

Energy UK response to DESNZ: Continuing the Warm Home Discount

Deadline: 20/11/2025

About Energy UK

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 730,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing lifelong employment as well as quality apprenticeships and training for those starting their careers. Annually, the energy industry invests over £11bn, delivers £88bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

Executive Summary

More ambition in data sharing and targeting

Energy UK supports the five-year extension of the Warm Home Discount to ensure policy certainty. However, it is essential that the Government unlocks cross-departmental data sharing to enable the implementation of a better targeted support scheme to materially cut fuel poverty. Using a combination of income, health, and energy consumption data would allow the scheme to reach households most in need and provide more meaningful support. The scheme should move away from flat-rate rebates to offer tiered support that better reflects household needs, and variable payments that adjust as energy prices and market conditions change. We would also like to see the scheme increase to at least £1.5 billion to close the fuel poverty gap, and be progressively funded, with the costs shifting from energy bills to taxation.

Simplicity

The scheme should value simplicity and automation wherever possible to maximise value over time for customers. This includes reducing unnecessary administrative burdens to ensure resources are spent as efficiently as possible.

Aligning the Scottish scheme to England and Wales support this objective. Currently, the lack of data matching in the Scottish scheme increases suppliers' workload and creates additional fixed costs. The application route means that eligible customers miss out because they are unaware of the scheme, do not realise they qualify, or find the application process too difficult. Moving to an automated, data-matched scheme, as in England and Wales, would address this problem.

Industry Initiatives

Energy UK is supportive of continuing the Industry Initiatives into the next scheme year. This part of the scheme allows suppliers to support customers who may not otherwise be reached through debt alleviation or write-off, advice on energy bills, and energy efficiency measures. It is important that the Industry Initiatives allow suppliers the freedom and flexibility to choose how best to support their customers. Fixed caps, such as the debt write off or financial assistance caps, can limit their ability to direct support where it has the most impact.

If you have any questions about this response or wish to engage with Energy UK and its members, we welcome further engagement.

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Q1: Do you agree with our proposal to continue the Warm Home Discount scheme supporting households at risk of fuel poverty for the next scheme period from 2026/27? Please provide any reasoning/comments/evidence to support your view.

Yes, Energy UK is supportive of continuing the Warm Home Discount (WHD) for the next five years. The WHD is the primary energy bill support scheme in Britain, helping to limit energy costs being a barrier to welfare and economic growth.

However, the Government must make significant improvements to the scheme by winter 2027/28. Whilst the proposed five-year extension and the step towards aligning the scheme across Great Britain is welcome, the scheme needs to be much more ambitious for the Government to fulfil its mandate of cutting fuel poverty.

The average fuel poverty gap is £407 per household in England, which is over 60% higher than 2020.¹² Energy debt levels have reached around £4.5 billion.³ This figure has doubled since the energy crisis and trebled since the start of the decade.

High energy costs and rising debt damages households' living standards and limits their ability cover other essential costs. This is illustrated by the Resolution Foundation's 2025 report, *Money on my mind*, in which it outlines the increase in people falling behind on essential bills. Out of these essential bills, energy debt has grown the most.⁴ The report shows that debt and arrears of energy and other essentials reflect lower financial resilience, as more families are struggling to meet basic costs.

Considering this, a future energy bill support scheme must be better targeted and adequately funded to truly tackle households' affordability challenges.

Unlocking data sharing between government departments, such as Department of Energy Security and Net Zero, Department for Work and Pensions, Department of Health and Social Care, and HM Revenue and Customs.

Using a combination of income, health, benefits, and energy consumption data would allow support to be targeted more effectively to the households most in need and tailored to different circumstances. It is crucial that the DESNZ-led data sharing working group continues to progress towards making this data available.

By improving data sharing, the WHD could evolve into a more flexible, tiered scheme that reflects households' specific circumstances. It could support those with higher energy needs due to health factors, such as reliance on medical equipment, and low-income households not receiving means-tested benefits. In addition, tiered

¹ Committee on Fuel Poverty (2025), [Summer Update](#)

² DESNZ (2025), [Review of the Fuel Poverty Strategy](#)

³ Ofgem (2025) [Debt Strategy Update](#)

⁴ Resolution Foundation (2025), [Money on my mind](#)

payments, rather than flat rate, would provide more help to those struggling most with their bills and avoid a cliff edge for those who currently just miss out.

A more flexible approach would allow payments to adapt to wider market conditions. This could mean scaling the payments up when energy bills are high and adjusting down if costs fall, thus improving household resilience to potential future energy crises and avoiding expensive emergency universal payment schemes as seen with the Energy Bill Support Scheme in 2022/23.

At current energy prices, the scheme needs to be bigger. Following the recent WHD expansion, spending is expected to rise from £511 million to over £800 million.⁵ However, closing the fuel poverty gap would require at least £1.5 billion.⁶

We also recommend moving towards a more progressive funding model. As it stands, the WHD is paid for via all customers' energy bills through their standing charge. With the expansion, the amount that customers will pay towards the scheme is estimated to go up from £22 to £39, leaving the net benefit for recipients as around £113 annually. Removing the charge from receivers of the benefit would be a simple step but this would increase costs further for other households. Moving the funding either fully or partially onto general taxation would be fairer as it would be based on ability to pay. It would also make it simpler to increase funding when needed without adding costs to all billpayers.

Q2: Do you agree with our proposal to rename the current 'Core Group 1' and 'Core Group 2' in England and Wales, bringing the existing groups together under one 'Core Group'? Do you have any views on whether this approach could bring any potential advantages or disadvantages, including practical considerations in delivering the scheme?

The WHD scheme should prioritise simplicity to maximise value over time for customers, meaning reducing unnecessary administrative burdens and ensuring resources are spent as efficiently as possible. If amending the names requires system changes, this could create substantial additional work for suppliers, such as having to change data reporting processes. Suppliers could continue to use the existing Core Group structure in their systems while the scheme is presented publicly using a single Core Group name, for simplicity of communication.

Combining the groups may also hinder the ability to provide tiered levels of support, which we believe would make the scheme more effective. If this is a possibility, we would advise delaying the decision on bringing together the Core Groups until there is more clarity on the future of the scheme.

⁵ DESNZ (2025), [Expanding the Warm Home Discount Scheme](#)

⁶ Energy UK (2025), [How to cut bills](#)

Q3: Under these proposals the eligibility criteria established for 2025/26 would be continued for the next scheme period in England and Wales. Do you have any concerns about the impact of this proposal on households, in particular on those with protected characteristics? What concerns do you have? Do you have any suggestions for mitigating your concerns, including through use of Industry Initiatives? Please provide any evidence you may have to support your answer.

Whilst the expansion to cover all households on means-tested benefits enables many more people in need of support to receive the WHD payment, we have concerns that the eligibility criteria do not accurately reflect affordability challenges. There are households on low incomes who do not receive benefits, such as those who are just above the eligibility threshold or in insecure work. There are high-consumption users, which can include homes where someone relies on medical equipment or where disability or illnesses means the heating needs to stay on for longer. There are also people who receive means-tested benefits or low-income but may not be classed as being in fuel poverty because they live in an efficient home.

Public First's report Closing the Fuel Poverty Gap shows that around 67% of fuel poor households would miss out on WHD support under the current criteria (using the definition of spending over 10% of their income after housing costs on energy) and that the majority of this figure are low-income, disabled, and/or older households.⁷ These are fuel poor households who are paying towards the WHD through their standing charge yet not receiving any support.

The role of Industry Initiatives can be used to mitigate the households that miss out, where possible. We also refer back to our answer to Q1 and encourage the Government to progress with cross-departmental data sharing to provide a more accurate picture of the households in need of additional financial support.

Q4: Which of the three options listed above is your preferred option for the next scheme period in Scotland?

Option 3. Energy UK supports moving to fully matched data for the Broader Group in Scotland. This would help ensure the scheme delivers more effectively for households in, or at risk of, fuel poverty. The current system means that some households miss out on support because they are unaware of the scheme, do not realise they qualify, or find the application process too difficult.

As explained in Q2, the WHD scheme should prioritise simplicity for customers to maximise value over time, which means automation is far preferable to application. Additionally, for suppliers with a small Scottish customer base, it can be challenging

⁷ Public First (2025), [Closing the Fuel Poverty Gap: A Plan for Targeted Energy Support](#)

for them to fulfil their full spending obligations, which leads to inefficiencies in administering the scheme.

Moving to a fully data matched system would make the scheme simpler, fairer, and more reliable, and reduce confusion for customers. It would also reduce administrative costs for suppliers and improve efficiency, as the current system is more expensive to run due to the lack of data matching, which creates additional fixed costs, including third-party verification.

We acknowledge that some people may lose out from the shift to Option 3. The role of Industry Initiatives is important in supporting households who might otherwise miss out on the scheme, for example, by using underspend funds to trial more targeted interventions for households most at risk. It would be helpful to understand the analysis on which customers may lose out from the presented options. If DESNZ can share analysis on this, it would be welcomed.

Q5: Do you have any views on the advantages, disadvantages or concerns of any of the options presented?

Energy UK has concerns about the disadvantages of Options 1 and 2. Option 1 would mean a continuation of the lack of data matching in Scotland, particularly with the Broader Group. Suppliers report customers being missed and issues arising with core group management, including customers being wrongly moved to the Broader Group and then having their applications rejected. This system also leads to additional fixed costs for suppliers due to lack of data matching.

Whilst Option 2 does propose data matching, we have concerns over the potential challenges of setting out different criteria than England and Wales. Aligning Scotland's eligibility criteria and data matching processes with England and Wales is clearer for customers and reduces resource demand of suppliers. Automation and simplicity in the scheme should be prioritised to ensure maximum value for customers.

Q6: Do you have any views about the use of a centralised Warm Home Discount helpline for auto matched Scottish consumers in options 2 and 3? Currently only the Core Group receives helpline support.

No specific views on this proposal, but we reiterate the importance of prioritising simplicity and avoiding confusion for customers in the design and operation of all aspects of the scheme.

Q7: Do you foresee any practical challenges or have any delivery concerns with replacing the Broader Group and its application process in options 2 and 3 with a data matched broader Core Group?

No views.

Q8: Do you have a preferred option for the next scheme period in Scotland that is not presented above? If so, please provide details.

No.

Q9: Do you have any concerns about the impact of these proposals, including the three options as presented, on households, in particular on those with protected characteristics in Scotland? What concerns do you have? Do you have any suggestions for mitigating your concerns, including through use of Industry Initiatives? Please provide any evidence you may have to support your answer.

As outlined in Q4, if DESNZ can share any analysis on numbers of customers who may lose out, it would be welcomed.

Q10: Do you think there are advantages or disadvantages in setting out eligibility separately in Scotland?

Yes, there are disadvantages to setting out eligibility separately in Scotland. As outlined in our answer to Q4, suppliers have reported customers being missed and challenges arising with core group management, e.g. customers being wrongly moved to the broader group then having their applications rejected. Fully aligning the criteria with England and Wales would be less confusing for customers and reduce the strain on supplier resources, thus lowering delivery costs and improving value for money for consumers.

Q11: Do you agree that Industry Initiatives should be continued into the next scheme period?

Yes, we recommend that Industry Initiatives continue into the next scheme period. This part of the scheme allows suppliers to support customers who may not otherwise be reached through debt alleviation or write-off, advice on energy bills, and energy efficiency measures.

The caps on debt relief and financial assistance should be increased. Energy bills are still significantly higher than pre-crisis and household energy debt is now around £4.5 billion. The debt relief cap has been set at £6 million since Scheme Year 10 and the financial assistance cap has been set at £10 million since Scheme Year 12, despite expected spend increasing substantially since then. The caps should be adjusted with expected spend and should be corrected through a relative increase in the cap.

Suppliers should have the freedom and flexibility to best support their customers and the communities in which they operate, but the current caps restrict their ability to do so.

Q12: Do you agree that Industry Initiatives should continue to be designed by individual energy suppliers and third-party partners? What are the benefits and drawbacks of this approach?

Q13: Do you have any proposals to improve the design and/or delivery of Industry Initiatives in the future? Do you have any proposals for additional activities that would be of benefit to include as permissible Industry Initiatives in the future?

Our answer to Questions 12 and 13 is combined. Suppliers' freedom and flexibility are fundamental to best support their customers, as those closest to the customers know where help is best directed. The third parties that suppliers work with specialise in certain cohorts of customer to effectively address the needs of those groups (e.g. elderly, people with disabilities, people in debt) in tailored ways. Allowing suppliers to continue choosing and partnering with the most appropriate organisations means support is targeted more effectively, building on strong partnerships and local knowledge already in place. There is also value in coordination across suppliers to maximise overall reach and impact, whilst still ensuring freedom and flexibility.

The Government should consider how more intensive or sustained support can deliver long-term positive impact to individual households, recognising the depth and quality of support as well as the reach. This could involve repeat interventions over multiple years, holistic support, or community funding. Design of Industry Initiatives should allow for this extended consumer support.

Providing greater certainty to Industry Initiative partners surrounding the annual budget would allow suppliers to contract out their obligations for multiple years, which would improve efficiency and the ability to aim for long-term benefits. Currently, the year-on-year uncertainty hinders suppliers' and stakeholders' ability for long-term planning and supply chain delivery.

Q14: Do you have any views on eligibility for Industry Initiatives, or the extent to which energy suppliers should have discretion and flexibility to who they are awarded to within fuel poverty risk groups?

As outlined in our response to Questions 11 and 12, Energy UK recommends prioritising supplier flexibility when it comes to directing the support from Industry Initiatives. Suppliers are best placed to understand their customer base and to work with trusted third-party delivery partners that have expertise in understanding specific customer groups, such as older customers, people with disabilities and medical conditions, or those struggling with debt. We advise against an overly prescriptive approach to eligibility for Industry Initiatives to avoid this part of the scheme becoming a tick box exercise.

Q15: Do you have any views on whether specified activities should be included in the new regulations for the next scheme period from 2026/27? Are there any advantages or drawbacks to their inclusion in your view?

No view.

Q16: Do you agree with the proposals to expand the role of suppliers in the communications around Warm Home Discount? Does this approach raise any advantages, or concerns in your view?

No, we do not agree. Expanding suppliers' role to take on the communications would duplicate work across the market and increase costs for suppliers, which they will need to recover. Shifting this role could also cause confusion for customers. The Government is responsible for the helpline and data matching, so it does not make sense for suppliers to be running the communications function.

Q17: Do you have any views on appropriate governance arrangements or oversight to monitor the effectiveness of this approach?

No view.

Q18: Do you have any views on the proposed change to how the Warm Home Discount cost is estimated for reflecting in retail gas and electricity prices, moving from an annual spending target set out in regulations to the introduction of estimates of total spend for that coming winter? Do you have any views on how this may work on a practical level for suppliers? If your response is specifically relevant to England and Wales, or Scotland only please make this clear in your reply.

Our main concern is the practical implication for suppliers. From a delivery perspective, it is important that the cost is reflected in the price cap as early as possible each year. Early inclusion allows suppliers to financially plan and manage cash flow more effectively, which helps them to smooth costs and provide better predictability.

Cost recovery is a significant issue, and provision will need to be made if the scheme does not revert to the usual form of financial recovery. Suppliers need timely and predictable cost recovery for all schemes, including WHD. Currently, they pay WHD costs upfront, sometimes months before being able to recover the costs through customer bills. This creates cashflow pressure, which is exacerbated if the scheme expands.

The impact on fixed term contracts is particularly stark. If scheme changes lead to increased costs without at least 12 months' notice, suppliers cannot recover these costs from customers who locked into fixed tariffs before the changes were announced. If new WHD costs are added after these tariffs are sold, suppliers do not

have a way to recover the extra costs from these customers, meaning suppliers must absorb the costs.

The Government should seek mechanisms that would allow suppliers to recover cost within the same scheme year, so that the financial burden of paying rebates does not fall solely on them. They also want estimates of the scheme costs to be provided ahead of the April price cap, ensuring that the regulator can adjust the price cap to reflect these costs, so they can plan and deliver the scheme efficiently without financial strain.

Q19: Do you have any views on how to determine spending for Industry Initiatives in Scotland if data matching is adopted in place of the Broader Group?

No view.

Q20: Do you agree, in the absence of data matching, Scottish spending should continue to be determined as a proportion of expected spending in the England and Wales?

No views.

Q21: Do you agree that Industry Initiatives should be funded to a similar level as currently? Do you have any views on whether their value should be adjusted for inflation during the scheme period?

Any decision on this, whether it is maintaining or adjusting the value for inflation, should be communicated to suppliers with sufficient notice. Certainty over budgets is essential for effective planning and to ensure partnerships and delivery arrangements can continue smoothly.

Q22: Do suppliers have any views on whether the reconciliation process works as currently organised? Do you consider whether any changes could improve the process?

The timing of reconciliation should be consistent. In recent years, the final reconciliation has happened progressively later in the year, which adds uncertainty. We recommend that the Government considers the value of suppliers having certainty for the stability of their finances.

Q23: Do you have any other comments, views or evidence on the proposals for the changes to the levy?

No views.

Q24: Do you have any comments on the proposal for allowing rebates notices to be issued after 1 March (31 March for 2025/26) where the Secretary of State is satisfied that an error has occurred?

No views.

Q25: During the scheme period between 2026/27 and 2030/31, do you have any suggestions on what further improvements or additions to the scheme we could be exploring?

Our view on this question is outlined in our response to Question 1. The Government should use the review period to develop a more ambitious WHD. This should include better data sharing between government departments to enable targeting based on income, health, and energy consumption. This would also pave the way for a tiered and flexible model of support, ensuring that assistance reflects different levels of household need and can adapt to changing market conditions.

The scheme should be increased in scale to reflect the true extent of fuel poverty, and it should be funded progressively, either partly or wholly from general taxation, to make the scheme fairer and more impactful.

Q26: Are there in your view households with particular characteristics that are or will be particularly impacted by changes to the energy sector and how costs feature in bills?

We refer to our answer to Question 3. There are many groups who are on non-means tested benefits, as well as those not receiving benefits at all, who do not qualify for support under the current criteria. An example is households receiving disability benefits who face higher costs due to health conditions that make them more vulnerable to the cold. We advise that the Government considers this and commits to developing a more ambitious, far-reaching targeted scheme that ensures these groups are not left behind.

A short-term and narrow focus on social acceptability of the standing charge-unit rate balance will be counterproductive. As part of Ofgem's cost allocation review we have highlighted that it should focus on shaping the investment signals, market dynamics and consumer engagement needed to deliver an efficient energy market under a clean power system.

This entails developing a cost allocation regime that is appropriate for the evolving nature of the energy system, which means bringing down bills over time by allocating costs in such a way that drives consumer engagement with flexibility and improved customer outcomes. This is, in part, through ensuring network charging reflects consumers' actual additional cost to the system, simultaneously enabling rewards for consumer behaviours that lower system costs and emissions.

Transparent consideration should also be given to other levers available to the Government and Ofgem to drive consumer engagement with energy. For example, modelling of the anticipated evolution of policy costs on the bill and the extent they

will remain on metered consumption is critical to anticipating the impact of any changes to network charging.