Response to Department for Energy Security and Net Zero’s proposals for continuing the Warm Home Discount

Citizens Advice response

citizens advice

About us

We can all face problems that seem complicated or intimidating. At Citizens Advice we believe no one should have to face these problems without good quality, independent advice. We give people the knowledge and the confidence they need to find their way forward - whoever they are, and whatever their problem.

We provide support in approximately 2,500 locations across England and Wales with over 18,000 volunteers and 8,650 staff.

Through our advocacy work we aim to improve the policies and practices that affect people's lives. No one else sees so many people with so many different kinds of problems, and that gives us a unique insight into the challenges people are facing today.

As the statutory consumer watchdog for the energy and post industries we have an important role to play in shining a spotlight on the problems consumers encounter, providing solutions to these problems and ensuring their voices are heard when important decisions are made about the future of these essential markets.

Executive summary

Citizens Advice welcomes the opportunity to respond to the Department for Energy and Net Zero's (DESNZ) consultation on the Warm Home Discount (WHD). It is a vital scheme that provides support to those struggling with their energy bills, and we believe it should remain in place to continue to provide that assistance.

The Government's decision to extend eligibility for the WHD to all households on means tested benefit, and therefore removing the high cost to heat threshold, was welcome - especially for households who have previously missed out on support. However, rising energy prices mean that at its current level, the WHD isn't providing enough support to make a meaningful difference for those struggling most.

We recommend expanding the scheme to provide higher, more targeted payments to households who need it most. This could see around two million households with the highest energy needs receive £710 towards their energy bill, another two million with medium energy needs would receive £510, and the two million households with the lowest energy needs would receive £310. This should be funded through general taxation to avoid regressive impacts on consumers.

Alongside further changes referenced in our response, we think this approach offers the fairest and most effective way to ensure the Warm Home Discount continues to protect those most at risk from high energy costs. It also means the scheme can support the transition to clean power, by ensuring lower bills for eligible households who may be less able to respond to changes to policy levies and or changes to reward more flexible energy use.

1. Do you agree with our proposals to continue the Warm Home Discount scheme supporting households at risk of fuel poverty for the scheme period from 2026/27?

We agree with the proposals. The WHD is a vital element of support for households that struggle to pay their energy bills and should be continued onwards from 2026/27. Any uncertainty around whether the scheme will continue will cause stress and anxiety for those at risk of fuel poverty.

Households around the country continue to struggle to afford their energy bills and rely on their WHD payment in the winter months. Our most recent survey, commissioned by Yonder Consulting, found that 24% of households (roughly equating to 6.9 million households), have some difficulty affording their essentials each month. When asked about energy specifically, 26% of households (around 7.4 million) said they have some difficulty reliably affording their energy bills, and 38% (around 8.6 million) said they were fairly or very worried about being able to afford their energy bills this coming winter.[1]

For people like Claire, the WHD payment can be a vital lifeline to ease the strain on household budgets:

Claire's story

Claire is a single parent who works part time and receives Universal Credit. She is unable to afford her energy bills and is struggling to budget due to the high increase of food, energy and other essential bills. The rising cost of living is making it impossible for her to be able to make her money stretch to cover all her priority bills and essentials. She just about manages to cover her food costs, but is in emergency credit on both her gas and electricity meter. She needs a fuel vouchers from the local Citizens Advice which should help cover her energy costs until she receives her next Universal Credit payment.

[1] Yonder Consulting commissioned a survey which was conducted between 31st July and 6th August with 4,270 respondents from a nationally representative GB sample.

2. **Do you agree with our proposals to rename the current 'Core Group 1' and 'Core Group 2' in England and Wales, bringing the existing groups together under one 'Core Group'?**

We agree with the proposals to rename the current 'Core Group 1' and 'Core Group 2' in England and Wales to 'Core Group'. We believe this will simplify the process of determining someone's eligibility and make it easier for consumers to understand whether or not they are eligible for the scheme.

3. **Under the proposals the eligibility criteria established for 2025-26 would be continued for the next scheme period in England and Wales. Do you have any concerns about the impact of this proposal on households, in particular on those with protected characteristics? Do you have any suggestions for mitigating your concerns, including through use of Industry Initiatives?**

We agree that the extended eligibility criteria established for 2025-26 should be continued for the next scheme period in England and Wales. Removing the high-cost-to-heat threshold will ensure that millions more households receive the rebate and support with their energy bills this winter.

We want to see the Government build on this expansion and introduce tiered payments in the WHD. Support should be tailored to households depending on their energy needs, as assessed based on the characteristics of their property from the Valuations Office Agency (VOA) - as the WHD previously operated prior to winter 2025. Households with the highest energy needs would receive the most support at £710, households with the second higher energy needs would receive £510, and households with the lowest needs would receive £310.

We have modelled our tiered Warm Home Discount as part of forthcoming research in partnership with IPPR. Our scheme would benefit 5.6 million households with an average benefit of £360 to their energy bills, as well as lifting 600,000 households over the affordability income threshold, whereby they no longer spend over 10% of their income on energy.

This would cost an additional £2 billion, on top of the existing £1 billion that is funded via bills. We believe this additional expenditure should be funded from general taxation. We do not recommend any extra costs being added onto energy bills, which already include ~£250 of policy costs per household per year to fund environmental and social programmes.[2] With many households already struggling to pay their energy bills, it is not appropriate to increase them any more with extra policy costs.

We are also keen for the Government to explore widening eligibility beyond the benefits system in future years of the scheme. In our survey with Yonder Consulting, we found that 35% of households on low incomes[3] said they were unable to heat their homes to a comfortable temperature last winter, compared to 19% of non-low income households, and 48% of low income households are worried about paying for their energy bills this winter, compared to 35% of non-low income households.[4]

Due to the clear correlation between income and energy affordability, they should both be factored into the design and targeting of the Warm Home Discount so that it reaches those who are most at risk of being fuel poor. We understand that this is currently not possible due to issues with data matching, however the Government should seek to improve these systems to widen the eligibility in future years.

Questions 5-10

Not answered.

11. Do you agree that Industry Initiatives should be continued into the next scheme period?

We agree that Industry Initiatives should be continued into the next scheme period. We think the delivery mechanism should be reformed, and funding should be made available over longer time periods. This will allow funds to be used more strategically and give continuity to the advice delivery organisations so that they can invest in appropriately trained staff and systems for the benefit of those who need help.

Under the current scheme, suppliers don't have confirmed Industry Initiative early enough to be able to begin delivery in April, despite the scheme years running from 1 April-31 March. Because of this, there is nearly always a gap in delivery with schemes unable to start until summer. This results in a break of vital support to clients in fuel poverty and with high bills after winter.

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[2] Resolution Foundation, Splitting the bill, October 2025
[3] The Government has defined 'low-income households' as households earning below 60% of the current year's median income. GOV.UK, Persistent low income, September 2025
[4] Citizens Advice commissioned survey conducted by Yonder.

We suggest that the funding for Industry Initiatives reformed so that suppliers have a consistent budget available to them, with clearer guidance on how to spend it. This would ensure that the funding can play a role in a sustainable, comprehensive advice offer for those struggling to pay their energy bills.

We also support expanding access to support for households who miss out on the WHD payment. This is already available for people living in park homes, but should be expanded to include other tenants in rented accommodation who don't receive payment because their landlord manages the energy bills.

Other activities funded through Industry Initiatives should be designed to add value in the context of other schemes. For example, as the Warm Homes Plan is rolled out energy efficiency spending in the scheme could be focused on innovative approaches to home upgrades or reaching cohorts who miss out on other aspects of the Plan. Debt write-off activities should be re-evaluated as Ofgem's forthcoming debt relief scheme is finalised.

12. Do you agree that Industry Initiatives should continue to be designed by individual energy suppliers and third party partners?

Industry Initiatives should continue to be designed by individual energy suppliers and third party partners in the immediate future. Individual suppliers are able to draw on the expertise of advice delivery partners in the local area to both design and deliver such initiatives, however more strategic coordination is needed to ensure the overall advice landscape is cost-effective and working towards a long term vision.

We understand that there are some drawbacks to allowing individual energy suppliers and third party partners to design Industry Initiatives, such as a lack of consistency in the quality or type of services delivered. This could lead to consumers facing a postcode lottery with the quality of service dependent on where they live. Additionally, many Industry Initiatives only focus on crisis support rather than longer term solutions to energy poverty - such as bill reduction via insulation or other new technologies.

To counteract this, we recommend Ofgem and the government develop a strategy for how advice funding is being spent. As a first step, Ofgem should create a governance framework that covers all the funding related to providing support and assistance to consumers that it manages. This should cover Industry Initiatives, Vulnerability and Carbon Monoxide Allowances (VCMA) and the Energy Industry Voluntary Redress Fund. This would enable improved strategic oversight and lead to improved outcomes for consumers. We are pleased to see Ofgem is currently reviewing governance arrangements for VCMA. This could form the basis for these wider governance arrangements.

A structured approach will help clarify the landscape of energy advice services and where there may be gaps and overlaps in provision overall, as well as facilitating referrals between energy advice providers.

13. Do you have any proposals to improve the design and/or delivery of Industry Initiatives in the future? Do you have any proposals for additional activities that would be of benefit to include as permissible Industry Initiatives in the future?

Often, Industry Initiatives only focus on support during the winter months, resulting in advice programmes being discontinued in the summer only to start again in the winter. As suppliers don't know what funding they have available until after the start of the financial year, it is difficult to design and deliver good quality advice services that meet the needs of consumers facing financial hardship. Services require consistency and longevity to train and retain staff to run the advice programmes effectively.

As mentioned above, we believe Industry Initiatives should be designed locally but should fit within a wider energy advice strategy that takes a client from energy awareness to tackling fuel poverty through to long term bill reduction.

14. Do you have any views on eligibility for Industry Initiatives, or the extent to which energy suppliers should have discretion and flexibility to who they are awarded to within fuel poverty risk groups?

Under the current system, the main focus is fuel poverty and fuel poverty risk which can be difficult for some delivery partners to evidence. We recommend extending eligibility to all those who are struggling to pay their bills to simplify the scheme. This would align with the broader approach to energy affordability proposed in the recent Fuel Poverty Strategy.[5] This could be evidenced through looking at a consumer's income and expenditure, which our local advisers often do when creating budget planners for those struggling to make ends meet.

[5] DESNZ, Review of the Fuel Poverty Strategy, 2025

While Ofgem provides guidance and reviews of individual initiatives proposed, we would recommend that their eligibility criteria for Industry Initiatives be refined to ensure that the schemes are supporting those who need help most, and households who are struggling are not missed.

15. Do you have any views on whether specified activities should be included in the new regulations for the next scheme period from 2026/27?

Specified activities should remain in the regulations for the next scheme period. This will give the Government the flexibility to respond quickly if new types of schemes/support become necessary to support those in or at risk of fuel poverty - for example, if fuel poverty increases or certain groups require targeted support that isn't covered by the standard Warm Home Discount. Additionally, suppliers can deliver innovative or tailored support to households in or at risk of fuel poverty.

However, clear guidance is required to ensure any specified activities are enforced consistently by suppliers. Any specified activities implemented should be clearly defined and communicated to suppliers and recipients.

16. Do you agree with the proposals to expand the role of suppliers in the communications around Warm Home Discount?

While we are supportive of suppliers helping the Government with the communications around the Warm Home Discount, we do not think they should be the sole communicator of the scheme. Having both the Government and suppliers reaching out to both matched and unmatched households will likely improve take up of the scheme, especially among households who are less likely to engage with the energy sector.

Under the current scheme, DESNZ communicates with eligible households through outdated communications, such as letters , which has led to lower take up (under 70%). Expanding the role of suppliers should help to increase take up as suppliers have more efficient routes of communication, and consumers are often already expecting communications from their supplier and therefore can be more likely to engage with it. Suppliers are also incentivised to encourage take up of the WHD among their consumers as it allows them to access a bill discount, so the interests of both suppliers and consumers are well aligned. Engagement through the WHD could provide opportunities for further engagement between the consumer and the supplier, for example on debt management, smart meters of energy efficiency, to better support consumers.

Including suppliers in the communications of the WHD could also help suppliers to find energy accounts with 'the occupier', which have historically caused challenges with take-up. While Ofgem's trial on change of tenancy is designed to reduce the number of these accounts, expanding suppliers' role in the communications could also help with this, as the supplier will know they supplied an address which matched the benefits system, even though they don't have a name for the energy account.

However, we caution against the Government stopping their communications of matched households for a number of reasons. Firstly, while consumer satisfaction with their energy providers is currently at an all time high (82% - highest level since the survey began in 2018), this level of satisfaction is substantially lower for those groups that are categorised as financially vulnerable or highly financially vulnerable (66% for those doing well, 73% for vulnerable and 71% for highly vulnerable)[6]. Moreover, energy literacy is lower in less affluent and vulnerable consumer groups and those groups are less likely to proactively engage in the energy market[7].

Secondly, although trust in the energy sector is improving, it remains low at 41% and significantly behind other sectors (banks (60%) and internet (45%) providers)[8]. Therefore, it seems likely that outreach from suppliers to consumers eligible for the WHD may not be trusted, understood or proactively engaged with, which could detrimentally impact uptake of the WHD and put consumers at financial risk. There is a danger that some consumers will assume that communication from their supplier is related to marketing, bills or chasing a debt, and could therefore be ignored or dismissed. In the recent consumer-led flexibility research, consumers emphasised that they wanted advice and information on flexible options to be provided by a neutral, trustworthy and commercially independent source[9]. DESNZ fulfills many of these requirements, and its impartiality and authority as a Government department make it more likely that consumers will engage with their written communication.

We therefore think there is a role for both the Government and suppliers to communicate the scheme with both matched and unmatched households.

[6] Ofgem, Energy Consumer Satisfaction Survey summary report, October 2025
[7] Ofgem, Consumer Impacts of Market Conditions Survey, July 2025
[8] Ofgem, Consumer Impacts of Market Conditions Survey, July 2025
[9] Ofgem, Consumer Impacts of Market Conditions Survey, July 2025

17. Do you have any views on appropriate governance arrangements or oversight to monitor the effectiveness of this approach?

Not answered.

Questions 18-20

Not answered.

21. Do you agree that Industry Initiatives should be funded to a similar level as currently? Do you have any views on whether their value should be adjusted for inflation during the scheme period?

Industry Initiatives should be funded in a more structured and sustainable way, so that they cover several years at a time. This will allow providers to plan services more effectively and avoid delays while suppliers are waiting on confirmation of their financial obligation.

We support the value of the Industry Initiatives being adjusted for inflation during the scheme period to ensure the value of support provided is retained.

22. Do suppliers have any views on whether the reconciliation process works as currently organised? Do you consider whether any changes could improve the process?

We recommend a faster reconciliation process to ensure that consumers are not left disadvantaged. Suppliers often make the WHD payment in the coldest months, but suppliers with many eligible customers under the expanded scheme may need to delay payment to later in the scheme window in order to reduce cashflow impacts before reimbursement through the reconciliation process. If the costs of the Warm Home Discount were reconciled sooner, this could ensure consumers receive their payment in the winter, when they are likely to need it most.

23. Do you have any other comments, views or evidence on the proposals for the changes to the levy?

N/A

24. Do you have any comments on the proposal for allowing rebates notices to be issued after 31 March (31 March for 2025/26) where the Secretary of State is satisfied that an error has occurred?

We support the continuation of rebate notices being issued after 31 March where the SoS is satisfied that an error has been made. We would also support increased measures to ensure errors are rarely made, such as improved data matching, better communication, and earlier decision making around fund allocations.

25. During the scheme period between 2026/27 and 2030/31, do you have any suggestions on what further improvements or additions to the scheme we could be exploring?

The Government must seek to improve the scheme so that it better supports people with their energy bills. As energy costs have increased, the level of support provided by the existing Warm Home Discount hasn't kept pace. In 2014 it was worth 12.5% of the average bill, but now it only makes up just over 8%.

We recommend the Government implements an expanded version of the current scheme that reaches more people and gives more support to those with higher costs. Under our preferred bill support, all households on means-tested benefits would be eligible, and the level of support provided would be determined based on an assessment of energy needs using property characteristics held by the Valuation Office Agency (VOA).[10]

Households with the highest energy need would receive £560, those with the median energy need would receive £360 and those with the lowest energy need would receive £160. This is on top of the £150 payment received from the existing Warm Home Discount, making the overall discount £710/510/310 depending on energy need.

Using the blueprint of the current scheme would enable the Government to utilise existing data sets, ensure support is provided automatically therefore keeping uptake high, and provide tailored support to households, addressing the steep cliff edges that exist in the current scheme.

[10] The Valuation Office Agency holds data on the age, size and type of 98% of properties in England and Wales. Around 420,000 properties have data on one or more characteristics missing, in which case data is estimated based on neighbouring properties or requested from residents who may be eligible for the Warm Home Discount.

The total cost of this support would be around £3bn - including £1bn that is already in the system for the current WHD. This proposal would require tax-payer funding since funding via energy bills is regressive and could create worse outcomes for people who miss out on the payment at a time when bills remain high.

The Government may also need to adapt the delivery of the scheme to align with changes in the relative cost of gas and electricity. Currently eligible households have the same payment applied (in most cases) to their electricity bill, regardless of which heating fuel they use. If changes are made to how energy policy levies are applied - ie moving from the status quo where these are predominantly applied to electricity to a greater balance between fuels - then the delivery of WHD may need to adapt to compensate households on low incomes who lose out, through a higher payment to eligible households who use gas as their heating fuel.

26. Are there in your view households with particular characteristics that are or will be particularly impacted by changes to the energy sector and how costs feature in bills?

Yes, certain households with particular characteristics could be particularly impacted by changes to the energy sector and how costs feature in bills.

Low-income households and those on means-tested benefits
These households already spend a higher proportion of their income on energy and have limited flexibility to absorb price increases. Even small rises in standing charges or changes to tariff structures can have a significant impact on their financial stability and ability to heat their homes adequately.

Households using prepayment meters (PPMs)
Prepayment meter users tend to face greater barriers in topping up their meters during financial hardship, risking self-disconnection. Any structural changes that increase fixed charges or reduce flexibility will disproportionately affect these households.

Disabled people and those with long-term health conditions
Disabled people may have higher energy needs—for example, due to medical equipment, mobility issues, or needing to maintain a consistent indoor temperature. They are therefore less able to reduce consumption and more vulnerable to both cost increases and supply interruptions.

Renters, particularly in the private sector

Renters often have limited control over the energy efficiency of their homes and may face landlords unwilling to make improvements. This can leave them in poorly insulated properties with higher energy use and costs, compounding affordability issues.

Households with children

Households with children often have higher energy needs, especially during colder months. Rising energy costs can have knock-on effects on child welfare, with families forced to choose between heating and other essentials.

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We are a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

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