
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations, which come into force on the 21st day after the day on which they are made, amend the Warm Home Discount Regulations 2011 (the “WHD Regulations”) and the Warm Home Discount (Reconciliation) Regulations 2011 (the “Reconciliation Regulations”). These Regulations extend to Great Britain.

The WHD Regulations established the Warm Home Discount scheme (“the Scheme”), which was in operation for seven years, until 31st March 2018. The Scheme placed obligations on licensed electricity suppliers who have 250,000 or more domestic customer accounts (or who are part of a group of electricity or gas supply companies which together have 250,000 or more domestic customer accounts) to incur spending on providing benefits to customers who are in, or are at risk of, fuel poverty.

The Scheme required those electricity suppliers to provide a rebate in each scheme year to customers specified in notices given by the Secretary of State (“the core group”). These were domestic customers who appeared to the Secretary of State to be, or to have a partner who is, in receipt of state pension credit guarantee credit. It also required those suppliers to incur “non-core spending” by providing the rebate to other domestic customers (“the broader group”) who met their eligibility criteria, and by undertaking “industry initiatives” for the benefit of energy consumers, such as the provision of energy advice or debt assistance.

Regulation 4 amends the WHD Regulations to reinstate the Scheme for a further three scheme years. Scheme year 8 will run from the coming into force of this instrument to 31st March 2019, scheme year 9 will run from 1st April 2019 to 31st March 2020 and scheme year 10 will run from 1st April 2020 to 31st March 2021.

A number of amendments are made to the WHD Regulations for the new scheme years.

Regulation 5 inserts provision into regulation 4 of the WHD Regulations to take into account notifications of domestic customer numbers made to the Gas and Electricity Markets Authority before this instrument comes into force.

Regulation 6 amends regulation 5 of the WHD Regulations to define a category of “compulsory smaller electricity supplier” for schemes years 9 and 10, which are obliged to provide rebates to the core group (under Part 3 of the WHD Regulations) but are not required to incur non-core spending (under Part 4 of the WHD Regulations). The threshold for this category of supplier is set as between 200,000 and 249,999 domestic customers for scheme year 9, with a reduction in the lower limit to at least 150,000 domestic customers in scheme year 10.

Regulation 7 inserts a new regulation 5A to require licensed electricity suppliers to notify their former core group customers and to place a statement on their website if the supplier participated in the scheme in the previous scheme year, but is not participating in the current scheme year.

Regulation 8 amends the process in regulation 6 of the WHD Regulations for the determination of core group customers by the Secretary of State. The person, or their partner, must appear to be in receipt of state pension credit guarantee credit, or in scheme years 9 and 10, where the Secretary of State has consulted upon and published eligibility criteria, the person must appear to the Secretary of State to meet those criteria.

Regulations 8 and 9 amend the circumstances in regulation 6 of the WHD Regulations in which the Secretary of State may give information about core group customers to electricity suppliers and the

circumstances in regulation 9 of the WHD Regulations in which the Secretary of State may direct electricity suppliers to provide information to the Secretary of State about their domestic customers.

Regulation 15 inserts new regulations 15A and 15B to set out the types and amounts of non-core spending required by electricity suppliers under Part 4 of the WHD Regulations. It increases to £40 million the maximum amount of spending on industry initiatives and specified activities that may count towards meeting the non-core spending obligation in each scheme year. It lowers the limit on spending on industry initiatives for debt write-off, to £10 million in scheme year 8, with further reductions in schemes years 9 and 10. It sets a £5 million limit in each scheme year on spending on industry initiatives for payments towards the future gas and electricity bills of domestic customers. It prevents spending on rebates to the broader group if the Secretary of State has determined the total amount to be spent under Part 4 of the WHD Regulations to be £50 million or less in a scheme year; and where that is the case, the £40 million spending limit on industry initiatives and specified activities will not apply.

Regulation 16 inserts a new regulation 17B to enable spending on industry initiatives taking place between 1st April 2018 and the coming into force of this instrument to count towards the non-core spending obligation in scheme year 8.

Regulation 21 amends regulation 26 of the WHD Regulations to require any spending on industry initiatives to take place in the scheme year and after the Authority has approved the industry initiative, except in scheme year 8 where spending taking place before that approval may be counted if it is subsequently approved.

Regulation 25 substitutes regulation 31 of the WHD Regulations to set out the circumstances in which the Secretary of State must conduct a review of the Scheme or of an aspect of it.

Regulation 26 amends Schedule 1 to the WHD Regulations to set the overall spending target for scheme year 8, and to adjust it in line with the consumer prices index for scheme years 9 and 10.

Regulation 27 amends the broader group eligibility criteria in Part 1 of Schedule 2 to the WHD Regulations.

Regulation 28 adds a new type of initiative to the list of industry initiatives in Schedule 4 to the WHD Regulations, together with an exception describing the spending on that type of industry initiative which may not be counted towards a supplier's obligations under the Scheme.

Regulations 5(b), 6(b), 8(d), 11(b) and (d), 13(g) and 23 change the deadlines for certain notifications and determinations under the Scheme. The remaining provisions in regulations 3 to 28 amend the WHD Regulations in consequence of the extension of the Scheme and the other changes described above.

The Reconciliation Regulations provide for the operation of a reconciliation mechanism in relation to spending by electricity suppliers under the Scheme. Regulation 29 amends the Reconciliation Regulations in consequence of the extension of the Scheme.

A full impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available from the Department for Business, Energy and Industrial Strategy at 1 Victoria Street, London, SW1H 0ET and is published with the Explanatory Memorandum alongside this instrument on www.legislation.gov.uk.