Industry Initiatives	Overall non-core
British Gas	Compliant	✓	✓	✓	✓
Bulb Energy	Compliant	✓	✓	✓	✓
E Energy	Compliant	✓	✓	✓	✓
Ecotricity	Non-compliant	✓	✓	✓	1
EDF	Compliant	✓	✓	✓	✓
E.ON	Compliant	✓	✓	✓	✓
ESB	Compliant	✓	✓	✓	✓
Foxglove	Non-compliant	✓	1	✓	✓
Good Energy	Non-compliant	✓	✓	✓	1
Green Energy (Voluntary)	Compliant	✓	N/A	N/A	N/A
Octopus	Compliant	✓	✓	✓	✓
OVO Energy	Compliant	✓	✓	✓	✓
Rebel Energy (Voluntary)	Compliant	✓	N/A	N/A	N/A
Scottish Power	Compliant	✓	✓	✓	✓
Shell Energy	Compliant	✓	✓	✓	✓
So Energy	Compliant	✓	✓	✓	✓
Utilita	Compliant	1	✓	✓	✓
Utility Warehouse	Non-compliant	✓	✓	✓	✓

Key to symbols

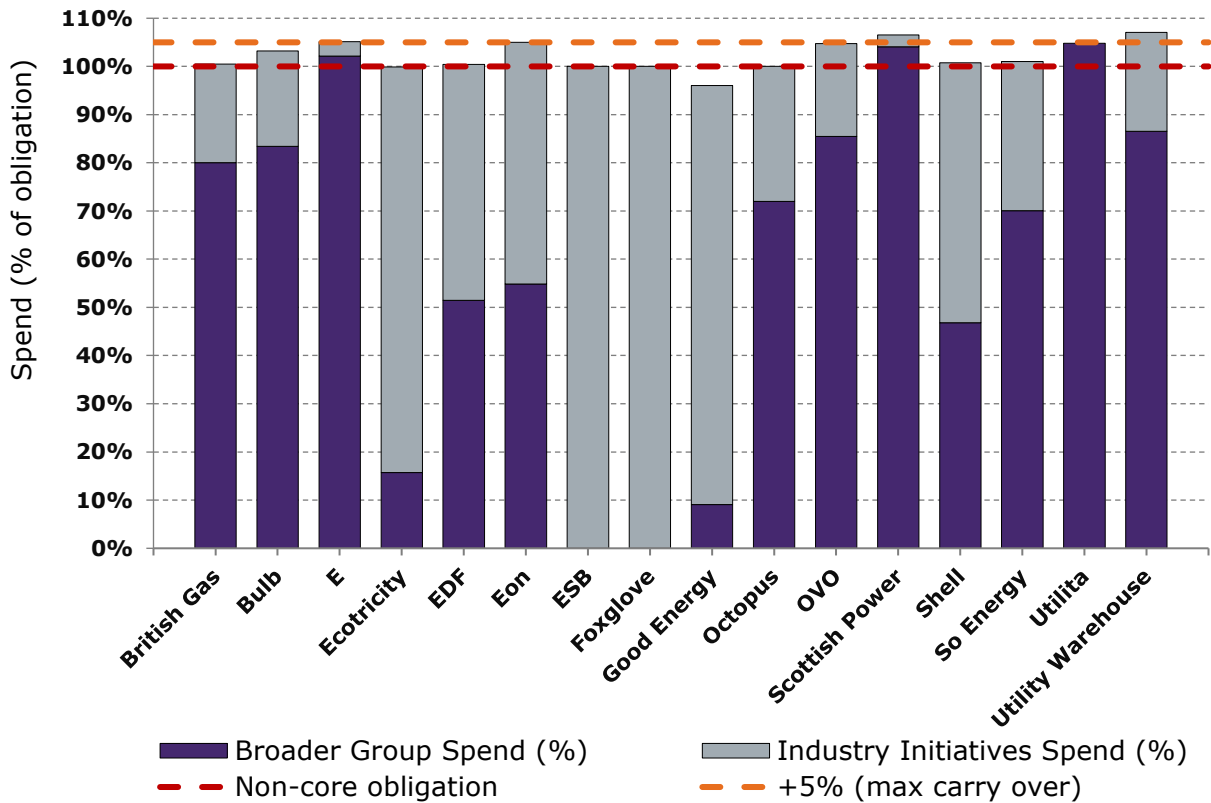
✓	∅	∅	N/A
No contraventions	Minor contraventions (number of)	Major contraventions (number of)	Did not deliver this element

Non-core spending distribution and over delivery

- 4.8. Suppliers who exceeded their SY12 non-core obligation by over delivering can carry over the excess to SY13, reducing their spending obligation that year. However, this carry over is limited to 5% of the SY12 non-core obligation value²⁷.
- 4.9. For SY12, 12 suppliers reported over delivery of their obligation, allowing them to carry over eligible spend to SY13. Details of supplier spending against their non-core obligations can be found in **Figure 4.2** below.

Figure 4.2: Supplier spending against Scottish non-core spending obligations

This column chart shows that all but two suppliers (Ecotricity & Good Energy) met their non-core spending obligations on the Scottish WHD scheme. As shown in the table below, a number of suppliers over delivered against their obligations, but energy suppliers E, EON, Scottish Power and Utility Warehouse exceeded their obligation by more than the maximum carry over limit of 5%.



²⁷ Regulation 17(5)(a) to the 'WHD Regulations Scotland'

Figure 4.2 (Table): Supplier spend against Scotland non-core spending obligations

Supplier	Broader Group spend (%)	Industry Initiatives spend (%)	Overall achievement
British Gas	80.05%	20.47%	100.52%
Bulb	83.44%	19.79%	103.23%
E	102.12%	3.00%	105.12%
Ecotricity	15.73%	84.18%	99.91%
EDF	51.49%	48.92%	100.41%
Eon	54.82%	50.18%	105.00%
ESB	0.00%	100.00%	100.00%
Foxglove	0.00%	100.00%	100.00%
Good Energy	9.04%	86.98%	96.02%
Octopus	72.00%	28.01%	100.01%
OVO	85.44%	19.32%	104.76%
Scottish Power	104.10%	2.45%	106.55%
Shell	46.80%	53.96%	100.76%
So Energy	70.04%	30.98%	101.02%
Utilita	104.79%	0.00%	104.79%
Utility Warehouse	86.53%	20.54%	107.07%

Core Group (Scotland)

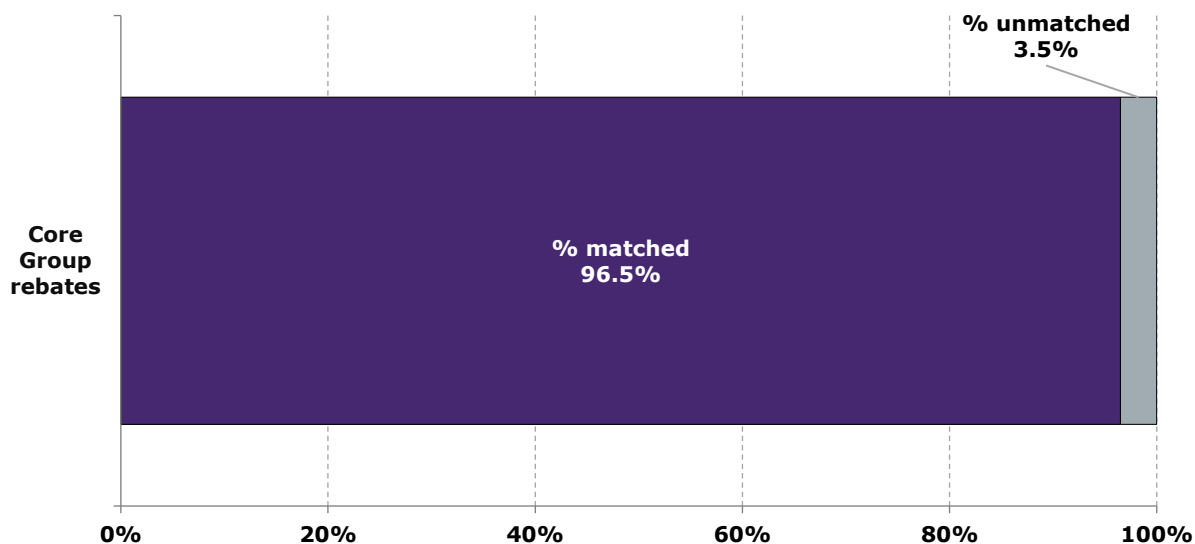
- 4.10. The Core Group element of the Scottish WHD has the same approach as Core Group 1 in England & Wales. For more information on the operation of the Core Group in Scotland please refer to the Core Group 1 section starting at paragraph 3.11.
- 4.11. In total, 88,227 customers were provided a Core Group rebate in Scotland during SY12. These rebates were collectively worth £13.2 million.
- 4.12. It should be noted that there was an issue in Core Group (Scotland) where DESNZ expected there would be more rebates than suppliers eventually received instructions to pay. This resulted in an underspend of around £1 million from the original budget. For more information please refer to paragraph 2.19.

Data Matching

- 4.13. As shown in **Figure 4.3**, for SY12, 96.5% of Core Group customers were 'matched' and received their rebate automatically.
- 4.14. There were 3,077 'unmatched' customers (3.5% of the total) who needed to provide further information to a government call centre to confirm their electricity supplier before they received their rebate during SY12.

Figure 4.3: Core Group rebates matched in SY12

Stacked bar chart showing the percentage of matched and unmatched Core Group rebates in SY12. 96.5% of rebates were matched, meaning that these customers received their rebates without having to take any action. This compares with 95.3% of customers being matched in SY11, before the split into England & Wales and Scotland WHD schemes.



Exceptions

4.15. Suppliers treated 40 Core Group instructions as exceptions in SY12, about 0.05% of the total. We expect suppliers to make additional attempts to deliver rebates using alternative methods. However, based on our review of information provided we are satisfied in all cases that reasonable efforts were made to provide the rebate and that the treatment as exceptions was justified.

Rebate Provision and Delivery

4.16. In SY12, 88,227 Core Group rebates were ‘provided’ with a value of over £13.2 million. In total, 87,507 Core Group rebates were ‘delivered’ with a value of £13.1 million (99.2% of rebate value was delivered). We are satisfied with the overall high redemption rate across suppliers.

Broader Group (Scotland)

- 4.17. The Broader Group element of the WHD scheme requires suppliers to provide a minimum number of rebates to a wider group of fuel poor customers or those that are at risk of fuel poverty. Rebates are provided at the same value as the Core Group, which is £150 in SY12.
- 4.18. Broader Group rebates form part of the Scottish non-core spending obligation for suppliers, set at £35 million for SY12. The other part of the non-core obligation, Industry Initiatives, is capped at a maximum value. This in practice sets a minimum spend on Broader Group for each obligated supplier.
- 4.19. In SY12, Industry Initiatives were originally capped at £7 million, meaning a Broader Group minimum spend of £28 million. However, overspend on the non-core obligation in SY11 reduced the Scottish non-core obligation to £34.4 million for SY12. Additionally, certain suppliers asked to transfer some of their Broader Group spending obligation (collectively around £4 million) to Industry Initiatives. This reduced the overall Broader Group minimum spend to £23.2 million. This equates to 154,726 broader group rebates and 67.56% of suppliers' total non-core spending obligation.
- 4.20. In total, 168,182 households were provided a Broader Group rebate during SY12. These rebates were collectively worth £25.2 million.

Broader Group Eligibility

- 4.21. The 'WHD Regulations Scotland' include a mandatory set of criteria to assess claims which suppliers must use as a minimum²⁸, although further criteria may be added subject to approval by Ofgem. A supplier may elect to use only the mandatory criteria in a scheme year, but in most cases during SY12, suppliers included additional criteria in their proposals for Broader Group rebates.
- 4.22. We reviewed all sets of criteria in use during the scheme year and were satisfied that all obligated suppliers met the mandatory criteria and were consistent with the requirements of the 'WHD Regulations Scotland'.
- 4.23. As well as setting clear eligibility criteria which target low income and vulnerable consumers, suppliers must ensure that rebates are provided only to people who are eligible and protect the scheme from fraud and abuse. In particular, the 'WHD Regulations Scotland' require suppliers to obtain documentary evidence from a

²⁸ Regulation 21 and Part 1 of Schedule 2 to the 'WHD Regulations Scotland'

minimum of 5% of customers who receive a Broader Group rebate. This is to verify the eligibility information on their application to the scheme.²⁹

- 4.24. Suppliers take a random selection of applicants and seek documentary evidence from each applicant selected, confirming their eligibility before paying the rebate. If an applicant cannot provide the evidence, the rebate is withheld.
- 4.25. For SY12, suppliers were collectively required to obtain evidence of eligibility from 8,409 Broader Group customers to meet this regulation.
- 4.26. All suppliers met this requirement and in total 24,509 applicants for Broader Group rebates provided satisfactory evidence when asked – almost three times the required number.

Delivery

- 4.27. Of the 168,182 rebates ‘provided’ with a value of £25.2 million, the total number of ‘delivered’ Broader Group rebates was 166,910 with a value of £25.0 million (99.2% of the rebate value was ‘delivered’). We are satisfied with the overall high redemption rate across suppliers. For more information on our approach to rebate provision and delivery please refer to paragraph 3.21.
- 4.28. The £25.2 million spend made up 73.4% of total non-core spending in SY12, with the remaining non-core spending of £10.0 million coming from Industry Initiatives. We look at Industry Initiatives in more detail in the following section.
- 4.29. Details of Broader Group spend against the minimum by supplier can be seen in **Figure 4.4** below.

²⁹ Regulation 25(5)(a) and Part 2 of Schedule 2 to the ‘WHD Regulations Scotland’

Figure 4.4: Broader Group spend against non-core obligations in SY12

Clustered column chart comparing the minimum spending requirement (in £ million) and the actual spending by suppliers towards their respective Broader Group obligations in SY12. All suppliers exceeded their minimum spending targets.

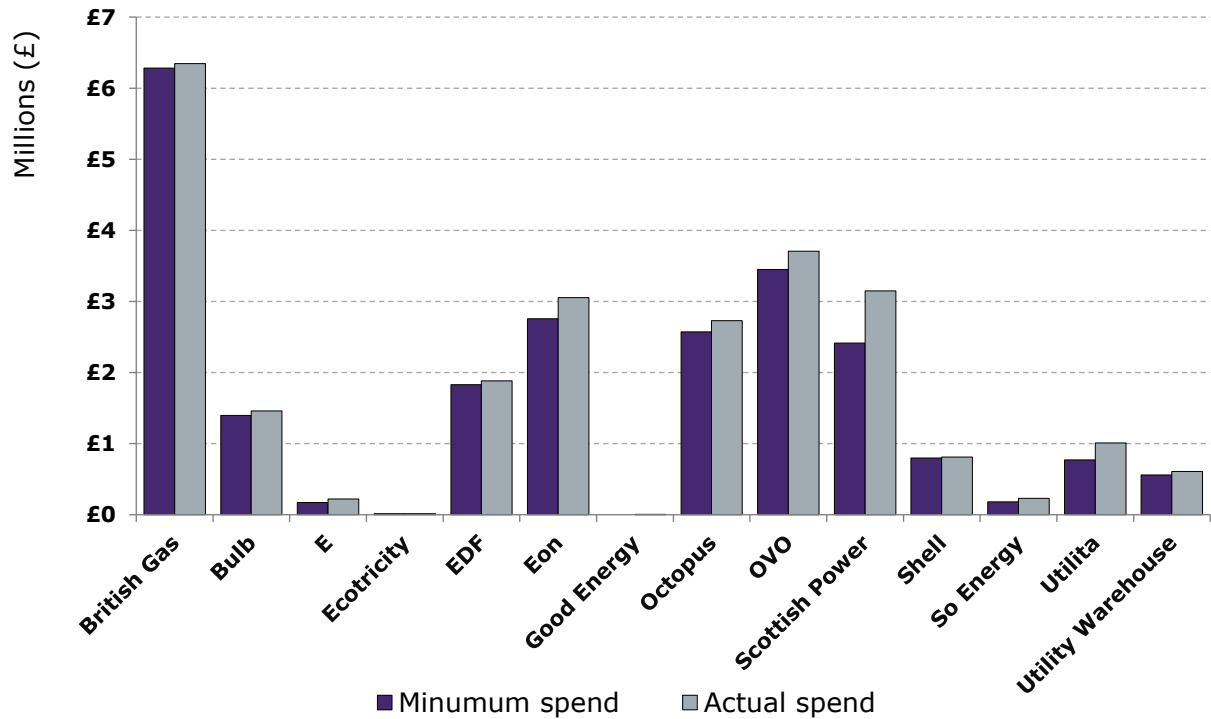


Figure 4.4 (Table): Broader Group spend against non-core obligations in SY12

SY12 suppliers	Minimum spend	Actual spend	Achievement
British Gas	£6,284,355.21	£6,344,850.00	100.96%
Bulb	£1,396,215.92	£1,458,000.00	104.43%
E	£172,748.00	£220,200.00	127.47%
Ecotricity	£16,200.00	£16,350.00	100.93%
EDF	£1,830,886.67	£1,882,950.00	102.84%
Eon	£2,756,955.89	£3,052,200.00	110.71%
Good Energy ³⁰	£0.00	£5,400.00	N/A
Octopus	£2,574,090.21	£2,730,600.00	106.08%
OVO	£3,450,069.25	£3,707,100.00	107.45%
Scottish Power	£2,414,686.57	£3,147,750.00	130.36%
Shell	£799,342.23	£812,700.00	101.67%
So Energy	£180,000.00	£228,600.00	127.00%
Utilita	£772,385.17	£1,009,800.00	130.74%
Utility Warehouse	£560,918.07	£610,800.00	108.89%

³⁰ Good Energy asked to transfer 100% of their Broader Group obligation to Industry Initiatives. Therefore they had no minimum Broader Group spending target.

Industry Initiatives (Scotland)

- 4.30. Industry Initiatives can be used to contribute to meeting suppliers' Scottish non-core spending obligations. Suppliers do not have any minimum spend on Industry Initiatives and do not have to carry out any Industry Initiatives activity. Fifteen of the 16 obligated suppliers chose to meet some of their non-core obligation through Industry Initiatives spending.
- 4.31. Suppliers had a combined maximum spend on Industry Initiatives in Scotland. For SY12 this was originally £7 million but increased to £11.1 million due to certain suppliers being allowed to transfer some of their Broader Group obligation to Industry Initiatives.
- 4.32. There was one pilot initiative conducted during SY12 year by Ecotricity in partnership with Changeworks, with their 'Energy Awareness Training and Support for Vulnerable Groups' programme. During the energy crisis, Changeworks saw demand for energy advice training and energy advice soar. In order to scale up support, the pilot was designed to upskill and empower organisations across Changeworks' Scotland-wide partnerships. Working with these organisations, the pilot provided energy advice training, a package of energy advice resources and packs of small energy efficiency measures. As such the pilot helped reach those in or at risk of fuel poverty through existing trusted networks.
- 4.33. There were also some caps on different types of Industry Initiatives spending in SY12 and these are outlined below. If a supplier spent above their share of these limits, then the additional spend would not be counted towards its WHD non-core spending obligation.
- **Debt write-off** across all suppliers could not exceed £600,000
 - For **boiler and central heating replacements** there was a collective spending cap of £800,000.
- 4.34. Aside from some differences detailed above, Industry Initiatives in Scotland operate in a very similar way to Industry Initiatives in England & Wales. Further information on Industry Initiatives can be found starting at paragraph 3.40, and in our guidance³¹.

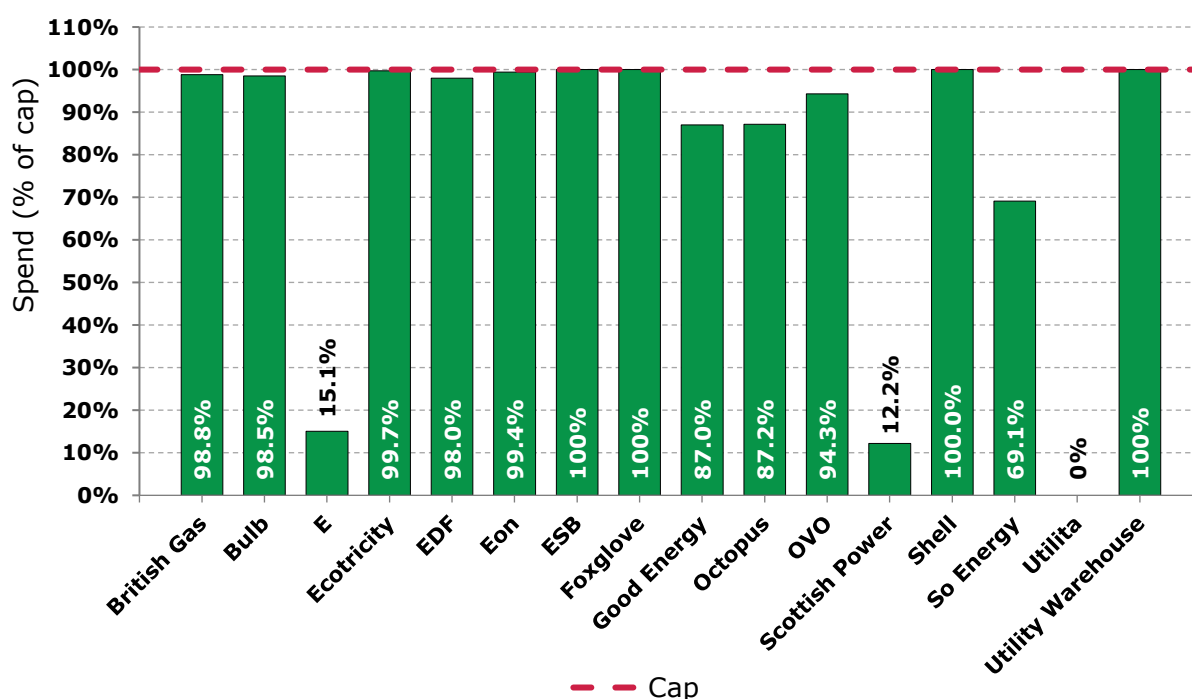
³¹ [Warm Home Discount Guidance \(Scotland\)](https://www.ofgem.gov.uk/publications/final-warm-home-discount-supplier-guidance-version-1-scotland): <<https://www.ofgem.gov.uk/publications/final-warm-home-discount-supplier-guidance-version-1-scotland>>

Delivery

- 4.35. In total, suppliers spent £10.0 million on attributable Industry Initiatives activities in Scotland during SY12. This compares to the £34.8 million spent in SY11 across England, Wales & Scotland. These initiatives helped to provide support to almost 400,000 consumers.³²
- 4.36. Suppliers' approaches to using Industry Initiatives allowances varied. Some focused their SY12 spending fully on the Broader Group (Utilita did not use any of their Industry Initiatives allowance), while others split their allowance to provide customers with different types of support. Both approaches are acceptable. **Figure 4.5** below shows each supplier's Industry Initiatives spending in relation to the maximum allowed.

Figure 4.5: Supplier spend against the Industry Initiatives cap in SY12

Column chart showing each supplier's spending against their Industry Initiatives caps in SY12. All suppliers stayed within their spending cap with three (ESB, Foxglove and Utility Warehouse) spending 100% of the sum allowed. Utilita were the only supplier that did not utilise any of their Industry Initiatives spending allowance.



³² Customers often receive more than one type of support through an initiative (eg a benefit entitlement check and energy advice), and it may be possible that consumers receive support through more than one initiative. This should be considered when looking at the total number of consumers supported.

- 4.37. In SY12, suppliers funded 22 different Industry Initiatives, three of which were collaborations between suppliers. All eight types of activity were funded in at least one of the initiatives.
- 4.38. We are aware from supplier reporting that referral services were in some cases offered at no additional cost alongside advice services. We are also aware that supplier methods for identifying customers in need of support took risk groups into consideration, although the focus was on individuals as in previous years.
- 4.39. We have summarised the spending and customers supported by activity type in **Figures 4.6** and **4.7** below.

Figure 4.6: Customer support activity figures in SY12

Clustered column chart presenting the total spend and the number of customers helped in each Industry Initiatives category. The largest proportions of spending were allocated for financial assistance measures (£5.68 million), energy advice (£1.55 million) and energy efficiency (EE) measures (£917,938). However, the categories where most customers received support were training (272,707) and energy advice (64,986).

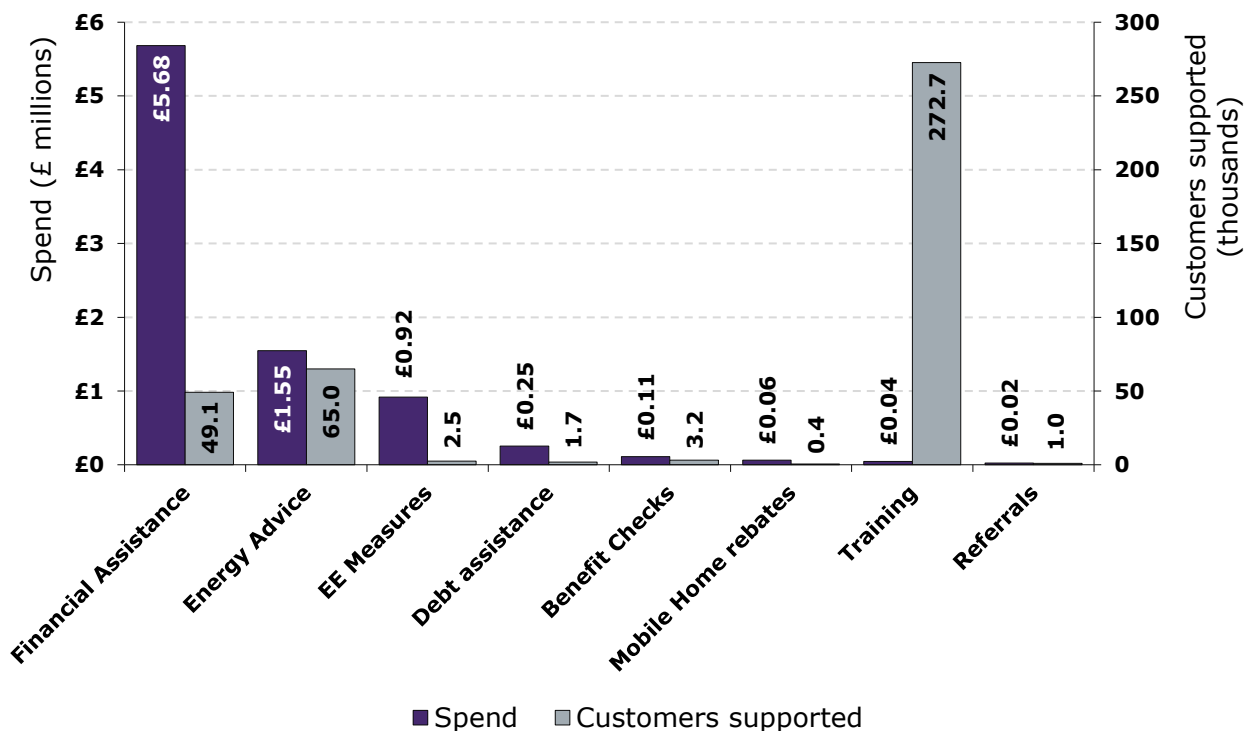
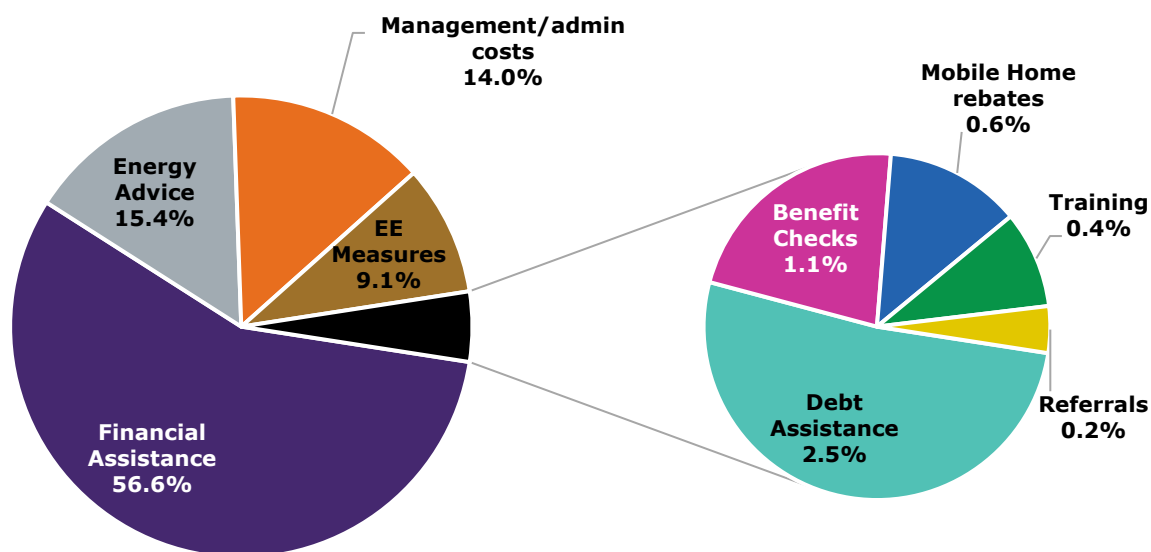


Figure 4.7: Industry Initiatives spending breakdown in SY12 (Scotland)

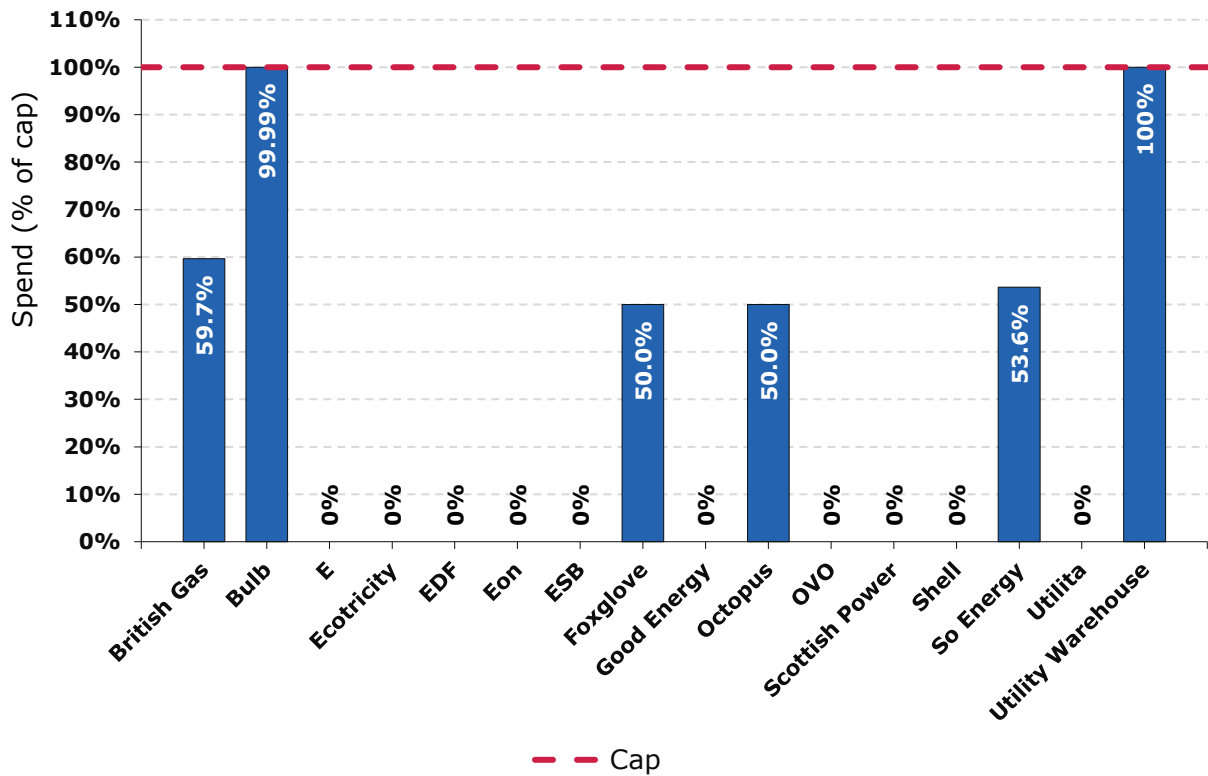
Pie chart presenting the split of Industry Initiatives spending in SY12. Financial assistance and energy advice together make up 72.0% of all spending. 14.0% was spent on management and administration costs and energy efficiency (EE) measures made up the bulk of remaining spend, at 9.1%.



- 4.40. The largest proportion of funding was attributed to providing financial assistance, accounting for over £5.68 million of total spend (56.6%).
- 4.41. In addition to funding activities which directly helped consumers, suppliers also funded the training of advisors who could assist consumers with managing their energy and energy bills. This made up only 0.4% of total spend but accounted for 68.9% of customers supported.
- 4.42. **Figure 4.8** shows individual supplier spend against the debt write-off cap, which was set at a total of £600,000 shared between suppliers according to their market share.

Figure 4.8: Individual supplier spend on debt write-off payments

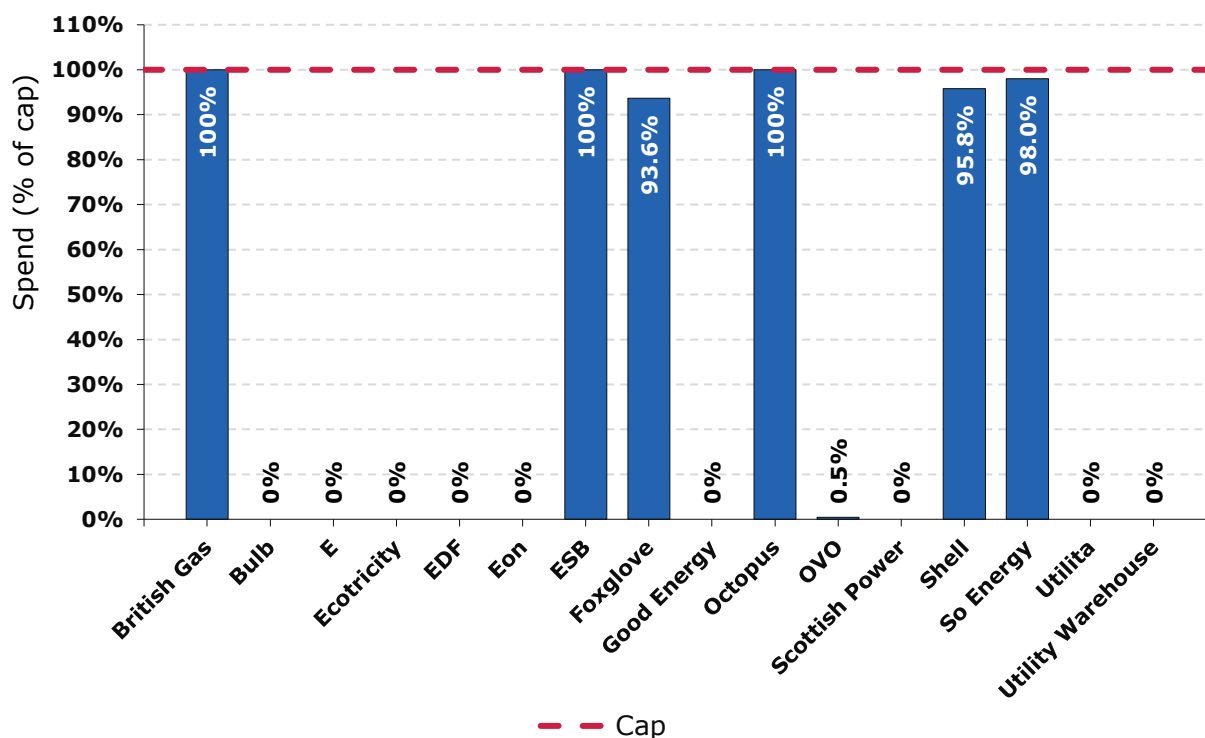
Column chart showing that one supplier (Utility Warehouse) utilised 100% of the maximum allowed on debt write-off payments and Bulb utilised just under 100%. Ten suppliers did not report any spend on debt write-offs during SY12.



4.43. For the cap on boiler and heating system replacements £325,311 was spent. This represents 40.7% of the £800,000 spending cap. **Figure 4.9** shows individual supplier spend against the boiler and heating system replacements cap.

Figure 4.9: Individual supplier spend on boiler and heating system replacements

Column chart showing that three suppliers (British Gas, ESB and Octopus) utilised 100% of the maximum allowed on boiler and heating system replacement payments. Nine suppliers (Bulb, E, Ecotricity, EDF, EON, Good Energy, Scottish Power, Utilita and Utility Warehouse) spent no funds on boiler and heating system replacement payments.



4.44. In total £1.40 million of the Industry Initiatives spend went towards 'management and administration costs'.

Meeting the WHD Requirements

4.45. We worked with suppliers to ensure they could evidence that all the industry initiatives activities funded in SY12 were eligible. Following completion of the annual compliance assessment, we allocated eligible spend to the Industry Initiatives which are reported in this chapter.

4.46. Based on the information provided, we are satisfied that the consumers who received support through the Industry Initiatives were fuel poor, or at risk of fuel poverty.

4.47. We are generally satisfied that activities delivered were at a reasonable cost. We compared the costs reported to us against industry benchmarks, confirming that delivery costs were necessary to provide and manage the service effectively.

- 4.48. We noted in some cases that suppliers had chosen to absorb indirect management and administration costs, meaning that the full value of their spending went direct to services helping consumers.
- 4.49. We expect suppliers to be proactive in their engagement with us. Therefore it was positive that where delivery risks were identified, suppliers generally engaged with us early to notify us of any issues that had arisen.

Transfer of Broader Group obligation to Industry Initiatives spend

- 4.50. If there is a risk that a supplier will not be able to meet its minimum Broader Group spending obligation, the supplier can apply to transfer some, or all, of its Broader Group obligation to Industry Initiatives.
- 4.51. We have seen the use of transfers increase in SY12. Following the split of the WHD into Scotland and England & Wales schemes, the Broader Group is now only relevant in Scotland. Following scheme rules, the Broader Group targets were calculated based on supplier market share across the whole of Great Britain. As a result several suppliers were allocated Broader Group targets that could not be supported by their customer bases in Scotland.
- 4.52. Ecotricity, EDF, EON, Octopus Energy, Shell and So Energy all asked to transfer part of their Broader group obligation to Industry Initiatives, and Good Energy and Foxglove requested to transfer all of their Broader Group obligation. These suppliers all expressed concerns about meeting their Broader group obligations due to not having sufficient eligible customers on supply in Scotland. The request to transfer was processed under Regulation 20(3). Overall, these suppliers were able to meet their revised Broader Group spending targets.

5. Audit Programme

Chapter purpose

This chapter provides information on the audit programme in respect of the WHD during Scheme Year 12 (SY12). It provides an overview of the results of our 'external' and suppliers' own 'internal' audits.

Introduction

- 5.1. Ofgem has a duty to keep under review the operation of any support scheme it administers.³³ As part of this, we must make sure that suppliers are complying with their obligations effectively and efficiently. One way we do this is through an annual audit programme which provides assurance that information is being reported accurately. It also helps suppliers follow best practice in delivering support to consumers and reduces the risk of them not complying with obligations. This also helps suppliers protect consumers by minimising the risk of error or fraud on the scheme.
- 5.2. There are two types of audit that take place on the WHD scheme:
 - **External audits** – Obligated suppliers are selected for audit by us based on a number of criteria. Once selected Ofgem-appointed external auditors focus on the highest risk areas of the selected supplier's activities.
 - **Internal audits** - Suppliers internal audit and quality assurance work verifies data reporting and assesses the effectiveness of their processes.
- 5.3. The criteria used to select suppliers for external audit include, but are not limited to:
 - If the supplier is a new entrant to the scheme
 - If a supplier has generated a high volume of queries during compliance checks
 - The length of time since their last audit
 - A previous weak audit rating
 - Any concerns arising in the previous compliance year.

³³ Section 13 of the Energy Act 2010

5.4. The audit ratings are defined as:

- **'Good'** – either no weaknesses identified or if there are, they are reported to the supplier to action the minor shortcomings
- **'Satisfactory'** – a small number of minor weaknesses identified, of which none are considered 'major'
- **'Weak'** – several weaknesses identified which individually or collectively may impact negatively on the overall level of compliance
- **'Unsatisfactory'** – numerous weaknesses identified, including those graded as 'medium' or 'major', which individually or collectively may impact negatively on the overall level of compliance.

5.5. It is important that suppliers engage effectively with these audit processes, including ensuring they provide information which is accurate, timely and complete.

External audits

5.6. There are different types of external audit which focus on either a Core Group, the Broader Group, or an Industry Initiative. These can be either an interim audit (conducted during the scheme year) or a final audit (based on end of year data). A supplier can be audited more than once during the year, with each audit having a different area of focus.

5.7. All SY12 audits were interim audits designed to promote best practice across supplier delivery of their activities. This was also intended to identify early any potential issues with delivery of obligations under the new structure between England & Wales and Scotland schemes.

5.8. Our appointed auditors carried out 11 audits for SY12, covering the two areas of scheme activity shown below.

- Testing supplier support delivery processes
- Verifying selected supplier reporting information.

5.9. The results of the SY12 external audits are shown in **Figures 5.1** and **5.2**.

Figure 5.1: WHD external audit ratings SY8 to SY12

Stacked column presenting the results of audits carried out between SY8 and SY12. In SY12 ten interim audits were rated as 'good', and one was rated as 'satisfactory'. Therefore over 90% of audits were rated as 'good'. This is the highest proportion of 'good' audits over the period shown and the second year in a row where no audits were rated as either 'weak' or 'unsatisfactory'.

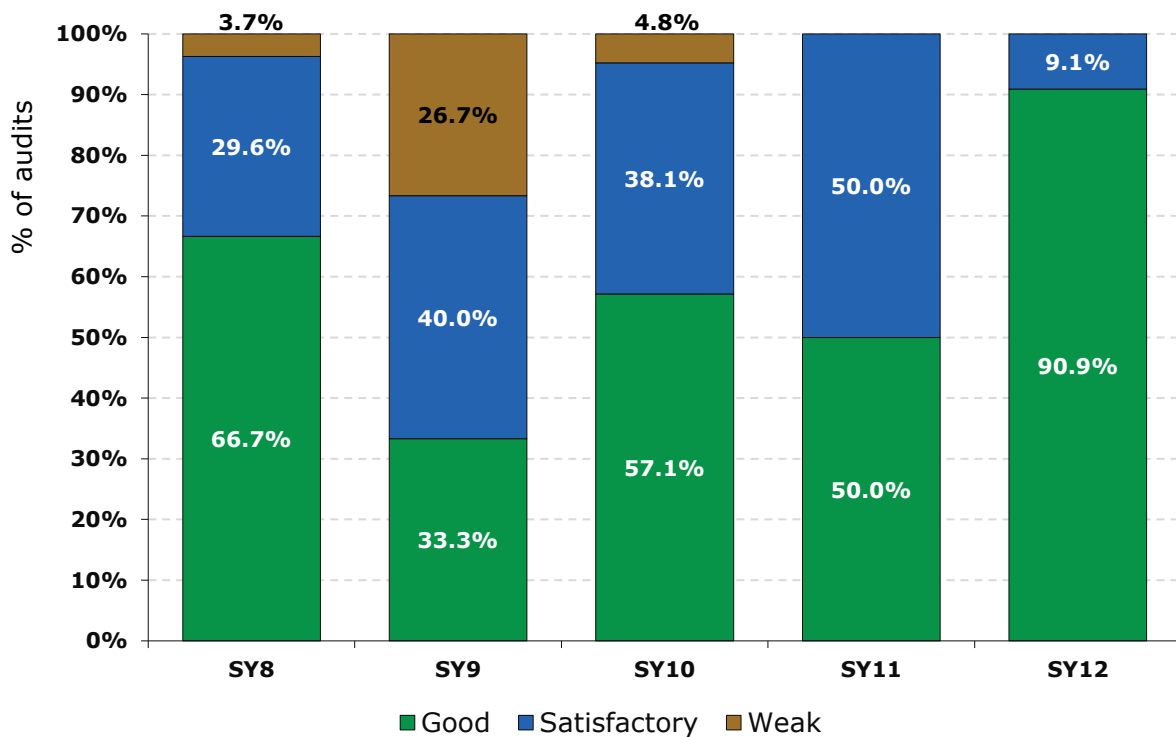


Figure 5.2: SY12 audit results

Supplier	Focus	Rating
British Gas	Broader Group	Good
E.ON	Industry Initiative (Customer Support)	Good
Scottish Power	Broader Group	Good
Good Energy	Core Group	Good
Utilita	Industry Initiative (BEC Service)	Good
Bulb	Industry Initiative (Energy Fund)	Good
British Gas	Industry Initiative (Energy Trust)	Good
Octopus Energy	Industry Initiative (Energy Support Visits)	Satisfactory
OVO	Broader Group	Good
EDF Energy	Industry Initiative (Go Green)	Good
Shell Energy	Industry Initiative (Financial Assistance)	Good

5.10. The audit results are shared with the suppliers, this includes an explanation covering any points of concern. We then work with the suppliers to confirm the accuracy of the report and to agree actions to address any findings. If the issues found during the audit process raise substantial concern and cannot be resolved to our satisfaction, we could refuse to approve some or all of the scheme spend, and the supplier would be at risk of failing to comply with their overall WHD obligation.

Internal audits

5.11. Our guidance document for suppliers sets out our requirements for suppliers' internal audits of scheme activities.³⁴ We work with suppliers to ensure that their audits meet these requirements, and that they continue to strive for best practice in supporting consumers through their own quality assurance.

5.12. To support end of year reporting, all suppliers provided evidence demonstrating internal audits had been conducted.

³⁴ [Warm Home Discount Guidance \(England & Wales\)](https://www.ofgem.gov.uk/publications/warm-home-discount-guidance-v1-england-and-wales): <https://www.ofgem.gov.uk/publications/warm-home-discount-guidance-v1-england-and-wales>
[Warm Home Discount Guidance \(Scotland\)](https://www.ofgem.gov.uk/publications/final-warm-home-discount-supplier-guidance-version-1-scotland): <https://www.ofgem.gov.uk/publications/final-warm-home-discount-supplier-guidance-version-1-scotland>

6. Consumer Experience Evaluation

Chapter purpose

During SY12, amongst our other work we conducted two projects to provide assurance around areas of WHD customer experience. A summary of this activity is provided below.

Information accuracy

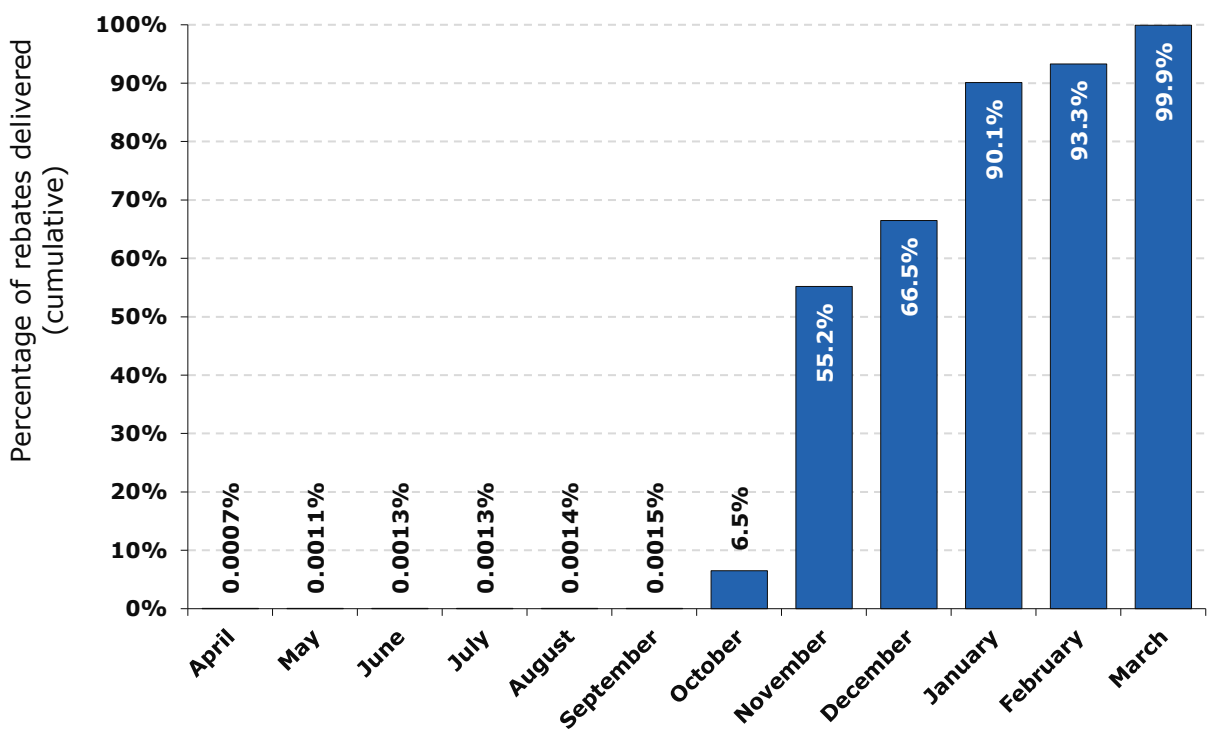
6.1. Following the substantial scheme changes brought in for SY12, concerns were raised through engagement with some Consumer Groups and Charities about the accuracy of some information being provided to consumers. Ofgem engaged with suppliers and required that the company directors confirmed, in writing, that they understood the scheme changes and that their customer support teams had received appropriate training on how to advise customers. We will be following up with suppliers to ensure that a high quality of information provision to consumers is maintained.

Timing of payments

- 6.2. A fuel poverty charity raised concerns that suppliers were waiting until the end of the scheme year in March to provide rebates. This would mean that customers were not receiving their rebates during the colder months when they are needed the most. To investigate, we conducted an analysis on the timing of rebate payments by suppliers. Our analysis showed that rebate delivery reflected the pace at which data matching was completed. This meant that 83.6% of payments were made over the colder months of November, December and January. And 90.1% of all rebates had been made between the start of the scheme year in April and the end of January. We found no evidence of suppliers systematically withholding payments until March.
- 6.3. **Figure 6.1** below illustrates when rebates were delivered over the course of SY12.

Figure 6.1: Cumulative rebate delivery during SY12

Column chart showing cumulative rebate delivery by month over SY12. A very small number of rebates (0.0015%) outstanding from SY11 were delivered between April 2023 and September 2023. Delivery primarily occurred between November and January with 83.6% of all rebates delivered over this period. A proportion of rebates are dependent on customers confirming their eligibility through a call centre, which can happen up to the end of February. Therefore we expect some delivery to still be occurring to the end of March as this is reliant on customer behaviour.



7. Looking Forward

Chapter purpose

This chapter provides information on the future of the WHD scheme such as policy and administrative changes, alongside other information affecting the broader policy landscape.

- 7.1. The current iteration of the Warm Home Discount scheme is set to run until 31 March 2026 in both England & Wales and Scotland. The overall spending profiles are set to increase each scheme year, with SY13's initial profile at £494m and £51m for England & Wales and Scotland respectively.³⁵ Scotland's spending accounts for 9.4% of the total GB spend.
- 7.2. From SY13, starting 1st April 2023, the supplier obligation threshold was reduced from 50,000 to 1,000 domestic customers. This reduction will see more suppliers being obligated, meaning even greater numbers of customers across England & Wales and Scotland having access to support under the Core and Broader Group elements of the scheme.
- 7.3. SY12 was the first year that two schemes ran concurrently. Inevitably there are lessons to be learnt from this change. In parallel to work being carried out by DESNZ, we are ensuring adverse impacts are minimised by reviewing our processes and communications with suppliers to ensure they are working effectively. A key challenge is making sure eligible consumers clearly understand how the WHD works and how they can access the rebate.
- 7.4. As scheme administrators we will continue to work with suppliers to ensure delivery of their scheme obligations. We expect all suppliers to meet their obligations on time and in full. We have high expectations of supplier performance and will have an increasingly low tolerance for any failures, particularly where suppliers have not been proactive in raising and addressing delivery risks at an early stage.

³⁵ Note that the figures quoted are the original spending targets. These figures will be adjusted to account for any spending obligations being carried over, or to account for any supplier overspend in SY12.

Appendix 1 – Participating Suppliers

Figure A1.1: WHD participating electricity suppliers SY12

Supplier group ³⁶	Licensed supplier(s)	Participation type ³⁷	Years participating
British Gas	British Gas Trading Ltd	Compulsory	1 to 12
Bulb Energy	Bulb Energy Limited	Compulsory	8 to 12
E	E (Gas & Electricity) Ltd	Compulsory	9 to 12
E.ON Energy	E.ON Energy Solutions Ltd	Compulsory	1 to 12
Ecotricity	The Renewable Energy Company Ltd	Compulsory	10 to 12
EDF Energy	EDF Energy Customers Plc	Compulsory	1 to 12
ESB	ESB Energy Ltd	Compulsory	11 to 12
Foxglove	Foxglove Energy Supply Ltd	Compulsory	11 to 12
Good Energy	Good Energy Ltd	Compulsory	12
Green Energy UK	Green Energy (UK) plc	Voluntary	10 to 12
Octopus	Octopus Energy Ltd, Affect Energy Ltd	Compulsory	9 to 12
OVO Energy	OVO Electricity Ltd	Compulsory	5 to 12
Rebel Energy	Rebel Energy Supply Ltd	Voluntary	11 to 12
Scottish Power	ScottishPower Energy Retail Ltd	Compulsory	1 to 12
Shell Energy	Shell Energy Retail Ltd, Hudson Energy Supply UK Ltd	Compulsory	3 to 12
So Energy	So Energy Trading Ltd	Compulsory	10 to 12
Utilita	Utilita Energy Ltd	Compulsory	5 to 12
Utility Warehouse	Electricity Plus Supply Ltd	Compulsory	1 to 12

³⁶ Supplier groups include specific licensed suppliers, plus alternative brand names and white label suppliers who do not hold a supply licence but offer tariffs under their own name through partnership with a licensed supplier. Customers of white label suppliers in partnership with a licensed supplier are also eligible for the WHD scheme. [A list of suppliers' subsidiary companies is on the DESNZ website: <https://www.gov.uk/the-warm-home-discount-scheme/energy-suppliers>](https://www.gov.uk/the-warm-home-discount-scheme/energy-suppliers)

³⁷ Compulsory suppliers have 50,000 or more domestic customers and are obligated to participate with all parts of the WHD scheme. Voluntary suppliers have fewer than 50,000 domestic customers and participate only in the Core Group elements of the scheme.

Appendix 2 – Associated Documents

The **WHD Regulations** on the legislation.gov.uk website

[The Warm Home Discount \(England and Wales\) Regulations 2022](#)

<<https://www.legislation.gov.uk/uksi/2022/772/contents/made>>

[The Warm Home Discount \(Scotland\) Regulations 2022](#)

<<https://www.legislation.gov.uk/uksi/2022/1073/contents/made>>

The **WHD Guidance for Suppliers** on the Ofgem website:

[Warm Home Discount Guidance \(version 1\) - England and Wales](#)

<<https://www.ofgem.gov.uk/publications/warm-home-discount-guidance-v1-england-and-wales>>

[Warm Home Discount Supplier Guidance \(version 1\) – Scotland](#)

<<https://www.ofgem.gov.uk/publications/final-warm-home-discount-supplier-guidance-version-1-scotland>>

The **WHD Annual Report: Scheme Year 11:**

[Scheme Year 11 Warm Home Discount annual report](#)

<<https://www.ofgem.gov.uk/publications/warm-home-discount-annual-report-scheme-year-11>>

WHD Reports and Data on the Ofgem website:

[WHD reports and data](#)

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

The Department of Business, Energy and Industrial Strategy (**BEIS**) **consultation on the WHD Scheme from 2022:**

[Consultation on WHD scheme from 2022](#)

<<https://www.gov.uk/government/consultations/warm-home-discount-better-targeted-support-from-2022>>