

## Warm Home Discount (WHD)

The Warm Home Discount requires energy companies by law to give a discount on energy bills to some of their most vulnerable customers<sup>1</sup>. This mandatory scheme has replaced the previous voluntary agreement with the energy companies. Over the four years of the scheme to 2015, WHD will be worth up to £1.1bn and is expected to help around two million households per year.

Energy companies are required to provide a discount on electricity bills to a 'core group' of low income pensioners (initially comprising those in receipt of the 'guarantee' element of Pension Credit, expanding to include every pensioner in receipt of the Savings Credit element by 2015). They are also required to provide the same discount to a 'broader group' of their customers, although they retain discretion over who will be eligible for the discount. The discount for customers in both the core and broader groups is £120, increasing to £140 in year four.

Under their voluntary agreements energy companies had commitments such as social tariffs. They must manage down expenditure on these commitments because their 'legacy spend' will be capped, and phased out over the first three years of WHD.

Energy companies can (with Ofgem approval) spend a maximum of £30m per year on industry initiatives. These initiatives might include: financing of organisations which refer customers in fuel poverty to suppliers; providing or funding the provision of benefit entitlement checks; and also providing or funding energy efficiency measures.

The Department for Energy and Climate Change (DECC) expects the expenditure to break-down as follows:

### Expected expenditure across the scheme (nominal prices)

Expenditure Type	2011/12	2012/13	2013/14	2014/15
Core Group	£97m	£143m	£159m	£190m
Broader Group	£3m	£47m	£88m	£90m
Total Legacy Spending and Industry Initiatives Cap	£150m	£85m	£53m	£30m
<i>Legacy Spending Cap</i>	<i>£140m</i>	<i>£70m</i>	<i>£35m</i>	<i>£0m</i>
<i>Industry Initiatives Cap</i>	<i>£30m</i>	<i>£30m</i>	<i>£30m</i>	<i>£30m</i>
<b>Total</b>	<b>£250m</b>	<b>£275m</b>	<b>£300m</b>	<b>£310m</b>

Source: UK Government Response to the Consultation on the Warm Home Discounts, 2011.



Suite 4a  
Ingram House  
227 Ingram  
Street  
Glasgow  
G1 1DA

Tel: 0141 226  
3064

Fax: 0141 221  
2788

Email:  
[eas@eas.org.uk](mailto:eas@eas.org.uk)

Website:  
[www.eas.org.uk](http://www.eas.org.uk)

*"Working to  
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DECC has issued [Draft Regulations outlining the new Warm Home Discount](#)

Details on each of the 'big six' energy supplier's broader group eligibility criteria can be found in Appendix to Factsheet IV.B.4

<sup>1</sup> Fuel suppliers previously offered special, lower priced tariffs for households vulnerable to fuel poverty, however this was on a purely voluntary basis at the discretion of each supplier. Eligibility for these 'social tariffs' was also at the discretion of each fuel supplier.



Suite 4a  
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227 Ingram  
Street  
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Tel: 0141 226  
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Fax: 0141 221  
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Email:  
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Website:  
[www.eas.org.uk](http://www.eas.org.uk)

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