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[citizensadvice.org.uk](https://citizensadvice.org.uk)

**17 January 2022**

Dear Leonardo,

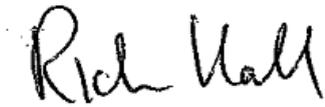
We are responding to your consultation on the Warm Home Discount ('WHD') scheme allowance methodology in the default tariff cap. This submission is non-confidential and may be published on your website.

You highlight that BEIS is consulting on changes to the WHD scheme that will take effect from 2022/23 onwards, but that you may not know the outcome of those consultations by the time the price cap for period 8 (April 2022 to September 2022 inclusive) is set. To respond to this information gap, you propose to set the WHD allowance for that period using the latest available information from BEIS on the scheme costs at the time you set the cap. Currently, this would be the figures from its latest consultation. In the event that the finally agreed costs diverged from those estimates, you propose to correct the allowance in cap period 9 (October 2022 to March 2023 inclusive).

While these proposals are likely to lead to a bill increase of around £5 per year for the typical dual fuel customer, we recognise that it is appropriate to allow suppliers to cover the costs of government mandated schemes, provided these are efficiently incurred. We therefore agree it is appropriate for you to update the WHD allowance.

Given the possibility that the final costs will deviate from currently published estimates, we also agree that it would be appropriate to correct the allowance in a future period if those estimates turn out to be materially inaccurate. But we think it may be appropriate to allow more flexibility on when that cost recovery takes place than you propose, to take into account other factors affecting bill affordability. Given sustained high wholesale prices it already appears likely that the price cap for period 9 may be set at a very high level - possibly as high, or even higher, than the forthcoming cap for period 8. The period 9 price cap will also cover a winter period, when consumer energy usage is higher. We therefore think that if any subsequent correction might lead to a further bill increase, it may be appropriate to defer it to summer period 10, in 2023, in order to smooth out affordability problems. Allowing yourself some flexibility on when to recover costs from households may be a necessary tool given your statutory duties to protect consumers and the awful situation they face for at least the coming year on energy costs.

Yours sincerely

A handwritten signature in black ink that reads "Rich Hall". The signature is written in a cursive, slightly informal style.

Richard Hall  
Chief Energy Economist