
DRAFT STATUTORY INSTRUMENTS

2011 No.

The Warm Home Discount Regulations 2011

PART 4

Non-core spending

CHAPTER 1

General

Determination and notification of non-core spending obligation

12.—(1) The Secretary of State must—

- (a) for scheme year 1, by 7 days after the commencement date, and
- (b) for scheme years 2, 3 and 4, by 14th February preceding the start of the scheme year,

determine and notify to the Authority the aggregate non-core spending obligation.

(2) Schedule 1 makes provision about the determination of the aggregate non-core spending obligation.

(3) The Authority must—

- (a) for scheme year 1, by 28 days after the commencement date, and
- (b) for scheme years 2, 3 and 4, by 14th March preceding the start of the scheme year,

calculate for each compulsory scheme electricity supplier, and notify to that supplier, the amounts specified in paragraph (4).

(4) The amounts are—

- (a) the supplier's non-core spending obligation (subject to any later adjustment under regulation 14); and
- (b) the maximum amounts of spending which the supplier may count towards meeting its non-core spending obligation under—
 - (i) Chapter 3 (legacy spending);
 - (ii) Chapter 4 (industry initiatives); and
 - (iii) Chapters 3 and 4 combined.

Calculation of non-core spending obligation

13.—(1) The non-core spending obligation of a compulsory scheme electricity supplier for a scheme year (subject to any adjustment under regulation 14) is the relevant percentage of the aggregate non-core spending obligation for that scheme year.

(2) The relevant percentage, in relation to a compulsory scheme electricity supplier ("C") and a

scheme year, is $\frac{X \times 100}{Y}$ % where—

- (a) X is C's number of domestic customers, unless sub-paragraph (b) or (c) applies;
 - (b) if C is connected to one or more scheme gas suppliers but not to any other compulsory scheme electricity suppliers, X is the combined number of domestic customers of C and its connected scheme gas suppliers;
 - (c) if C is connected to one or more scheme gas suppliers and to one or more other compulsory scheme electricity suppliers, X is a number equal to Z% of the combined number of domestic customers of C and its connected scheme gas suppliers and connected compulsory scheme electricity suppliers; and
 - (d) Y is the total number of domestic customers of all—
 - (i) compulsory scheme electricity suppliers; and
 - (ii) scheme gas suppliers which are connected to a compulsory scheme electricity supplier.
- (3) In paragraph (2)(c), "Z%" is C's number of domestic customers as a percentage of the combined number of domestic customers of C and its connected compulsory scheme electricity suppliers.
- (4) In paragraphs (2) and (3)—
- (a) references to a supplier's number of domestic customers are to the supplier's number of domestic customers on the 31st December preceding the start of the scheme year; and
 - (b) a supplier is to be treated as connected to another supplier if those suppliers were connected on the 31st December preceding the start of the scheme year (but not otherwise).

Adjustments for banking and borrowing

- 14.—(1) In scheme years 2, 3 and 4, if the amount of spending incurred under this Part (as determined by the Authority in accordance with regulation 29(d)) by a compulsory scheme electricity supplier in the preceding scheme year (" D_{t-1} ") is greater or less than the supplier's non-core spending obligation for the preceding scheme year (" S_{t-1} "), the Authority must adjust the supplier's non-core spending obligation for the current scheme year (" S ") in accordance with paragraphs (2) and (3).
- (2) If D_{t-1} is less than S_{t-1} , S is to be adjusted by adding $(S_{t-1} - D_{t-1})$.
 - (3) If D_{t-1} is greater than S_{t-1} , S is to be adjusted by subtracting—
 - (a) $(D_{t-1} - S_{t-1})$, unless sub-paragraph (b) applies; or
 - (b) 1% of S_{t-1} , if the amount determined under sub-paragraph (a) is greater than 1% of S_{t-1} .
- (4) The Authority must notify each compulsory scheme electricity supplier by 30th September in scheme years 2, 3 and 4—
- (a) whether any adjustment has been made under this regulation to its non-core spending obligation for that scheme year; and
 - (b) if so, the adjusted amount of the supplier's non-core spending obligation.

Types and amounts of spending

- 15.—(1) In each scheme year a compulsory scheme electricity supplier must, subject to paragraph (2), incur spending under this Part to the amount of its non-core spending obligation.
- (2) In relation to scheme year 1, 2 or 3, a compulsory scheme electricity supplier is not in breach of paragraph (1) if the amount of spending incurred by the supplier under this Part (as determined by the Authority in accordance with regulation 29(d)) is equal to or greater than 99% of its non-core spending obligation.
 - (3) The spending to be incurred by a compulsory scheme electricity supplier under this Part—

- (a) must, in each scheme year, include the provision of rebates to broader group customers under Chapter 2;
 - (b) if the supplier is a relevant supplier, may in scheme years 1, 2 and 3 include legacy spending under Chapter 3, subject to the limits in paragraph (4)(a) and (c); and
 - (c) may include spending on industry initiatives under Chapter 4, subject to the limits in paragraph (4)(b) and (c).
- (4) The maximum amount of spending that a compulsory scheme electricity supplier may count towards its non-core spending obligation—
- (a) under Chapter 3, is the relevant percentage of—
 - (i) £140 million in scheme year 1;
 - (ii) £70 million in scheme year 2; and
 - (iii) £35 million in scheme year 3;
 - (b) under Chapter 4, in any scheme year, is the relevant percentage of £30 million; and
 - (c) under Chapters 3 and 4 combined, is the relevant percentage of—
 - (i) £150 million in scheme year 1;
 - (ii) £85 million in scheme year 2; and
 - (iii) £53 million in scheme year 3.
- (5) In paragraph (4), “the relevant percentage” means the percentage determined under regulation 13(2).

Spending by connected scheme suppliers

16.—(1) Paragraph (2) applies if a compulsory scheme electricity supplier (“C”) is connected to one or more scheme gas suppliers, but is not connected to another compulsory scheme electricity supplier.

(2) C may treat the amount of any spending incurred under Chapter 3 or Chapter 4 by a connected scheme gas supplier as an amount of spending incurred by C.

(3) Paragraph (4) applies if C is connected to one or more scheme gas suppliers and to one or more compulsory scheme electricity suppliers.

(4) C may treat Z% of the amount of any spending incurred under Chapter 3 or Chapter 4 by a connected scheme gas supplier as an amount of spending incurred by C.

(5) In paragraph (4), “Z%” is C’s number of domestic customers as a percentage of the combined number of domestic customers of C and its connected compulsory scheme electricity suppliers.

Spending incurred before commencement date

17.—(1) Paragraph (2) applies if these Regulations come into force after 1st April 2011.

(2) In scheme year 1, a compulsory scheme electricity supplier may treat as an amount of spending incurred under Chapter 3 or Chapter 4 any spending which—

- (a) was incurred between 1st April 2011 and the commencement date; and
- (b) would have counted towards its non-core spending obligation by virtue of Chapter 3 or Chapter 4, if these Regulations had come into force on 1st April 2011.