EXPLANATORY MEMORANDUM TO

THE WARM HOME DISCOUNT (AMENDMENT) REGULATIONS 2025

2025 No. 1031

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Energy Security and Net Zero and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Declaration

2.1 Dr Miatta Fahnbulleh, minister for Energy Consumers at the Department for Energy Security and Net Zero confirms that this Explanatory Memorandum meets the required standard.

2.2 Julie McLynchy/ Charlotte DuBern, Deputy Director for Warm Home Discount and Fuel Poverty, at the Department for Energy Security and Net Zero confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Richard Crowton at the Department for Energy Security and Net Zero Telephone: 07788334851 or email: richard.crowton@energysecurity.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This legislation amends the Warm Home Discount (England and Wales) Regulations 2022 ("the England and Wales Regulations") and the Warm Home Discount (Scotland) Regulations 2022 ("the Scotland Regulations") to support an increase in spending in the final year of the schemes provided for in those Regulations.

The England and Wales Regulations are amended to extend the time in which rebate notices can be issued in scheme year 15 to 31st March 2026 and extend the effect of a supplier's obligations to provide payments in response to rebate notice and the Secretary of State's discretion to disapply that requirement in certain circumstances. These changes have been made to support an intended expansion of the eligibility criteria in the eligibility statement published by the Secretary of State in accordance with regulation 9 of the England and Wales Regulations.

4.2 The Scotland Regulations are amended to increase suppliers' non-core spending obligation by a commensurate amount to the increase to spending in England and Wales, that is expected to flow from the expansion to the England and Wales eligibility criteria.

In England and Wales, the core spend is not directly determined by the regulations themselves but by the rebates issued under the eligibility criteria. The expansion of the

eligibility criteria will increase the number of households qualifying for the rebate, thereby increasing the overall core spend. To achieve the same effect under the Scottish regulations, i.e. to enable greater spend on households on means tested benefits in proportion to the increase in spend in England and Wales, a direct amendment to the Scotland Regulations to increase non-core spend was necessary.

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England, Wales and Scotland.

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England, Wales and Scotland. Notably, part 2 of the instrument applies solely to England and Wales, whereas part 3 applies exclusively to Scotland.

5. Policy Context

What is being done and why?

5.1 Section 9 of the Energy Act 2010 allows the Secretary of State to make schemes for the purpose of reducing fuel poverty. The Warm Home Discount scheme is a key policy in the Government's approach to tackling fuel poverty and reducing the energy costs of low-income and vulnerable households. Under the scheme, participating energy suppliers provide support to households who are in, or at risk of, fuel poverty, primarily through rebates on their energy bills every year. In the Energy White Paper 2020, the Government committed to extend the scheme from 2022 to 2026, expand the scheme to reach around 3 million households, and consult on reforms to improve the fuel poverty targeting of the scheme in England and Wales. There is a separate Warm Home Discount scheme in Scotland, in part due to the data underpinning the 2022 reforms of the scheme in England and Wales not being available in Scotland.

5.2 In February 2025, the Department consulted on expanding the Warm Home Discount Scheme for winter 2025/26. We proposed to remove the high cost to heat threshold set down in the eligibility statement, making all households in England and Wales on a qualifying means tested benefit eligible for the scheme. For Scotland, we proposed to increase the spend available for suppliers, enabling more people on means tested benefits to apply to their suppliers for support, to a level proportionate to the expected increase resulting from the expanded eligibility criteria in England and Wales. These proposals will bring around 2.7 million additional households into the scheme – pushing the total number of households that will receive the discount next winter up to around 6 million.

5.3 The main changes to the scheme are as follows:

- In England and Wales, removal of the cost of heating threshold that is currently applied to working age households on means tested benefits, which would bring around 2.7 million more households where the billpayer or their partner is in receipt of a means tested benefit into the scheme.
- In Scotland, increased spend available for suppliers so more households on means tested benefits can receive support through their energy suppliers' schemes.

5.4 The statutory instrument makes amendments to the current regulations to increase the financial support available in the scheme year 15 (2025/26). In England and Wales this will primarily be achieved through changes to the eligibility statement.

5.5 The amendments also extend the deadline for issuing instructions to pay rebates to suppliers in England and Wales to 31 March 2026, giving suppliers more time to

distribute the increased support. Suppliers will continue to be required to pay consumers within 30 days of receiving a rebate notice. Provisions essential to the smooth operation of this extension are extended beyond the end of the scheme year by regulation 4.

5.6 In Scotland, the amendments increase suppliers' non-core spending obligations in Scotland by an amount proportionate to the anticipated increase resulting from the expansion of the eligibility criteria in England and Wales. They also clarify how suppliers' financial obligations are to be recalculated and communicated, ensuring transparency and accountability in the scheme's administration.

5.7 Energy affordability remains a pressing issue for many households. By increasing the funding and refining the delivery mechanisms, the government aims to ensure that the WHD scheme continues to provide timely and effective support. The legislative changes are justified not only by the need to respond to current economic conditions but also by the statutory requirements of the Energy Act 2010, which mandates regular review and consultation. The Secretary of State has fulfilled these obligations by consulting relevant stakeholders, including Ofgem and licensed energy suppliers, and obtaining the necessary consent from the Treasury.

What was the previous policy, how is this different?

5.8 The Warm Home Discount (WHD) Scheme, introduced under the Energy Act 2010, has historically provided financial support to low-income and vulnerable households to help with winter energy costs. The policy, as set out in the 2022 regulations for England and Wales, and Scotland, established a framework in which energy suppliers were obligated to deliver a set level of financial support—primarily through £150 rebates—to eligible households. These obligations were divided into core and non-core spending targets, with suppliers required to meet these targets annually. The scheme was designed to be predictable and consistent, with fixed spending obligations and a defined eligibility framework.

5.9 The 2025 amendment regulations mark a significant shift in this policy. The key change is that the regulations allow for increased spend. In England and Wales there will be changes to the Secretary of State's eligibility statement expanding the number of households eligible for support. In Scotland, the regulations will allow for an uplift to be applied to the aggregate non-core spending obligation, with each supplier's obligation recalculated proportionally based on their market share.

5.10 Another important change is the extension of the deadline for issuing instructions to pay to suppliers. The regulations currently require instructions to pay to be issued by 1 March 2026. The amendment extends this deadline to 31 March 2026. This provides suppliers with additional time to process and deliver the increased volume of rebates resulting from the expanded eligibility and funding.

5.11 These changes represent a more flexible and responsive approach to managing the WHD scheme. By increasing the funding and adjusting supplier obligations mid-scheme, the government is demonstrating a commitment to addressing the role of energy costs in putting pressure on household budgets, which disproportionately affect low-income households. The legislative amendments also ensure that suppliers are legally bound to meet the new obligations and that the scheme remains effective and equitable in 2025/26.

6. Legislative and Legal Context

How has the law changed?

6.1 The scheme established by the Warm Home Discount Regulations 2011 has been running for 14 scheme years, up to 31 March 2025. The current Regulations expire on 31 March 2026. This instrument amends the scheme for England and Wales, and Scotland, with changes, to increase spending in scheme year 15 from that provided for in those Regulations.

6.2 Under the current Regulations, the WHD Scheme operates under a set of fixed annual obligations for energy suppliers. These obligations are divided into core spending—primarily direct rebates to eligible households—and non-core spending, which includes broader 'industry initiatives' such as energy efficiency advice and debt relief. The regulations set clear deadlines, such as requiring instructions to pay to be issued to suppliers by 1 March 2026, and do not provide mechanisms for mid-year adjustments to spending targets without further legislative action.

6.3 While the changes to eligibility in England and Wales will be introduced through the Eligibility Statement, the 2025 amendments introduce several important legal changes to support that. In England and Wales, the deadline for issuing instructions to pay to suppliers has been extended to 31 March 2026, providing suppliers with more time to meet their obligations under the expanded scheme.

6.4 The amendments also extend the requirement for suppliers to pay rebate notices and the Secretary of State's discretionary powers to waive this ensuring the smooth operation of the scheme. In Scotland, a corresponding uplift is introduced to the aggregate non-core spending obligation, with a legal requirement for the authority to recalculate and notify each supplier of their revised obligations.

Why was this approach taken to change the law?

6.5 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 The consultation on the expansion of the scheme was launched on 25 February 2025 and closed on 24 March 2025. The Department considered that a 4-week consultation was sufficient for ensuring responses would come from a range of organisations and individuals and carried out extensive engagement activities during the consultation period to raise awareness. The consultation was hosted on gov.uk, with responses via an online portal and email. There were 122 responses to the consultation, including from energy suppliers, charities, consumer affairs organisations, local authorities, housing associations, public authorities, and members of the public. The department explained the proposals to the Scottish and Welsh Governments.

7.2 There was broad support from consultation respondents to the proposal. Consultation responses strongly supported removing the high cost to heat threshold and expanding support to all households on means-tested benefits in England and Wales. There was also majority support for proportionally increasing the size of the scheme in Scotland, to help more households on means-tested benefits. However, many respondents also commented that in the longer term we should bring the Scotland scheme in line with the England and Wales scheme to reduce administrative burden and ensure support is targeted to those who need it most.

There was also broad support for allowing households without a direct relationship with an energy supplier to receive support through an expansion of the Warm Home Discount Park Homes Scheme. However, significant concerns were raised over the proposal to deliver this within the existing budget, alongside other delivery concerns.

7.3 Having considered the responses to the consultation, the Government has decided to implement the main proposals consulted upon. The Government will move forward with removing the high cost to heat threshold and expanding support to all households on means-tested benefits, as well as proportionally increasing the scheme size in Scotland. Noting the feedback received, officials will consider whether the Scottish Warm Home Discount Scheme could be reformed to become an automated delivery, as in England and Wales, as they develop proposals for the future of the scheme after the current regulations expire in 2026.

While recognising the need to support fuel poor households that do not have a direct relationship with an energy provider, the Government has decided not to proceed with the expansion of the Park Homes WHD Scheme at the current time. Based on the feedback received to the consultation, the Government does not think it is credible to extend the scheme within the existing industry initiatives budget, however it is not possible to increase the budget for the WHD Park Homes Scheme at this time due to the impact this would have on bills for other consumers. Nevertheless, officials will consider how we could better support households that do not have a direct relationship with an energy provider in future policy development.

7.4 A formal Government response was published on the gov.uk website on 19 June 2025.

8. Applicable Guidance

8.1 The Authority, which is the scheme administrator, has previously published guidance for suppliers participating in the scheme. The Authority will publish draft updated guidance to reflect the changes made by this instrument for the continuation of the scheme in England and Wales, and Scotland.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment is submitted with this memorandum and published alongside the Explanatory Memorandum on the legislation.gov.uk website.

Impact on businesses, charities and voluntary bodies

9.2 The cost of WHD is a direct cost to business that is then recovered through a levy on household energy bills. The rebate itself therefore represents zero net cost to businesses. Some administration costs will be incurred but we assume these will be passed on to consumers.

9.3 The legislation does impact small or micro businesses.

9.4 To minimise the impact of the requirements on small businesses (employing up to 50 people), the approach that continues to be taken is to exempt the very smallest electricity suppliers, based on their number of domestic customer accounts. In scheme

year 15, the threshold is 1,000 domestic customer accounts. Licensed electricity suppliers below the threshold may apply to the Authority to participate voluntarily.

9.5 The impact on the public sector is mainly the costs to the Authority and Governmentin administering the scheme and in the process for issuing notices to electricity suppliers and letters to eligible households, as well as maintaining a helpline for households to contact to provide any missing data. These costs will be higher in an expanded scheme.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The Secretary of State will be under a duty, set out in regulation 30, to conduct a review of the scheme or of particular parts of it, if the circumstances set out in that regulation are met.

10.2 However, this legislation amends regulations that are due to expire on 31 March 2026. Given its limited duration, a review would not be expected.

10.3 The Authority is under a duty, set out in section 13 of the Energy Act 2010, to keep the operation of the scheme under review. Energy suppliers who participate in the scheme will be required to demonstrate to the Authority that they have complied with the requirements of the scheme. The Authority will publish an annual report on the scheme.

10.4 The instrument does not include a statutory review clause in line with the requirements of the Small Business, Enterprise and Employment Act 2015

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 The instrument will come into force on the day after the day on which it is made so that the expanded scheme can be delivered in time to support more of those who are in fuel poverty or struggling with their energy bills next winter. Automated delivery of rebates by energy suppliers requires data matching of energy supplier customer data with benefits records, a process takes time and cannot start until regulations are in force. The policy intent is that rebates reach the customers before the winter period and recipients will expect them in time for winter when homes most need to be heated. Any delay to commencement will lead to consequential delays in when rebates to the core group can start to be provided.

11.2 The deadlines for compliance with any requirement imposed by the instrument all fall at least 21 days after the commencement of the instrument, with the exception of the 7-day deadline that applies to the Secretary of State under regulation 15. This requires the Secretary of State to notify the Authority of the aggregate non-core spending obligation.

12. European Convention on Human Rights

12.1 Minister Fahnbulleh has made the following statement regarding Human Rights:

"In my view the provisions of the Warm Home Discount (Amendment) Regulations 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts"). It does however relate to the withdrawal of the United Kingdom from the European Union because while the regulations themselves do not mention Brexit, they are a product of the post-Brexit legal environment, where the UK has greater freedom to shape and amend energy support schemes like the Warm Home Discount in response to national needs and priorities.