



Department for
Business, Energy
& Industrial Strategy

Lord Callanan
Minister for Business, Energy and Corporate
Responsibility

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Dear Harry,

Thank you for your letter dated 16 December to the Rt Hon Kwasi Kwarteng MP, regarding the Warm Home Discount. I am responding on behalf of the Department as this matter falls under my Ministerial portfolio.

I was pleased that Oldham Council recognised the value of the Warm Home Discount scheme in helping to tackle fuel poverty. The Warm Home Discount is a key policy in Government's programme to support low income and vulnerable households with their energy costs, and this year we expect that around 2.2 million households across Great Britain will receive a £140 rebate on their energy bill. In addition to that, a wide range of support for fuel poor households is provided through Warm Home Discount Industry Initiatives, including measures such as debt write-off, energy efficiency improvements and financial assistance payments. A total of over £3 billion of direct assistance has been provided in the eleven years since the scheme began.

The Warm Home Discount scheme is funded by energy suppliers, who generally recoup the costs from customer energy bills. However, the Government sets the spending target for each year. For this year, 2021/22, the overall scheme spending target is £354 million. Having a spending target is necessary to balance providing significant rebates to as many households as possible, while minimising the impact on consumers' bills. Any increase in the rebate amount would therefore reduce the number of households receiving support. This is something we particularly wanted to avoid at this time, as the number of eligible households has increased as a result of COVID-19. Given this, and following a consultation on this scheme year, we decided to keep the rebate amount at £140 for the 2021/22 scheme year.

As outlined in the Energy White Paper¹, we will be expanding the spending envelope to £475 million (in 2020 prices) per year from 2022/23. We estimate that the policy cost of the expanded scheme will increase dual fuel customer bills by a further £5 compared to the current scheme. However, this increase will enable the scheme to reach around 3 million households each year, which is 780,000 more households than at present. Combined with the reforms to the eligibility criteria and expansion of data matching that the Government consulted on last summer², we expect that the scheme will also be much better targeted towards fuel poverty than at present, with 560,000 more fuel poor households receiving a rebate. The consultation also included a

¹ www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future

² www.gov.uk/government/consultations/warm-home-discount-better-targeted-support-from-2022

proposal to increase the rebate amount to £150 from the 2022/23 scheme year, and a proposal to reduce the energy supplier participation thresholds, which will obligate more suppliers to deliver the scheme and ensure that more customers will be with participating energy suppliers. We will publish the Government's response to the consultation in the coming months, with the reforms taking effect from winter 2022/23.

I want to reassure you that the Government recognises that some households may need immediate support this winter. Nobody should be cold in their own homes, which is why, to help vulnerable energy customers during the pandemic, BEIS negotiated a Voluntary Agreement with energy suppliers in March 2020, which remains in force. Through this, energy suppliers agreed to a set of principles to support customers impacted by COVID-19 who may be struggling with their energy bills and help to keep them on supply.

The Government also operates a number of other schemes which help vulnerable households with their winter energy costs. These include Cold Weather Payments³ which are paid to vulnerable claimants on qualifying benefits for every week of severe cold weather over the winter period. Between 1 November 2020 and 31 March 2021, the Government made £98.8 million in payments to those in need. In addition, eligible pensioners receiving a state pension will automatically receive the Winter Fuel Payment⁴ with recipients receiving between £100 and £300 towards heating bills.

In addition, vulnerable households can access a £500 million support fund to help them with essentials. The Household Support Fund⁵ will provide £421 million to help vulnerable people in England with the cost of food, utilities, and wider essentials. The Barnett Formula will apply in the usual way, with the Devolved Administrations receiving almost £80 million (£41 million for the Scottish Government, £25 million for the Welsh Government and £14 million for the Northern Ireland Executive), for a total of £500 million.

I also note that you asked about public awareness of the Warm Home Discount scheme and ways to promote it further. In the 2021/22 scheme year, all low-income pensioners who are potentially eligible for a rebate under the Warm Home Discount Core Group will have received a letter from the Government by mid-December. Most will receive the rebate automatically, with around 95% of Core Group recipients having received their rebates automatically in the 2020/21 scheme year. In addition, the Warm Home Discount website at: www.gov.uk/the-warm-home-discount-scheme is widely signposted and used by consumer groups, charities, and energy comparison websites to maximise uptake. Meanwhile, energy suppliers are responsible for administering their Broader Group rebates, including setting their eligibility criteria and providing the rebates to eligible households. Suppliers make their customers aware of the scheme and are usually over-subscribed with applications.

As outlined in the Government's consultation last summer, we have proposed reforms to the scheme which will mean that from winter 2022/23 the vast majority of all Warm Home Discount rebates would be provided automatically through data matching, without customers having to take any action.

Thank you for writing to highlight Oldham Council's concerns. I trust this information will be useful.

³ www.gov.uk/cold-weather-payment

⁴ www.gov.uk/winter-fuel-payment

⁵ www.gov.uk/government/publications/household-support-fund-guidance-for-local-councils

Martin Call

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