StepChange response to DESNZ consultation: Continuing the Warm Home Discount Scheme

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Summary

StepChange Debt Charity is a specialist not-for-profit provider of debt advice and debt solutions supporting people across the UK. In 2024, over 660,000 people contacted StepChange seeking debt advice or guidance with their problem debt and over 170,000 people completed full debt advice through our online and telephone service.

We welcome the opportunity to respond to this Department for Energy Security & Net Zero (DESNZ) consultation on continuing the Warm Home Discount (WHD) scheme.

Our insights show the need for well-targeted, effective support on energy affordability is abundantly clear. Energy arrears are the most common priority debt that StepChange debt advice clients face – with average energy debt amounts continuing to rise.

Nationally representative polling StepChange commissioned in September 2025 found that three in ten (31%) UK adults were worried about their ability to pay their energy bills over the next six months, rising to two in five (40%) of those in receipt of benefits and over half (53%) of those receiving Universal Credit (UC) specifically.

These insights must be situated in a context where typical energy bills continue to sit far above pre-energy crisis averages, while the level of targeted financial assistance available to support those in or at risk of fuel poverty has quite simply not sufficiently kept pace.

As an initial step, it's certainly welcome to see the Government propose to continue offering the WHD scheme for a new five-year period from winter 2026/27 – 2030-31, considering around 6 million GB households are expected to benefit from the scheme this winter. We are particularly pleased to see, as part of these proposals, that the Government intends that the Industry Initiatives element of the scheme be retained, as this is a further effective route through which practical, meaningful support can be provided to customers who are in or at risk of fuel poverty – including debt support and energy efficiency advice.

That being said, the scheme payment – introduced in 2011 as a singular £120 sum over winter, intended to help those living in fuel poverty with their energy costs – has only increased by £30 over its lifetime, and by a minimal £10 since winter 2014/15. Meanwhile, increases in energy costs have far outstripped these changes. The current energy price cap is over £600 higher per year on average when compared with the figures consumers could expect just a few years ago, noting that the price cap sat at £1,138/year in summer 2021.

In practical terms, with historically high levels of energy debt in the system following years of high prices which continue to persist, many households will continue to struggle to meet their energy costs – both debt repayments and ongoing usage – without further, more comprehensive action on both affordability and debt.

This includes the implementation and delivery of a nationwide, energy debt relief scheme to tackle historic debt – an intervention StepChange has long been calling for, and which Ofgem is currently pursuing – as well as urgent work to drive up standards in the energy debt pathway and bring about long-term, widespread energy affordability.[1]

It is therefore good to see the Government directly acknowledge in this consultation that the *"amount of support available [through the WHD scheme], which must be balanced against the cost of providing it, is insufficient to fully alleviate the level of fuel poverty faced by many households"* and express the intention to *"explore improvements, both in terms of the level of support available and the reach of the scheme."*

StepChange wants to see targeted, enduring intervention which protects consumers in vulnerable situations, including those on lower incomes, from unaffordable energy costs once and for all. It is vital that the WHD scheme is made fit for purpose if it is to be the policy vehicle used in response to deep energy affordability pressures and essentially act as a form of social tariff, which a wide variety of stakeholders have long advocated for. This would involve increasing the financial assistance available and enhancing the effectiveness of eligibility criteria, which would be best facilitated by improved data-sharing.

The need for more substantial intervention to shore up affordability and halt the buildup of unsustainable debt levels could not be clearer, with the latest figures from Ofgem showing that the amount of money owed to energy suppliers by customers has increased to a new record high of £4.4 billion.[2] While we recognise that there are legislative limitations to the changes that the Government can make in the design of the 2026/27 scheme year, we look forward to engaging with DESNZ on its planned work to explore improvements beyond next winter – action it must pursue with urgency.

[1] StepChange Debt Charity (2025), "We must, with urgency, tackle the energy debt and affordability crisis"
[2] BBC News (2025), Customers' debt to energy suppliers soars to £4.4bn

Response to consultation questions

Section One: Proposals for continuing the Warm Home Discount Scheme

Question 1: Do you agree with our proposal to continue the Warm Home Discount scheme supporting households at risk of fuel poverty for the next scheme period from 2026 to 2027? Please provide any reasoning/comments/evidence to support your view.

Yes, we agree with the proposal to continue the WHD scheme for the next scheme period.

In 2024, two in five (40%) StepChange clients responsible for paying energy bills had arrears, at an average of £2,340, and around two in five (42%) of this group had a negative budget – meaning after going through a full debt advice and budgeting session, their monthly income is not enough to cover their basic monthly costs.

For many of those with the lowest and most precarious incomes, which includes lots of our clients, fuel poverty is a daily lived experience. To put this into perspective, two in five (40%) clients with responsibility for energy bills were spending more than 10% of their income on energy in 2024, rising to over half (53%) among those with energy arrears. The experiences that clients report to our debt advisors reflect some of the worrying consequences this financial difficulty can have, from causing or exacerbating mental health problems, through to detrimental physical health impacts due to self-rationing energy consumption.

Financial assistance for households in, or at risk of, fuel poverty is clearly of paramount importance, hence why we welcome the Government's intention to retain the WHD scheme. It is also welcome that, under current proposals, eligible households that are automatically data matched would continue to automatically receive their rebate from their energy supplier, without needing to take any action or provide additional evidence to support their application. This automation is a powerful tool which ensures a high proportion of eligible customers actually receive the support that they are entitled to.

We would caveat this however by emphasising that in its lifetime – spanning nearly 15 years – the amount of financial assistance afforded to those eligible for the WHD scheme has only increased by £30 altogether. The current £150 payment, while no doubt a welcome annual salve to some households struggling with energy bills, is ultimately ill-equipped to tackle to the deep-rooted energy affordability challenges at hand. Further to this, the current eligibility criteria is an imperfect proxy for identifying those in or at risk of fuel poverty, meaning some households struggling with energy affordability are falling through the cracks.

We are therefore pleased to see the Government acknowledge this problem in the consultation paper, and signal the intention to look at longer-term revisions to the scheme. We elaborate on some of the changes we would like the Government to consider in response to question 25.

Section Two: Proposals for England and Wales from 2026 to 2027

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

Do you have any views on whether this approach could bring any potential advantages or disadvantages, including practical considerations in delivering the scheme?

Yes, we support the proposal to bring the existing qualifying groups in England and Wales together under one 'Core Group'. We believe that this move will help to simplify consumer-facing communication about scheme eligibility, which will be particularly beneficial for partially data matched households required to take action to access the scheme support.

Question 3: Under these proposals the eligibility criteria established for 2025 to 2026 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? What concerns do you have?

Do you have any suggestions for mitigating your concerns, including through use of Industry Initiatives? Please provide any evidence you may have to support your answer.

Responding to DESNZ's earlier consultation on extending the WHD scheme for winter 2025/26 in March 2025, we shared our support for the removal of the 'high cost to heat' eligibility threshold previously applied in England and Wales, which the Government subsequently committed to – meaning all households on means-tested benefits (MTB) are now eligible for the scheme.[3] Three in five (61%) StepChange clients with energy arrears are in receipt of UC, one of the main qualifying MTB – so more than half of our clients who are behind on their energy bills would receive support if the current design was retained.

It was also positive to see the Government predict that expanding the WHD scheme eligibility to a larger cohort of people this winter will result in those in the lowest income deciles seeing the largest increases in support, and that removing the now-defunct high cost to heat threshold would increase the overall coverage of fuel poor households (by the DESNZ definition of this term) from around 30% of total households in fuel poverty to around 45%.

However, while these figures represent a welcome increase in the number of households in fuel poverty benefiting from the scheme, they also signify that using MTB as the sole indicator of energy affordability challenges is ultimately a blunt tool – with many households exposed to fuel poverty missing out on support due to this imperfect targeting.

[3] StepChange Debt Charity (2025), Response to Department for Energy Security and Net Zero's "Expanding the Warm Home Discount Scheme 2025/26" consultation

Indeed, we would highlight that over a third (37%) of clients in energy arrears who were not in receipt of MTB in the first half of 2025 still had a negative budget. While a lower proportion compared to those behind on energy and in receipt of MTB, among which around half (48%) had a negative budget, financial difficulties are clearly not exclusive to this group.

For example, there is a wealth of evidence to show that disabled people, and those living with long-term health conditions or illness, tend to spend more on energy and are disproportionately likely to be in energy debt.[4] Despite this, disabled people who only claim personal independence payments (PIP), attendance allowance or disability living allowance (DLA), which are not means-tested, are not eligible for the WHD scheme. This gives us cause for concern given that, in 2024, one in five (20%) StepChange clients with energy arrears were in receipt of DLA/PIP (adult).

There are also recognised barriers to engaging with the welfare system altogether, including awareness, personal capacity, administrative complexity and stigma.[5] Indeed, research by the organisation Turn2Us found that one in five people delay claiming for over a year because of stigma and fear, with a third cutting back on food and essentials rather than claim.[6] Hinging eligibility criteria exclusively on engagement with the benefits system – whether means-tested or otherwise – creates pitfalls which risk financially or otherwise vulnerable people missing out on much-needed support.

DESNZ must act quickly to interrogate gaps in provision such as those outlined above, if the scheme is to truly be an effective mitigator of widespread fuel poverty. We elaborate on some of the scheme changes we would like the Government to consider in response to question 25. We would also add here that retaining Industry Initiatives going forwards would mitigate some of the risks brought about by the currently restrictive eligibility criteria for the lump sum payment, meaning a broader range of households struggling with energy payments – including many with protected characteristics – can access support through the scheme.

Section Three: Proposals for Scotland from 2026 to 2027

Question 4: Which of the three options listed above is your preferred option for the next scheme period in Scotland?

Question 5: Do you have any views on the advantages, disadvantages or concerns of any of the options presented?

We answer questions 4 and 5 together. On balance, of the options presented for the next scheme period, we would favour option 3 being pursued.

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[4] Scope (2024), Disability Price Tag 2024: Living with the extra cost of disability and Ofgem (2024), Resetting the energy debt landscape: the case for a debt relief scheme

[5] Policy in Practice (2024), Why people don't claim benefits and support they are eligible for

[6] Turn2us (2025), New research reveals engagement with benefits system drives people into debt

We believe that this scheme design would reduce the scheme's complexity, through helping to simplify consumer-facing communication about eligibility and enabling more households to receive support automatically (rather than having to proactively apply). Here, DESNZ and Scottish Government policymakers can take learnings from the delivery challenges presented throughout the lifecycle of the Government's Energy Bills Support Scheme; in particular, the identification of issues with take-up of available support, which was lower among harder-to-reach households unable to access support automatically and who had to apply for it.[7]

The removal of the high cost to heat threshold in England and Wales, which had previously prevented automatic data matching in Scotland due to a lack of equivalent data about property characteristics, also presents an important opportunity for alignment between nations. From a fairness perspective, we believe that option 3 has merits over option 2 (which would see additional vulnerability criteria retained), as it would harmonise the scheme design across all regions, reducing barriers to entry and preventing a postcode lottery of support. The points we have raised in response to question 3 around the pitfalls of exclusively relying on the MTB system to determine eligibility still apply in this context, however.

As the consultation points out, decisions on how the Scottish scheme operates are ultimately to be determined by the Scottish Government. We welcome further clarity from DESNZ on how it intends to work with the Scottish Government to bring about any scheme changes following this consultation period.

Question 6: Do you have any views about the use of a centralised Warm Home Discount helpline for auto matched Scottish consumers in options 2 and 3? Currently only the Core Group receives helpline support.

We are supportive of a centralised WHD helpline for auto matched Scottish consumers under options 2 and 3, as it removes the need for potentially eligible customers to have to apply for the Warm Home Discount through their supplier and represents a less hierarchical approach.

Question 7: Do you foresee any practical challenges or have any delivery concerns with replacing the Broader Group and its application process in options 2 and 3 with a data matched broader Core Group?

We do not have relevant evidence to share here, and so we have not provided a response.

Question 8: Do you have a preferred option for the next scheme period in Scotland that is not presented above? If so, please provide details.

We do not have alternative suggestions to share for the next scheme period in Scotland here, but would note our response to question 26 around more comprehensive WHD scheme reforms we would like to see across all nations.

[7] National Audit Office and the Department for Energy Security & Net Zero (2024), Energy bills support: an update

Question 9: Do you have any concerns about the impact of these proposals, including the three options as presented, on households, in particular on those with protected characteristics in Scotland? What concerns do you have? Do you have any suggestions for mitigating your concerns, including through use of Industry Initiatives?

While we do not have extensive comments to add here, we would reinforce the evidence we shared in response to question 3 about groups potentially likely to fall through the cracks of a WHD scheme predominantly based on MTB as a proxy for energy affordability challenges.

As the consultation paper points out, the replacement of the current broader group in Scotland with a data matched core group could see some who had previously been eligible for the WHD payment lose out. Policymakers and energy suppliers should seek to address this challenge by considering the role that Industry Initiatives could play in plugging the gap.

Question 10: Do you think there are advantages or disadvantages in setting out eligibility separately in Scotland?

As discussed in response to questions 4 and 5, we welcome consistency of scheme design across all nations from a fairness perspective. We also believe that it makes sense for scheme eligibility to be set out in eligibility statement in Scotland, as opposed to being contained within regulations as it is currently, as this should provide greater flexibility and speed to amend the scheme year on year as new evidence on support needs emerges.

Section Four: Review of the Industry Initiatives across England, Wales, and Scotland

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

Yes, we strongly agree that Industry Initiatives should be continued in this new iteration of the WHD scheme, and that it should be embedded throughout the full, proposed five-year scheme period. On top of the lump sum discount off electricity bills for eligible households, this is a further route through which practical, meaningful WHD support can be provided to customers in or at risk of fuel poverty – including debt support and energy efficiency advice.

We would add that expectations of suppliers and advice providers, including from Ofgem, have shifted and increased significantly in light of the enduring cost of living crisis, and it is vital that funding is aligned with aspirations for a more extensive and integrated energy debt advice offer for energy customers. StepChange has worked hard to build proactive and constructive relationships with many energy suppliers, engaging with them on referring their customers in financial difficulty. This has included schemes specifically established via Industry Initiatives funding.

For example, in November 2024 we commenced an 'Energy Support Service' pilot with Ovo Energy to provide a range of additional support to vulnerable customers, including debt advice, energy efficiency advice, welfare benefit checks, fuel vouchers, food vouchers, white goods and energy debt write-off. Ovo referred customers to a dedicated StepChange team trained to provide energy and debt advice – and the team completed 857 Energy Advice sessions by the end of March 2025. Over the pilot period:

- We gave out £3,280 worth of emergency food vouchers across 126 different clients.
- 245 clients were awarded bill support based on our recommendation, equating to £36,750 of funding.
- Over a quarter of a million pounds worth of energy debt was written off by OVO based on the work our advisors did with clients.

Feedback from clients referred to the pilot was overwhelmingly positive, as it was from our debt advisors who felt they were making a real difference for people struggling with their energy debt. Following the success of the pilot phase, we have gone on to launch this Energy Support Service formally. We have shared some client case studies in the annex which highlight the positive impacts that this scheme has had on struggling customers. This includes improved mental health outcomes, financial resilience and capacity building.

This is just one example of targeted support delivered through Industry Initiatives funding which has had a transformative impact on individual households struggling with energy debt. In many cases, this support exceeds the value of the £150 lump sum payment, and delivers long-term benefits which extend more holistically beyond a singular winter period (for example, through debt write-off or support with energy efficiency measures or accessing white goods). Ultimately, Industry Initiatives plays an important and unique role in supporting households struggling with energy debt and should be retained.

Question 12: Do you agree that Industry Initiatives should continue to be designed by individual energy suppliers and third-party partners? What are the benefits and drawbacks of this approach?

Yes, we agree that Industry Initiatives should continue to be designed by individual energy suppliers and third-party partners, as this enables flexibility and innovation in scheme design. Through this existing process we have been able to work iteratively with energy suppliers to design and tailor support services funded by Industry Initiatives which help to, among other things:

- Re-engage energy customers by mediating as an independent third party.
- Support with usage including bills and meter readings, understanding estimates versus usage and the benefits of a smart meter.
- Enable customers to access extra support, assessing eligibility and applying on behalf of the client.
- Deliver tailored energy efficiency advice and emergency advice where required.

- Provide budgeting advice to help customers understand their financial situation and develop practical plans to improve it.
- Encourage customers to set up realistic arrangements to clear arrears through budgeting advice and long-term solutions.
- Promote good, long-term payment habits for non-paying customers.
- Deliver advice on debt solutions that StepChange can administer on behalf of the customer (e.g. Debt Management Plan, Settlement offers) or provide resources that help the customer administer themselves (e.g. Bankruptcy, Payment Suspension).

We know that other organisations, such as fuel poverty charity National Energy Action, have also been able to provide innovative support through Industry Initiatives.[8] It is our view that the current design process is effective, and we therefore support it remaining unchanged.

Question 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?

We are largely of the view that the current design of the Industry Initiatives aspect of the WHD scheme is effective in enabling innovation and the delivery of more holistic support through energy affordability and efficiency measures not afforded by the singular lump sum payment.

It is important that the Industry Initiatives element of the WHD scheme continues to facilitate constructive partnerships with trusted debt advice providers. Addressing the root cause of financial difficulties through wider debt advice can support the longer-term financial resilience of households struggling with energy debt – complimented by further support measures delivered through Industry Initiatives-funded activities, such as energy advice and financial assistance payments. We would encourage DESNZ to engage with the findings from StepChange's joint research with the University of Bristol's Personal Finance Research Centre and Ofgem on 'unlocking better pathways from energy debt to debt advice' in this capacity, and ensure such pathways continue to be enabled through Industry Initiatives.[9]

One thing we would also note is that much of the current reporting requirements around Industry Initiatives focus heavily on outputs and compliance metrics rather than tangible outcomes, such as debt reduction, improved financial resilience for scheme beneficiaries (for example, through increased household income through benefit uptake) and re-engagement with energy suppliers. The intended renewal of the Industry Initiatives aspect of the WHD scheme presents a useful opportunity to increase transparency and visibility about the positive long-term outcomes engendered by the scheme.

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[8] National Energy Action (2025), Warm Home Discount Industry Initiatives
[9] University of Bristol PFRC (2025), Powering up support: Unlocking better pathways from energy debt to debt advice

Question 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?

As noted in response to previous questions, we believe that the current Industry Initiatives setup is largely functioning well. We would not be convinced that the Government stepping in to impose more restrictive criteria on eligibility would be a sensible move, given that Industry Initiatives provides greater flexibilities and scope for a more diverse group of households to benefit from support, when compared to the narrower lump sum eligibility criteria. Centralised, more prescriptive Industry Initiatives eligibility requirements would risk excluding people who currently benefit from this support while not receiving the £150 payment.

Section Five: Specified activities

Question 15: Do you have any views on whether specified activities should be included in the new regulations for the next scheme period from 2026 to 2027? Are there any advantages or drawbacks to their inclusion in your view?

We do not have strong views to share here, and so we have not provided a response.

Section Six: Scheme information and communicating with eligible customers

Question 16: Do you agree with the proposals to expand the role of suppliers in the communications around Warm Home Discount? Does this approach raise any advantages, or concerns in your view?

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

We answer questions 16 and 17 together.

We would like further clarity from Government on any insights driving the idea that energy suppliers might be better placed to communicate messages about WHD scheme eligibility. While we do not have a strong preference about the communications approach taken, it must be informed by evidence which considers the mechanism likely to secure the highest conversion rate for potentially eligible households required to take action to access support.

We would also argue that determining the best WHD eligibility communications approach does not have to be a binary decision. For example, we would welcome exploration of a multi-channel approach where the Government continued to send official letters to eligible and potentially eligible households, while suppliers could play a supplementary role in encouraging customers to act through further digital communications.

Here we would point to research exploring people's preferences for receiving HMRC communications, which – while noting limitations – showed that "*participants thought letters seemed official and less likely to be a scam compared to other channels. They also thought having a 'hard copy' letter made it more likely to 'stick in their mind'. Participants also felt this channel was more suitable for those who are less confident with technology or do not have access to the internet.*"[10]

In whatever communications approach it pursues – whether Government or supplier led – we would urge DESNZ to be cognisant of fraud risks. Energy scams tend to involve criminals posing as representatives of energy suppliers, Ofgem or the Government as a means of obtaining victims' personal or financial information; there is also evidence of targeted scams deliberately preying on benefit recipients, with increasing sophistication.[11] Investigations have also revealed how commercial debt management companies have placed Facebook adverts that could give the impression they are linked to official Government schemes.[12]

There is also a challenge that *perceptions* of the risk of fraud among certain groups, including older individuals, might act as a barrier to their engagement.[13] It is important to note these concerns are grounded in a climate where, as organisations like Age UK and Action Fraud point out, older people – particularly those who live alone or with cognitive impairment – are indeed at greater risk of becoming victims to certain scams.[14]

It is vital that the communciations mechanism for the WHD scheme is designed in such a way as to mitigate all the risks outlined above, while maximising the chances that support reaches those who are required to take action upon receiving notifcation they might be eligible.

Section Seven: Changes to the levy – removal of spending target

Question 18: Do you have any views on the proposed change to how the Warm Home Discount cost is estimated for reflecting in retail gas and electricity prices, moving from an annual spending target set out in regulations to the introduction of estimates of total spend for that coming winter?

Do you have any views on how this may work on a practical level for suppliers?

If your response is specifically relevant to England and Wales, or Scotland only please make this clear in your reply.

We do not have extensive comments to add here, but believe the proposed change appears sensible given that the Government has signalled maintaining the status quo could result in

[10] HM Revenue & Customs (2021), Supporting customers in financial distress
[11] Uswitch (2025), How to spot and avoid energy scams; National Crime Agency (2020), Beware fraud and scams during Covid-19 pandemic fraud; and UK Finance (2020), UK Finance reveals ten Covid-19 scams the public should be on high alert for
[12] The Guardian (2022), Debt advice charity condemns 'misleading' write-off ads on Facebook
[13] Age UK (2024), Scams Prevention and Support Programme Report: Empowering Older People in a Fraud Epidemic
[14] Age UK and Action Fraud (2018), Age UK and Action Fraud join forces to launch programme to combat scams

large variances from year to year in the budget for Industry Initiatives, which would disrupt their delivery and cause uncertainty for energy suppliers and partner advice providers.

Question 19: Do you have any views on how to determine spending for Industry Initiatives in Scotland if data matching is adopted in place of the Broader Group?

We do not have relevant evidence to share here, and so we have not provided a response.

Question 20: Do you agree, in the absence of data matching, Scottish spending should continue to be determined as a proportion of expected spending in the England and Wales?

Yes, we agree that Scottish spending should continue to be determined as a proportion of expected spending in the England and Wales if data matching is not pursued.

Question 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?

Here, we would reinforce the evidence presented in response to questions 11 and 12 around the positive outcomes delivered by Industry Initiatives and the need for multi-year continuity. As noted, expectations of suppliers and advice providers have shifted and increased significantly in recent years, and it is crucial that funding is aligned with aspirations for a more extensive and integrated energy debt advice offer for energy customers.

Given that Industry Initiatives is a well-established and recognised route to providing multi-faceted support to struggling energy customers, this funding should not stagnate or be compromised as the Government looks to continue the scheme going forwards. In order for suppliers and scheme partners to be able to innovate effectively, Industry Initiatives funding needs to remain at least at the level it is currently provided, if not higher. We support adjusting funding value for inflation during the scheme period, as this would preserve real value and mitigate the risk of levels of support provided eroding over the scheme period.

Question 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?

This question is not applicable to StepChange and so we have not provided a response.

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

We do not have relevant evidence to share here, and so we have not provided a response.

Section Eight: Proposals for the issuing of rebate notices after the end of the scheme year

Question 24: Do you have any comments on the proposal for allowing rebates notices to be issued after 1 March (31 March for 2025 to 2026) where the Secretary of State is satisfied that an error has occurred?

We are supportive of the proposal to allow rebates notices to be issued after the end of the scheme year where the Secretary of State is satisfied that an error has occurred, as this is a practical and inclusive move which means that people who would otherwise have lost out on support through no fault of their own do not.

Section Nine: Innovation and improvement during the scheme period

Question 25: During the scheme period between 2026 to 2027 and 2030 to 2031, do you have any suggestions on what further improvements or additions to the scheme we could be exploring?

StepChange has long been calling for reform designed to provide sufficient protection and deliver long-term affordability to those at risk of fuel poverty.[15] This includes the implementation of a social tariff, or equivalent affordability intervention, in the energy market.

As it stands, it appears that making adaptations to the existing WHD scheme is the most likely route to achieving this outcome. We believe that the scheme provides important foundations for a revised approach which would better protect people from falling behind on energy bills. Positive existing elements of the scheme setup include the fact that it is mandatory for energy suppliers and is largely delivered automatically to eligible customers, minimising well-known barriers to market participation among financially or otherwise vulnerable households.[16] We strongly believe these aspects should be retained within any future iteration of the scheme.

It is widely accepted, however, that the current WHD scheme provisions are insufficient to comprehensively deal with the scale of the energy affordability and debt challenge households are facing – with Government acknowledging this in the consultation paper itself.

Support for the urgent introduction of a form of energy social tariff is wide-ranging, from charities and consumer groups through to Energy UK, Ofgem and successive iterations of the Energy Security and Net Zero Committee.[17] Indeed, a wide range of stakeholders have published reports on the issue of energy affordability, which we would encourage DESNZ to

[15] StepChange Debt Charity (2023), StepChange responds to 2023 March Budget and StepChange Debt Charity (2025), "We must, with urgency, tackle the energy debt and affordability crisis"
[16] Competition and Markets Authority (2019), Consumer vulnerability: challenges and potential solutions
[17] National Energy Action (2023), Ninety-five organisations call for the introduction of a social tariff; Energy UK (2023) Government must switch on to help vulnerable energy customers this winter; Energy Security and Net Zero Committee (2023), *Preparing for the Winter report*; and Ofgem (2023), Jonathan Brearley's speech at the Institute for Government

engage with.[18] It is rare to achieve such a consensus across such a broad group of stakeholders, but it is testament to the strength and necessity of the proposals.

Most recently, the Energy Security and Net Zero Committee, in its report "Tackling the energy cost crisis", described WHD as an "important but flawed" scheme and recommended that:

- "The eligibility criteria for the Warm Home Discount should be broadened to include all households in fuel poverty and those meeting vulnerability criteria, such as those with disabilities or long-term health conditions.
- From winter 2026–27, the Warm Home Discount should be retargeted using a tiered approach, so that funding is allocated based on household need and energy usage, and the value of the rebate should be linked to wholesale prices."[19]

It is encouraging that – as discussed earlier in our response – the Government has conceded that the current setup is insufficient to fully alleviate high levels of fuel poverty, and many fuel poor households are unable to access the support (either by not being in receipt of means tested benefits or by not paying their energy bills directly to a participating supplier).

We have outlined some recommendations for scheme improvements below, and would reiterate that we are keen to continue engaging with DESNZ on this important issue at speed.

Increasing the financial assistance available

In its lifetime – spanning nearly 15 years – the amount of financial assistance afforded to those eligible for the WHD scheme has only increased by £30 altogether, and by £10 in the last decade. With the latest Ofgem figures showing that the total amount of consumer energy debt and arrears in the system reached a stark £4.4 billion as of September 2025, it is clear that a much more effective intervention is needed to adequately address fuel poverty, energy debt and affordability.[20] The urgency of this move is reinforced by figures from National Energy Action, which estimates that the number of UK households in fuel poverty across the UK is 6.1 million, up from 4.5 million in October 2021.[21]

Here, we would reiterate that around two in five (42%) StepChange clients with energy arrears in 2024 had a negative budget, meaning they have less income than needed to meet their minimum living costs – and the average budget deficit among those in this position was -£545 a month. Analysis the by the BFY Group and So Energy indicates that the average "fuel poverty gap" (the reduction in a household's energy bill required to no longer be classed as fuel poor) is £550, significantly higher than the current WHD payment.[22] This gap of £550 is an average which "masks the greater difficulties faced by the most fuel poor households"; for example,

[18] Resolution Foundation (2025), The bare necessities: Unpacking the rising cost of essentials for low-to-middle income Britain; Citizens Advice (2024), Securing Life's Essentials: Building a plan for targeted bill support in regulated markets; Ovo and Green Alliance (2025), Affording warm homes: The case for a social tariff to address fuel poverty; Public First (2025), Closing the fuel poverty gap: A plan for targeted energy support
[19] Energy Security and Net Zero Committee (2025), Tackling the energy cost crisis
[20] Ofgem (2024), Ofgem proposes introducing zero standing charge tariffs
[21] National Energy Action (2025), Fuel poverty statistics explainer
[22] BFY Group and So Energy (2025), Warm Homes Support Scheme: Addressing Fuel Poverty

this research shows households in the lowest income decile, who have high energy requirements or high housing costs, face fuel poverty gaps of more than £1,000.[23]

It is evident that a one-size-fits-all approach to tackling fuel poverty will not work in the long term. If a revised version of the WHD scheme is to be the vehicle through which the Government intends to bring about long-term intervention on energy affordability, the amount of financial support available to eligible households will need to be significantly uprated and tailored to meet actual energy affordability needs.

Our evidence shows that three in five (60%) StepChange clients with energy arrears were spending more than 10% of their personal income after accommodation costs on energy in the first half of 2025; a quarter (26%) were spending more than 20% under the same circumstances. This climbs to almost three quarters (72%) and two in five (40%) respectively when looking at clients with an annual personal income of less than £20,000.

There is broad support for the introduction of a tiered-based discount approach, where higher value payments are delivered to those on the lowest incomes and with the greatest energy needs, while smaller payments could be made to low-income households with lower usage requirements.[24] Such an approach would also mitigate the eligibility cliff edges in support from the current fixed lump sum. The Government must explore the merits and practicalities of a tiered payment approach at speed, in tandem with our recommendations below.

Enhancing the effectiveness of eligibility criteria

We would also urge the Government to go further in its considerations around better targeting eligibility for the WHD scheme, to encompass low-income households not captured through the means-tested benefits system.

As the Figure 1 data table shows, three in five (59%) StepChange clients with energy arrears in 2024 were in receipt of UC, one of the WHD scheme's main qualifying eligibility criteria. While welcome that this represents the majority of those with energy arrears at StepChange, it still leaves a notable gap, which we believe the Government must address if it is to comprehensively take a preventative approach to tackling fuel poverty.

[23] As above.
[24] Energy Security and Net Zero Committee (2025), Tackling the energy cost crisis

Figure 1: Benefits status among StepChange clients with energy arrears in 2024

Benefits	
Universal Credit	59%
Child benefit	44%
DLA/PIP (adult)	20%
Housing benefit	11%
ESA	7%
DLA/PIP (child)	6%
Child tax credit	4%
Other benefit	4%
Income support	1%
Working tax credit	1%
JSA (contribution-based)	0.30%
JSA (income-based)	0.20%

This approach could involve (though importantly, not necessarily be limited to), the inclusion of recipients of non-means tested disability benefits. In 2024, one in five (20%) StepChange clients with energy arrears were in receipt of DLA/PIP (adult). Research by the disability charity Scope has shown that on average, disabled households need an additional £1,010 a month to have the same standard of living as non-disabled households.[25] There is a wealth of evidence to show that disabled people, and those living with long-term health conditions or illness, tend to spend more on energy and are disproportionately likely to be in energy debt.

Ofgem research also indicates that customers in energy debt are also more likely to report having a disability or long-term illness than those not in debt; more than two in five (44.2%) customers in debt have someone with a disability or illness in their household.[26] What's more, around 120,000 people on UK Power Networks' priority services register alone rely daily on life-saving medical equipment, such as ventilators, feeding pumps, nebulisers and oxygen saturation monitors; many of which will contribute to increased energy consumption.[27]

Those on non-means-tested disability benefits were WHD beneficiaries only a few years ago, and for the reasons outlined, the case for their re-inclusion within eligibility criteria is strong.

That being said, targeting support through the benefits system alone will not capture all households in or at risk of fuel poverty. Data sharing and matching are important tools which, although utilised through WHD delivery already, should be further harnessed by government.

The Digital Economy Act 2017 has opened up important channels and set the precedent for effective data sharing powers, though there is work still to be done in this space. As stakeholders including Fair by Design, Scope and Age UK have pointed out, reform which

[25] Scope (2024), Disability Price Tag 2024: Living with the extra cost of disability
[26] Ofgem (2024), Resetting the energy debt landscape: the case for a debt relief scheme
[27] UK Power Networks (2024), Extra support for people reliant on electricity for medical reasons

enabled targeted energy affordability support to extend effectively outside of the welfare system would likely involve cultivating a more sophisticated data-matching system that integrated HMRC, DWP, NHS and supplier data while navigating privacy and safeguarding considerations.[28]

The Government must take practical steps to explore these moves – including investigating the merits of an income-linked eligibility model – at speed, as we recognise that it might take multiple iterations to refine this system of well-targeted support. We also believe that there should be a form of application or opt-in route for households who are not captured by automatic enrolment, but are still struggling with energy costs, to engage with the scheme.

We would strongly echo this point made in the recent ESNZ committee report: while a social tariff may need to evolve over time, the Government must not wait for perfect data to be available before it is introduced. We look forward to engaging with DESNZ as it looks to "enable the scheme to respond in a targeted fashion in future to the impacts of other policies and events, both positive and negative (for example, potential future energy price shocks or to accelerate progress towards meeting the objectives of the Fuel Poverty Strategy)."

We also believe it is important that Industry Initiatives be retained in any future iteration of the WHD scheme, as this is another important route through which struggling households can flexibly access both financial and practical support with their energy bills.

Question 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?

We understand that DESNZ must pay due regard to the nine protected characteristics set out in the Equality Act, namely: race, sex, disability, sexual orientation, religion and belief, age, marriage and civil partnership, gender reassignment, pregnancy and maternity.

Below, we have highlighted a breakdown of different demographic categories and personal circumstances amongst StepChange clients with energy arrears in 2024. Here, we note that seven in ten (71%) StepChange clients with energy arrears were women, while over two in five (43%) presented with a mental health vulnerability.

While the existing WHD scheme provides a degree of welcome support to those in this position, it is insufficient to fully tackle the energy affordability challenges UK households are facing. We believe that the recommendations we have raised in response to question 26 around increasing the financial assistance available and expanding eligibility criteria further would better protect households from unaffordable energy bills and create positive impacts for those with protected characteristics under the Equality Act.

[28] Public First 2025), Closing the fuel poverty gap: A plan for targeted energy support

Figure 2: Gender categories among StepChange clients with energy arrears in 2024

Gender	
Female	71%
Male	29%
Other gender identity	0.3%

Figure 3: Vulnerability categories among StepChange clients with energy arrears in 2024

Vulnerability categories	
Mental health	43%
Neurological or physical	15%
Family issues	14%
Health	14%
Emergency issue[29]	8%
Addiction	4%
Development or learning difficulty	1%
Hearing or vision impairment	1%
Communication	0.3%
Housing	0.1%

[29] An 'emergency issue vulnerability' includes experiences of domestic violence, a recent bereavement, redundancy/dismissal from work, suicidal tendencies and having been a victim of crime.

Annex: client case studies

Below are client case studies from the StepChange/Ovo 'Energy Support Service', facilitated by Industry Initiatives.

1. Client is physically disabled due to a serious accident and no longer able to work, causing a dramatic reduction to the household income. Client had also just dealt with a family bereavement, causing further financial difficulties. Client has serious health conditions and suffers with mental health issues. Client was in an emergency situation, struggling with top ups and had already applied for emergency credit through their council. We made referrals for Fuel Bank Vouchers, and sent the client a £30.00 Supermarket Food Voucher to help support until their benefits payment came through in the coming week. We also referred the client for Discretionary Relief through their local Household Support Fund and made a referral for Bill Support.

   Full Energy Advice was completed. We covered meter, tariff and bill advice plus Energy Efficiency Advice. Client also advised that they did not have a working cooker on the premises. We referred the client for an air fryer through Emergency Measures and referred the client for a Keep Warm Pack due to health conditions making them more likely to feel the cold. This was issued quickly by OVO. Client told us their property was in poor condition and poorly insulated, they also struggled with dampness in the property, so we referred the client for the ECO4 Scheme.

   The client was an existing client who'd completed a Debt Advice Session previously. We reviewed and updated the client's income, expenditure and debts and advised on an interim outcome with resources to help suspend creditor payments until the client's situation improves.

2. Client was on Priority Services Register (PSR) and was an existing StepChange online client who hadn't completed a managed solution application. Client explained that the birth of their baby had caused a drop in the household income. This combined with energy price rises and cost of living led to a build-up of arrears on the account. The client also advised us that their property was poorly insulated, and they were in the latter stages of applying for the Home Energy Scotland Grant through Wise for energy efficiency home improvements.

   Full Energy Advice was delivered, including a Tariff Review, as the customer was on a variable rate. We gave a full breakdown on the advantages of having a smart meter installed and client was keen to do this. During our energy session the client told us they had a very old fridge-freezer, and we were able to refer the client to LEAP & Charis Grants to apply for a replacement.

We gave Energy Efficiency Advice and completed a budget review to determine whether the client could afford their ongoing energy usage. The client wanted to continue the telephony journey, so we reviewed their situation and recommended a Debt Payment Plan. The client was delighted with the outcome of the session.

3. Client was already registered on the PSR and was an existing StepChange client who had partially completed their budget and not been presented with a solution. Client was made redundant recently and actively looking for employment; this income loss had caused the financial difficulty.

   Client suffers with mental health vulnerabilities and was in a very poor situation, no gas/electric central heating, only source of heating was an electric fan heater, and a storage heater which is extremely expensive to run. Client did not have an oven or working cooker either, they only had an air fryer which was borrowed from a friend. Emergency Support was offered with referrals for Food Bank & Fuel Vouchers and a referral given for the Discretionary Relief Fund for their local council. We referred the client to the Extra Support – Emergency Measures scheme for an oil filled heater and a slow cooker, and a Keep Warm Pack. The client was absolutely delighted and so very grateful that this kind of support was offered by OVO. We also referred the client to Charis Grants Let's Talk energy fund to apply for a new free-standing oven.

   Full Energy Advice was given, including Bill Advice, Tariff Review and Energy Efficiency advice. We completed a full budget which initially showed that the client couldn't afford their monthly ongoing usage. After assessing the budget, we calculated that the client could afford to make approximately half of the current monthly payment toward their ongoing usage. We discussed with OVO that the client could afford to pay half towards their ongoing monthly usage and when their situation improves (client gains employment) this figure will be increased to cover the full amount. Client would be calling to set up the payment if this figure is acceptable.

   Client was also referred for Energy Mentoring (where OVO visit the client's house to support with energy efficiency home improvements) as we felt this would be hugely beneficial. OVO agreed that Energy Mentoring would help in the long term and agreed to accept the half payment and put an exemption in place to prevent the direct debit from automatically being increased. As this can only be put in place for three months at a time, OVO recommended we advise the client to re-request when it runs out. The

Small Measures referral was also accepted, and the client was due to get a heater and fryer within two weeks.

The client completed debt advice and received an interim outcome with resources to help suspend creditor payments until their situation improves. The client was extremely thankful for the support available.

4. We made referrals for Extra Support – Emergency Measures for an oil filled radiator and a Keep Warm Pack. This was actioned very quickly by OVO. We also made referrals for Fuel & Foodbank Vouchers and Discretionary Relief – Household Support Fund, as client is struggling to keep up with paying electricity costs and daily living expenses.

   We completed a Welfare Benefits Check and found a potential of £580.66 per month unclaimed benefit available. The client is non digital, so we made the recommendation to IncomeMax for further support with applying for additional benefits.

   Client has very old appliances, the cooker and washing machine are over 15yrs old however with the client being unable to apply online, we could not make the recommendation to Charis Grants. We found that LEAP is available in the client's area, so we provided the client with the contact number to apply for their white goods scheme via telephone. We referred the client for a Bill Support Payment, requesting the payment be fast-tracked as a gesture of goodwill from OVO to help support the client.

   Client had already been contacted by IncomeMax and should have their new benefit claim started soon. The client didn't return to complete debt advice via the telephony journey despite re-scheduling an appointment on a number of occasions. Hopefully, the client will call back into the team once their additional benefit income comes through.