EXPLANATORY MEMORANDUM TO

THE WARM HOME DISCOUNT (ENGLAND AND WALES) REGULATIONS 2026

2026 No. XXXX

1. Introduction

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

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments and the Secondary Legislation Scrutiny Committee.

2. Declaration

2.1 Martin McCluskey, Minister for Energy Consumers at the Department for Energy Security and Net Zero confirms that this Explanatory Memorandum meets the required standard.

2.2 Jane Walker, Director for Energy Affordability and Consumers at the Department for Energy Security and Net Zero confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Charlotte Cannon or Richard Crowton at the Department for Energy Security and Net Zero can be contacted by email at the following addresses with any queries regarding the instrument: charlotte.cannon@energysecurity.gov.uk; richard.crowton@energysecurity.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument continues the Warm Home Discount Scheme ("the Scheme") in England and Wales, originally established by the Warm Home Discount Regulations 2011 ("the 2011 Regulations"), and continued by the Warm Home Discount (England and Wales) Regulations 2022 ("the 2022 Regulations"), as amended. The Scheme is re-enacted with amendments and, in its amended form, is to run from 1 April 2026 until 31 March 2031. The Scheme requires licensed energy suppliers to incur spending on providing benefits to customers in England and Wales who are in, or at risk of, fuel poverty. This instrument also makes consequential amendments to the related relevant Disclosure of State Pension Credit Information (Warm Home Discount) Regulations 2011 ("the Disclosure Regulations").

Where does the legislation extend to, and apply?

4.2 The extent of this instrument is England and Wales.

4.3 The territorial application of this instrument is England and Wales.

5. Policy Context

What is being done and why?

5.1 Section 9 of the Energy Act 2010 allows the Secretary of State to make schemes for the purpose of reducing fuel poverty. The Scheme remains a key policy in the Government's approach to tackling fuel poverty and reducing the energy costs of low-income and vulnerable households. Under the Scheme, participating suppliers provide support to households who are in, or at risk of, fuel poverty each scheme year, primarily through a rebate applied directly to their energy bill. In 2022, the Scheme in England and Wales was reformed to target rebates at fuel-poor households with the highest estimated energy costs, identified through data matching based on property characteristics such as age, type, and size, and with most rebates awarded automatically. Scotland retained a separate scheme, partly because the data-matching underpinning these reforms in England and Wales was not available in Scotland. For winter 2025/26, the Government expanded the Scheme, following consultation in February 2025. Under the expansion, the high-cost-to-heat threshold was removed for England and Wales, expanding eligibility for the rebate to all eligible households in receipt of a qualifying means-tested benefit, with a proportionate increase in funding for the Scheme in Scotland.

5.2 In September 2025, the Department consulted on continuing the Scheme beyond its current end date of 31 March 2026. The consultation set out proposals for a new five-year scheme period from winter 2026/27 to 2030/31. It covered the design of core elements, administrative changes, and invited evidence on industry initiatives and future innovations during the next scheme period. The consultation responses received from industry, charities and advocacy groups demonstrated strong public interest in continuing the schemes, which ensures ongoing support for around 6 million households across Great Britain from 2026/27 to 2030/31, helping to reduce fuel poverty.

5.3 The main changes to the Scheme in England and Wales implemented via these Regulations are as follows:

- Enabling the Secretary of State to direct energy suppliers to communicate with 'matched' customers identified through automated data matching, and, where such directions are given, requiring suppliers to provide information on eligibility, the use of automated decision-making, and where to find the Scheme's privacy notice.
- Replacing fixed annual spending targets set out in regulations with annual estimates reflecting the number of eligible households in receipt of qualifying means-tested benefits. Annual spending targets will be issued before each scheme year to the Gas and Electricity Markets Authority ("the Authority") and updated mid-year to ensure accurate planning and oversight.
- Allowing late rebate notices to be issued after the scheme year in cases where the Secretary of State is satisfied that a customer did not receive the rebate because of an administrative error by a supplier, Government, or the Authority, safeguarding eligible households from missing out through no fault of their own.

What was the previous policy, how is this different?

5.4 This instrument extends the Scheme for five more years from 1 April 2026 until it expires on 31 March 2031, providing certainty for eligible households and industry.

5.5 Under the 2022 Regulations, the policy set a framework requiring energy suppliers to deliver financial support based on a defined set of eligibility criteria and fixed spending obligations, divided into core targets (met through prescribed rebates) and non-core targets (met through industry initiatives).

5.6 The Warm Home Discount (Amendment) Regulations 2025 (“the 2025 Regulations”) provided broader support for the final year of the scheme period by increasing funding and expanding eligibility in England and Wales, while enabling an uplift on the non-core spending obligations in Scotland. The deadline for issuing payment instructions was also extended from 1 March to 31 March 2026, giving suppliers additional time to process the higher number of rebates resulting from the expanded eligibility and funding.

5.7 The Warm Home Discount (England and Wales) Regulations 2026, (“the 2026 Regulations”) continue the Scheme in England and Wales and introduce further policy changes to ensure the Scheme remains effective and targeted, simplifying administration, strengthening consumer protection and allowing further flexibility. While the prescribed rebate amount set in regulations at £150 and the eligibility criteria remain unchanged from winter 2025/26, in practice, outside of regulations, administration will be streamlined by merging the two former eligibility groups, Core Group 1 (Guaranteed Element of Pension Credit) and Core Group 2 (qualifying means-tested benefit), into a single Core Group. This change also improves communication, making the Scheme easier to understand and access for eligible households.

5.8 Under the previous approach, the Government led most communication with eligible households. The new policy broadens the role of energy suppliers by allowing the Secretary of State to require them to inform successfully ‘matched’ customers in the automated data matching process about their eligibility, the use of automated decision-making in identifying eligibility, and where to find privacy information. This approach leverages suppliers’ existing customer relationships and communication channels, helping to improve consumers’ awareness of and engagement with the Scheme.

5.9 Another change is the replacement of fixed annual spending targets, previously adjustable between scheme years, with annual estimates based on the number of eligible households. These estimates are updated mid scheme year to reflect actual demand, providing greater flexibility, more predictable funding, and supporting effective planning and oversight.

5.10 The policy introduces an additional consumer protection measure creating a mechanism in regulation 12 for late rebate notices to be issued after the end of a scheme year (31 March) for the preceding scheme year where the Secretary of State is satisfied a person was eligible for the Warm Home Discount rebate in the England and Wales in the preceding scheme year, but did not receive it because of an administrative error by a supplier, Government or the Authority. The policy enables late rebate notices to be issued in Scheme Year 16 for errors that occurred in Scheme Year 15 before the start of this next scheme period, enables errors to be paid for the preceding scheme year within the scheme period and places the same duty on the Secretary of State to issue late rebate notices, where satisfied that an error occurred, in the final scheme year, Scheme Year 20.

5.11 Regulation 12, unlike regulation 9 (which concerns standard rebate notices) requires that a late rebate notice with the necessary personal information can only be shared where consent has been given or where section 36 of the Digital Economy Act 2017 applies. This is due to the nature of how errors are reported by eligible households and additional information is provided by them to the helpline. Although the Digital Economy Act 2017 provides the relevant data sharing powers for both standard and late rebate notices, the Disclosure Regulations permit certain additional onward sharing of data and are being retained for the purposes of standard rebate notices. As a result, the arrangements for standard rebate notices in regulation 9(5b) also require section 142 of the Pensions Act 2008 and associated Disclosure Regulations to be in force.

6. Legislative and Legal Context

How has the law changed?

6.1 The Scheme, originally established by the 2011 Regulations and continued in England and Wales under the 2022 Regulations, has operated for 15 scheme years, up to 31 March 2026. The 2025 Regulations amended the 2022 Regulations to increase spending in its final scheme year beyond the level provided for in those regulations.

6.2 Under the 2022 Regulations, the Scheme operated with a set of fixed annual spending obligations for suppliers, divided between core spending (direct rebates to eligible households) and non-core spending (industry initiatives), with clear payment deadlines and no scope for mid-year adjustments to spending targets without further legislative action. The 2025 Regulations introduced greater flexibility in England and Wales, including expanded eligibility criteria and an extension of the deadline for issuing instructions to pay to suppliers to 31 March 2026, giving suppliers more time to meet their obligations.

6.3 This instrument re-enacts the Scheme for England and Wales set out by the 2022 Regulations (as amended), with further changes, enabling the Scheme to run for five more years from commencement until 31 March 2031.

6.4 While the administrative change of introducing a single Core Group for England and Wales will be reflected in the publication of the eligibility statement by the Secretary of State for each scheme year, the 2026 Regulations also introduce several important legal changes. As set out in regulation 8, the Secretary of State must now estimate and notify the Authority of the aggregate amount of prescribed rebates (the “aggregate core spending estimate”) for each scheme year, and update this estimate mid-year. This replaces the previous approach of fixed annual spending targets set out in regulation, giving the Secretary of State greater flexibility to align funding with actual demand. The 2026 Regulations also introduce a power to direct scheme suppliers to provide specific information to eligible customers (regulation 15), and a duty to issue rebate notices after the scheme year in cases of administrative errors, e.g. data matching errors (regulation 12). These changes enhance the Scheme’s flexibility and ensure it remains fair, transparent and responsive to changing needs.

6.5 The instrument also makes consequential amendments in Part 7 to ensure the Disclosure Regulations are updated to refer to the 2026 Regulations rather than the 2022 Regulations. The Disclosure Regulations authorise the sharing of data between the Secretary of State and electricity suppliers for the purpose of providing Core Group rebates to eligible customers in receipt of state pension credit.

6.6 The Department intends to lay separate regulations to continue the Scheme in Scotland. Under section 58 of the Scotland Act 2016, most powers to make regulations for the Scheme in Scotland have been transferred to the Scottish Ministers and may only be exercised by the Secretary of State in specified circumstances. The regulations for the Scheme in Scotland are made in agreement with Scottish Ministers.

6.7 The Department also intends to lay accompanying Reconciliation Regulations later this year, setting out the process for reconciling core group expenditure between energy suppliers.

Why was this approach taken to change the law?

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

7. Consultation

Summary of consultation outcome and methodology

7.1 The consultation on the continuation of the Warm Home Discount Scheme was launched on 25 September 2025 and closed on 20 November 2025. The Department considered that an 8-week consultation period was appropriate to ensure a broad range of responses.

7.2 The consultation was published on gov.uk, with responses submitted via an online portal and email. There were 93 responses from 9 individuals and 84 organisations, including advocacy groups, consumer groups, charities, local authorities, public bodies, and energy suppliers.

7.3 The consultation covered proposals for the Scheme in England and Wales, and Scotland, and the Department engaged the devolved governments in Wales and Scotland accordingly. This Explanatory Memorandum will discuss consultation responses in England and Wales only.

7.4 There was strong support across all stakeholder groups for continuing the Scheme for a new five-year period from winter 2026/27 to 2030/31. Respondents widely recognised the Scheme's role in supporting households in, and at risk of, fuel poverty, especially given ongoing pressures on household budgets and broader affordability challenges. Stakeholders endorsed retaining the Scheme's core structure, including the creation of one single Core Group for the Scheme in England and Wales, and the continuation of industry initiatives.

7.5 Having considered the feedback to the consultation, the Government has decided to continue the Warm Home Discount for a new five-year scheme period and implement the main proposals consulted upon for the Scheme in England and Wales as set out in paragraph 5.3 above.

7.6 A formal Government response and accompanying Impact Assessment were published on the gov.uk website on 30 January 2026[1].

7.7 The Government consulted the Information Commissioner's Office during the preparation of these Regulations, in accordance with Article 36(4) of the GDPR, Regulation (EU) 2016/679 of the European Parliament and of the Council.

8. Applicable Guidance

8.1 The Authority, which acts as the scheme administrator, has previously published guidance for participating suppliers in the Scheme. The Authority will publish updated guidance to suppliers on their website after regulations are made to reflect the

[1] Government response available at: www.gov.uk/government/consultations/continuing-the-warm-home-discount-scheme.

changes made by this instrument for the continuation of the Scheme in England and Wales.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 The Scheme is out of scope of the better regulation framework, as it is classed as imputed tax and spend, and therefore a formal Impact Assessment with review by the Regulatory Policy Committee is not a requirement.

9.2 We have however provided an Impact Assessment alongside this memorandum and published it alongside the Explanatory Memorandum on the legislation.gov.uk website.

Impact on businesses, charities and voluntary bodies

9.3 The impact on business, charities or voluntary bodies is mainly that participating energy suppliers are expected to recover both their costs of providing support under the Scheme and their administration costs through a levy to their domestic customers. For appraisal purposes, administration costs for industry are estimated in the Impact Assessment as around £20m annually. This is a deliberately conservative (i.e. high) estimate which was included to demonstrate that even a generous assumption on administrative costs would play a negligible role in the overall cost-benefit appraisal.

9.4 The legislation does impact small or micro businesses.

9.5 To minimise the impact of the requirements on small or micro businesses (employing up to 50 people), the approach that continues to be taken is to exempt the very smallest electricity suppliers from the requirements of regulation, based on their number of domestic customer accounts. For the scheme period 2026/27 to 2030/31, the threshold will remain at 1,000 domestic customer accounts. Licensed electricity suppliers below this threshold may apply to the Authority to participate voluntarily. Overall, we expect smaller-scale suppliers to represent a very small share of the overall domestic gas and electricity market.

9.6 While scheme energy suppliers are under existing duties around communications to eligible households that they have been given a rebate under the Scheme, these regulations additionally allow the Secretary of State to require suppliers to take on some communications activities currently undertaken by government. Most significantly, this includes informing matched customers in the Core Group that they will receive the rebate and that their eligibility has been assessed using automated decision-making. We have not quantified the costs of this activity but expect it would be small as a proportion of the estimated administrative costs.

9.7 The impact on the public sector is mainly the costs to Government in administering the Scheme, including issuing rebate notices to electricity suppliers identifying eligible customers, issuing letters to eligible households, maintaining a helpline for households to contact, and covering staff costs for the Department for Energy Security and Net Zero, the Department for Work and Pensions and the Authority. These costs are estimated to be around £15m annually, with estimates based on existing administration costs for the current Scheme from previous years and scaled proportionately with the number of recipients.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The Authority and the Department for Energy Security and Net Zero will continue to oversee implementation and compliance with the Scheme. Using powers from the Electricity Act 1989 and Gas Act 1986, the Authority can take action where scheme suppliers fail to meet their obligations.

10.2 The Authority is under a duty, set out in section 13 of the Energy Act 2010, to keep the operation of the Scheme under review. Licensed energy suppliers who participate in the Scheme must demonstrate to the Authority that they have complied with the requirements of the Scheme. The Authority will continue to publish annual reports on the delivery of the Scheme, and the Department will continue to release annual Warm Home Discount statistics.

10.3 The Secretary of State is under a duty, set out in regulation 32, to conduct a review of the Scheme, or any aspect of the Scheme, if the circumstances set out in that regulation are met, including being satisfied that a review would achieve greater reductions in fuel poverty, respond to changing circumstances, protect the interests of GB domestic customers, or improve the Scheme's effectiveness. Under section 14(5) of the Energy Act 2010, the Secretary of State may only amend the Scheme following a review.

10.4 An evaluation of the 2022 Warm Home Discount reforms will conclude in November 2026, with interim findings published in early 2026. Insights gathered during the evaluation will inform scheme design and policy decisions ahead of any future changes.

10.5 The instrument provides for the Scheme to run until 31 March 2031. Consultation with the Authority, electricity and gas suppliers and other appropriate persons, and new regulations requiring the approval of Parliament will be needed to extend the Scheme beyond that date.

10.6 The instrument does not include a statutory review clause in line with the requirements of the Small Business, Enterprise and Employment Act 2015 as the instrument extends the Scheme for no more than five years.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 The instrument will come into force on 1 April 2026 to ensure the extended Scheme can be delivered in time to continue supporting those who are in fuel poverty or struggling to pay their energy bills. Automated delivery of rebates by energy suppliers depends on data matching between customer records and benefits data held by the Department for Work and Pensions. This process requires extensive testing, takes several months and cannot begin until the regulations are in force. The policy intent is for rebates to reach customers during the winter period, when heating needs are the greatest.

11.2 The deadlines for compliance with any requirement imposed by the instrument all fall at least 21 days after the commencement of the instrument.

12. European Convention on Human Rights

12.1 The Minister for Energy Consumers, Martin McCluskey, has made the following statement regarding Human Rights:
"In my view the provisions of the Warm Home Discount (England and Wales) Regulations 2026 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").