



Consultation response

National Energy Action response to DESNZ's Warm Home Discount cost recovery consultation

About National Energy Action

National Energy Action¹ works across England, Wales, and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm and safe home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

Background to our response

National Energy Action welcomes the opportunity to respond to the consultation on the future method of recovering Warm Home Discount costs. The proposed shift from standing charges to unit rate recovery represents an important change to how policy costs are distributed across households, and it comes at a time when affordability pressures remain acute for many of the low-income households we support. Our response reflects both our experience of working directly with households at risk of fuel poverty and our analysis of the distributional effects set out in the consultation.

Summary of our response:

Overall, we are supportive of the proposal to move Warm Home Discount cost recovery from the standing charge to the unit rate. This shift addresses a long-recognised unfairness in the current system and provides clear benefits for households with lower energy usage, many of whom are on the lowest incomes. When considered alongside the wider reductions in electricity and gas unit rates announced in the Budget, the combined package delivers meaningful improvements in affordability for a broad range of households.

At the same time, some households face unavoidable high electricity use due to heating systems, building characteristics, or medical needs. While the combined effects of the reforms reduce risks for many of these groups, targeted safeguards will still be essential to ensure that no household is left at a disadvantage as costs move toward a consumption-based approach. This includes protections for multi rate customers and those with essential high usage, supported by clear regulatory expectations.

We also consider it important that the benefits of the reforms are delivered consistently across the market. Recent experience highlights the need for clear guidance for suppliers on how changes should be applied to fixed tariffs as well as variable tariffs to prevent uneven outcomes.

On balance, the proposals represent a fairer, more progressive approach to cost recovery, provided that appropriate protections and implementation measures are put in place. The detailed answers that follow set out our reasoning and recommendations.

Answers to the consultation questions

Question 1. Considering the impacts across all consumers, including impacts on protected groups, do you support moving WHD costs to the unit rate? (yes/no)

Yes. We support the proposal because, taken as a whole, it delivers a fairer distribution of costs and produces clear benefits for many of the households we work with. Moving Warm Home Discount recovery away from the standing charge and into the unit rate addresses a long-standing issue that has disproportionately affected low income and low consumption households. These households tend to use less energy, so recovering costs through a flat daily charge results in them paying a relatively larger share of policy costs than higher users. Shifting WHD recovery to the unit rate helps correct this imbalance by linking contributions more closely to actual usage.

The modelling also shows that low-income households are more likely to gain from the move than to lose, with a larger share seeing a reduction in their bills. Although the average saving for those who benefit is modest, it marks a clear shift toward a fairer charging structure for households under the greatest financial pressure. This includes people living alone, households in smaller homes, and those with tightly constrained electricity use due to budget limits or specific heating needs. For these groups, even a small reduction in fixed costs can make a meaningful difference to day to day affordability and provides welcome support in managing essential energy consumption.

The case strengthens further when we consider this reform alongside the measures announced in the Budget. Those measures remove around £150 of policy costs from bills on average and reduce electricity and gas unit rates. When the effects of both changes are combined, the overall picture becomes more positive across a wide range of household types. Low use households see a meaningful reduction in their annual bill, and typical dual fuel households also see a significant net gain. Even households with higher electricity demands, including those reliant on storage heating or with additional needs due to medical equipment, end up with an overall reduction in costs. These households are often identified as being at risk when more costs are recovered through consumption, so it is notable that the combined package offsets those pressures. That said, dedicated mitigations will still be needed to ensure that households with unavoidable high usage are protected in practice and do not face unintended detriment as the reforms bed in.

To ensure that all households benefit from the change, there will need to be clear expectations around supplier behaviour. Recent experience with the pass through of Budget related reductions has shown inconsistent treatment of fixed tariffs across suppliers. Without clarity and direction, there is a risk that some households could be excluded from the benefits until their fixed term ends. We therefore believe government and Ofgem should work together to ensure that the changes are applied consistently across both variable and fixed tariffs.

Taking everything together, we are satisfied that the proposal improves fairness, delivers meaningful benefits for the majority of the groups we support, and represents a balanced and well targeted reform when viewed alongside the wider Budgetary measures that lower overall unit rates. With appropriate safeguards in place, the shift to unit rate recovery is a positive and necessary step toward a more progressive approach to policy cost allocation.

Question 2. Are there alternative approaches you think should be considered specifically to mitigate potential negative impacts on consumers?

We believe a set of targeted measures will be essential to ensure that the reform delivers its intended fairness benefits while avoiding unintended detriment for specific groups. The proposed shift to unit rate recovery is broadly progressive, but certain households face structural or unavoidable patterns of electricity use that could leave them exposed if appropriate protections are not put in place. We therefore recommend the following:

First, a fair and transparent approach to allocating costs across multi rate tariffs: Households on tariffs such as Economy 7 and Economy 10 depend heavily on night rates, often because their heating systems or building configuration give them limited flexibility in when they consume electricity. These households must not face disproportionate cost increases simply because suppliers choose to load more Warm Home Discount related costs onto one rate rather than another. There is a clear regulatory basis for expecting consistent treatment. Ofgem already requires suppliers to set charges that are not unduly discriminatory under the electricity supply licence, and the general principles that underpin tariff structures have long prohibited suppliers from creating unjustified differences between comparable customers. The approach also aligns with statutory duties to protect the interests of existing and future consumers, particularly those in vulnerable circumstances. Setting expectations for how Warm Home Discount costs should be allocated across all relevant rates would therefore be consistent with existing regulatory practice, would reduce the scope for supplier gaming, and would help maintain confidence in the integrity and fairness of the reform.

Second, strengthened protections for households with unavoidable high electricity use: Certain households cannot reduce or shift their electricity use, including those reliant on storage heating, those who depend on electric medical equipment, and those whose buildings limit their heating choices. Existing regulatory provisions already support enhanced protection in these circumstances, such as the Priority Services Register, the requirement to maintain power for medically dependent customers during planned outages, and the former safeguard tariff for vulnerable prepayment and standard credit customers. Building on these protections, government should prioritise further targeted support for low-income households with essential electricity needs, alongside clear, proactive identification and referral routes through suppliers and local services.

Third, strengthened equalities and data driven checks: A structured assessment of the impacts on protected and at risk groups should form part of the implementation process. Similar approaches are already used in network charging reforms, where distributional assessments test whether specific groups face unacceptable detriment, and in Ofgem's vulnerability strategy, which relies on supplier and national datasets to identify emerging risks. Applying the same discipline here would help ensure that no group is overlooked and that government can take corrective action where needed.

Fourth, clear expectations for how the reform should apply across all tariff types: Without direction, suppliers may apply changes inconsistently, particularly for households on fixed tariffs. Ensuring consistent treatment will help avoid creating uneven outcomes, where some households see the benefits immediately while others do not. This is especially important for vulnerable consumers who are more likely to have chosen a fixed tariff for budgeting certainty.

Taken together, these measures would ensure that the reform achieves its objective of making cost recovery fairer without deepening vulnerability for households that already face the greatest challenges.

Question 3. To support the rebalancing of costs between gas and electricity, do you think the government should consider placing greater cost recovery of the WHD onto gas? (yes/no)

No. While we understand the rationale for seeking a better balance of costs between electricity and gas to support the transition to low carbon heating, increasing the proportion of Warm Home

Discount recovery placed on gas would create several significant risks for households who are already struggling with affordability.

Affordability impacts for households reliant on gas heating. A very large share of low income and households rely on mains gas for space heating, and mains gas remains the dominant central heating fuel for the majority of fuel poor households. Energy demand at low incomes is elastic in practice, with higher prices leading to rationing and colder homes; our recent polling³ shows a majority of GB adults expect to ration their heating this winter, with particularly high rates among people with specific health conditions. Increasing the proportion of scheme costs recovered through gas bills would directly raise heating costs for these households and is likely to deepen rationing and associated health risks. This would push the burden onto households that already experience high levels of fuel poverty and are themselves not realistically able to switch to electric heating in the short to medium term.

Consequences of a shrinking gas cost base. As progress continues on the transition to net zero, overall demand for gas is expected to decline over time. If a growing proportion of Warm Home Discount costs are recovered through gas, the declining customer base means fewer households are left to carry an increasing share of the obligation. This has two undesirable effects. First, the per unit recovery cost rises as the customer base contracts, creating upward pressure on gas prices for those who continue to rely on gas heating. Second, households on lower incomes who remain connected to the gas network for longer will shoulder a disproportionate and rising share of these costs. Although making electricity cheaper relative to gas is an important strategic goal, this method would achieve it through a mechanism that delivers a large disbenefit for households who are least able to absorb higher costs and have the least flexibility to change their heating system. It risks accelerating a cycle in which vulnerable households face steadily rising heating costs as higher income or early adopter households transition off the gas system ahead of them.

In light of these concerns, we believe that wider fuel rebalancing objectives should be pursued through dedicated and transparent policy instruments rather than by shifting Warm Home Discount cost recovery onto gas consumers. The Warm Home Discount should remain focused on providing timely winter relief to households at risk of fuel poverty, not used as a lever that increases gas-heating costs for those with the least practical ability to switch away.

References and notes

¹ For more information visit: www.nea.org.uk.

² National Energy Action also works alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK-wide reach.

³ [Energy bills rise presents 'a risk to health – and life – this winter'](#), National Energy Action, 2025