Energy UK

The voice of the energy industry

Improved Energy Bill Support

The case for a social discount

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Contents

Executive summary 2
Where the gaps lie 4
Poor targeting and reach 4
Millions in need of support missing out 4
Data limitations hinder targeting 6
Insufficient support 6
WHD does not reflect the scale of fuel poverty 6
Support has failed to adapt to higher energy prices 7
The WHD does not account for different circumstances 8
Funding is regressive and reduces support 9
A plan for a social discount 11
What should a social discount look like? 11
1. Better targeted 11
2. Tiered according to need 11
3. Flexible 11
4. Aligned to the fuel poverty gap 12
5. Progressively funded 12
Delivering a social discount 12
Identifying eligible households 13
Determining eligibility 14
Discount structure 16
Funding 18
Operational considerations 22
The impact of a social discount: meaningfully tackling the fuel poverty gap 22
Timeline for delivery 23
Conclusion 26

Executive summary

The current system of energy bill support is not keeping pace with the scale or the nature of affordability pressures facing households today. We are already seeing the effects of the conflict in the Middle East on household energy bills, with the July 2026 price cap rising by 13% and expected to increase again later in 2026. The full, long-term impact of the conflict is still unknown, but, irrespective of where wholesale prices go from here, the continued volatility means there will be further disruption and added costs across the economy as we move into winter. Given this risk, it is essential that the Government develops robust plans to provide effective support.

Customers urgently need support for this winter. At the same time, **it is critical that the Government builds on its current work by developing an enduring social discount regime**, offering better targeted support in future years, properly tackling fuel poverty, and reducing the need for emergency initiatives whenever prices spike.

Over the past five years, the rise in the cost of living, including higher energy prices, has significantly weakened household financial resilience, increasing the number of households requiring support and the depth of that need. Analysis by the Resolution Foundation shows that arrears have increased across most income groups, with nearly one in five households now behind on at least one priority bill.[1]

While prices are not as high as they were during the 2022-23 crisis, the impacts of that shock are still being felt. **The current price cap is 70% higher than in 2021, and the total energy debt and arrears in households has more than doubled in the last three years**.[2]

The Warm Home Discount (WHD) scheme is the main targeted energy bill support scheme. It provides a flat £150 rebate to households on means-tested benefits, which is an important source of support for those customers but does not meet the scale or complexity of today's affordability challenges.[3] Persistently higher bills and growing levels of debt mean that the scale and nature of support that households need has changed significantly.

Even with the 2025 expansion, many households facing significant affordability pressures remain unsupported. The expansion itself reduced the effective net value of the rebate, as the additional scheme costs are recovered through all customers' energy bills, meaning the rebate is increasingly insufficient for those with the highest needs.

There is a critical need for an enduring social discount regime enabling better targeted support that accurately reflects household circumstances and energy needs. The objective should be a scheme that makes a meaningful contribution towards reducing

[1] Resolution Foundation (2025), British household energy debt has tripled in a decade as cost of living pressures push families into arrears on priority bills
[2] Ofgem (2026), Energy price cap (default tariff) levels; Energy UK analysis
[3] DESNZ (2025), Expanding the Warm Home Discount Scheme, 2025 to 2026: government response

fuel poverty by directing support to households facing the greatest affordability pressures, while being capable of adapting to changing energy prices.

Any successful social discount – whether Energy UK's proposal or others – relies on the Government's ability to confront the problem of targeting head-on. Only by improving data sharing across household income and health, and combining that with energy consumption data, can we direct support to those most in need. The kickstarter project launched at the beginning of 2026 is a helpful start, but it requires greater urgency and stronger prioritisation.[4]

The Government should immediately establish a Social Discount Taskforce, including Ministers and senior officials from relevant departments, energy industry data and regulatory experts, and consumer groups, to progress data sharing at pace, design the details of the new scheme, and plan its implementation.

Energy UK proposes five key principles that an effective social discount should adhere to: better targeting; tiering according to need; offering flexible support that adapts to changing energy prices; aligning the scheme's size to the fuel poverty gap; and funding the scheme progressively by shifting the costs towards general taxation. This paper considers how the social discount can be most effectively delivered, proposing a direct rebate model and up to five cohorts to receive different levels of discount.

At today's energy prices, the social discount would provide an average rebate of £265, with a maximum of £450 for households facing the greatest affordability pressures. The scheme would support 7.2 million households at a cost of around £1.9 billion per year.[5] If energy prices increased to the levels seen in 2022/23, the scheme would scale up to provide greater and more widespread support at a cost of around £14 billion, just 40% of the government support provided in that year, with a significantly higher proportion going to low- and middle-income households.[6]

[4] DSIT (2026), Targeted energy bill support and simpler access to legal guidance among plans to put data to work to improve lives

[5] Energy UK analysis

[6] Office for Budget Responsibility (2023), The cost of the Government's energy support policies; Energy UK analysis

Where the gaps lie

Poor targeting and reach

Millions in need of support missing out

Following its expansion in 2025, the WHD scheme provides a £150 energy bill rebate to approximately 6 million households.[7] The expansion removed the 'high-cost-to-heat' criteria, meaning that now, all recipients of means-tested benefits and pension credit are automatically eligible for the rebate.

While more households now receive the rebate than previously, the scheme still misses many customers who need support due to limitations in targeting. Eligibility is based solely on receipt of certain benefits, even though the need for energy bill support is driven by both household income and essential energy consumption (for example, heating to keep a home warm and healthy). Households with higher-than-average energy requirements due to factors such as inefficient housing or medical needs may face affordability pressures comparable to those on lower incomes in efficient homes.

The impact of the poor targeting can be seen in analysis by Public First, which estimates that the expanded WHD scheme still misses out 2.5 million fuel-poor customers, 2.2 million of which are low-income, disabled, or older, often overlapping.[8]

Figure 1 shows illustrative examples of households that could feasibly fall outside the scope of the WHD despite having a high need of support, thus resulting in substantial fuel poverty gaps. While eligibility does depend on individual circumstances, the examples show how relying on means-tested benefits as a proxy can leave some households facing significant affordability pressures without support.[9]

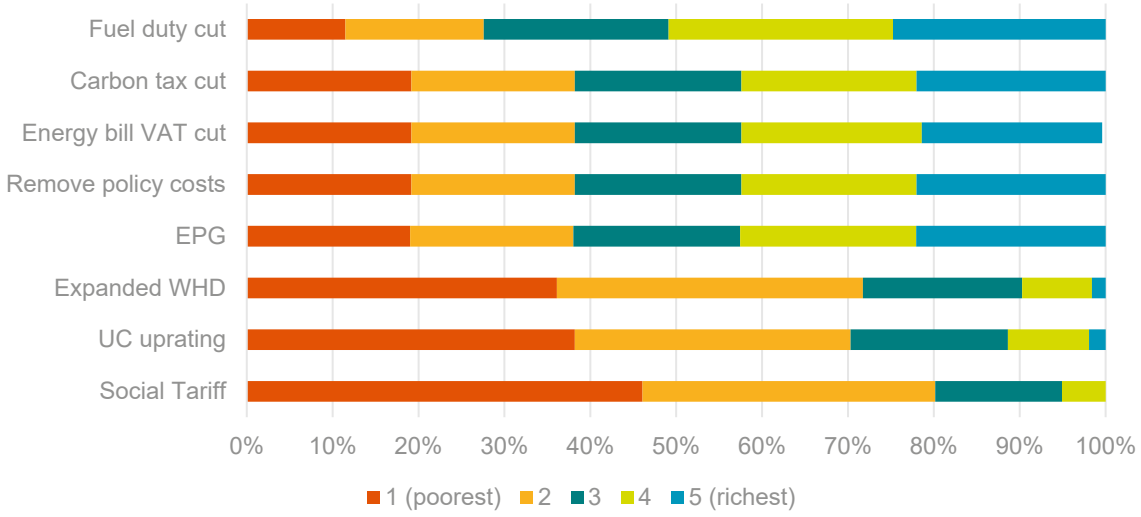
[7] DESNZ (2026) Energy bill support extended for millions of families
[8] Public First (2025) Closing the fuel poverty gap
[9] The fuel poverty gap is calculated using the difference between the annual energy bill and 10% of income after housing costs. 10% figure is based on the definition of fuel poverty used by National Energy Action, which determines that a household is fuel poor if they spend over 10% of their income on energy to reach a satisfactory level of heating.

Figure 1: Illustrative examples of households in fuel poverty that do not receive WHD

	Annual income after housing costs	Consumption level (KWh)	Bill – based on Price Cap Q3 2026	Fuel poverty gap
Large family in inefficient house, low-income, higher consumption than average	£18,000	Electricity 3,200 Gas: 16,000	£2,323	£523
Special medical needs, very high consumption	£23,000	Electricity 4,200 Gas 24,000	£3,171	£870

At the same time, evidence shows that the support from the rebate is not fully concentrated in lower-income households. Analysis from the Resolution Foundation shows that instead, around 28% of the scheme's support is going to households who are not in the bottom 40% of income distribution, including around 9% going to the highest two quintiles.[10] In addition, some households in lower-income quintiles that now receive the WHD may not be in fuel poverty due to living in efficient homes.

Figure 2: Proportion of spending on selected policy options accrued by each household income quintile: GB/UK[11]



[10] Resolution Foundation (2026) Tackling the cost-of-living crunch: The economic fallout from war in the Middle East

[11] Resolution Foundation (2026), The economic fallout from war in the Middle East Part I

Data limitations hinder targeting

Addressing these targeting challenges requires access to a wider range of data than what is currently available.

A combination of income, health, and energy consumption data would enable more effective targeting of support and allow assistance to be better aligned with differing household circumstances. However, the data needed to build this picture is currently held across multiple government departments and energy suppliers, and accurate household income data does not exist in a way that can be used for targeting purposes. In addition, the current data sharing powers under the Digital Economy Act do not allow all these data types to be shared and used together for schemes like the WHD. As a result, the scheme has ended up relying on means-tested benefit receipt as a proxy for need.

In Scotland, scheme operation also causes some households in need to miss out on support. While in England and Wales, all households are automatically identified, in Scotland, some households still need to apply through their supplier. Some suppliers receive far more applications than they can support, while others receive far too few. The result is that there can be two households in identical circumstances but one receives the WHD and one does not, depending on their supplier.

Insufficient support

WHD does not reflect the scale of fuel poverty

The WHD does not operate at a scale that makes a meaningful contribution towards fuel poverty at both a households and national level. The £150 rebate is significantly below the government-estimated average fuel poverty gap of £379 per household, although total scheme spending of just under £1 billion is fairly similar to the nationwide fuel poverty gap of slightly more than £1 billion, according to official figures.[12] However, this is likely due to the chosen metric suggesting only around 2.7 million households are in fuel poverty. [13]

Other figures suggest that the number of households in fuel poverty and the total fuel poverty gap are far greater. National Energy Action estimates 6 million households are in fuel poverty, while BFY Group calculates the fuel poverty gap could be as high as £3

[12] DESNZ (2026), Warm Home Discount statistics, 2025 to 2026; DESNZ (2026), Annual fuel poverty statistics report: 2026; Office for National Statistics (2026), Households by household size, regions of England and Great Britain constituent countries; Energy UK analysis. According to DESNZ, the fuel poverty gap in England in 2025 was £896 million, which equates to around £1.04 billion across Great Britain based on household share.
[13] DESNZ (2026), Annual fuel poverty statistics report: 2026; Office for National Statistics (2026), Households by household size, regions of England and Great Britain constituent countries; Energy UK analysis. According to DESNZ, 2.36 million households were in fuel poverty under the Low Income Low Energy Efficiency (LILEE) metric in England in 2025, equating to around 2.74 million across Great Britain based on household share.

billion.[14] While the exact size of the gap depends on the methodology used, all available estimates indicate that it substantially exceeds support provided through the WHD.

This shortfall in funding leads to the WHD having two key weaknesses. First, many fuel-poor households do not receive the rebate at all. As previously outlined, Public First estimates this figure to be around 2.5 million households.[15] Second, for those who do receive the rebate, it is often insufficient to lift them out of fuel poverty. Although the headline rebate is £150, recipients effectively receive around £112 once the costs of funding the scheme through energy bills are accounted for.[16]

Considering the estimated fuel poverty gap of £379 per household, this figure is clearly inadequate. This is reinforced by the examples in **Figure 1**, which show that households with higher energy needs can face fuel poverty gaps of over £500. Overall, the current scheme is limited by both its reach and the level of support it provides.

Support has failed to adapt to higher energy prices

The failure of the scheme to address the fuel poverty gap is partly because the value has only increased by £10 in the last ten years, during a period in which household energy bills have increased significantly. As a result, the real value of the rebate has fallen substantially. **Figure 3** demonstrates that for a typical household its value has fallen from around 15% of the bill in 2017 to under 9% in 2026.

This highlights a broader limitation of the current scheme. As the rebate is fixed, it does not adjust in response to changes in energy prices or affordability pressures. During periods of high energy prices, support becomes less effective at protecting households from rising costs. This increases pressure for the Government to introduce expensive emergency support measures during these periods, such as in 2022/2023, when £35 billion was spent on the universal support via schemes for households such as the Energy Bill Support Scheme and the Energy Price Guarantee.[17]

[14] National Energy Action (2026), Help Fight Fuel Poverty; BFY Group (2025) Fuel Poverty: Warm Homes Support Scheme
[15] Public First (2025) Closing the fuel poverty gap
[16] DESNZ (2025) Expanding the Warm Home Discount Scheme, 2025 to 2026: consultation document
[17] Office for Budget Responsibility (2023), The cost of the Government's energy support policies

Figure 3: Annual WHD rebate as a proportion of the annual energy price cap, 2017-2026

The WHD does not account for different circumstances

The flat rate nature of the rebate also hinders the scheme's ability to meaningfully address fuel poverty. While the 2025 expansion increased the number of households receiving support, it did not improve how support is distributed to align with varying household needs.

Households experience very different affordability pressures depending on factors such as income, housing efficiency, energy consumption, and health needs. For example, some households with a disabled person require significantly higher energy use because of medical equipment or the need to maintain higher indoor temperatures. While disability alone is not an indication of low affordability for energy, there is a strong correlation between disability and fuel poverty, with analysis from Public First showing that disabled households are nearly twice as likely to face fuel poverty than other households.[18]

This is an example of how the size of the fuel poverty gap can vary considerably between households. However, the current scheme provides the same level of support to all recipients. This means households facing the greatest affordability pressures receive the same amount of rebate as those with smaller fuel poverty gaps, limiting the scheme's effectiveness in reducing fuel poverty.

[18] Public First (2025), Closing the Loop

Funding is regressive and reduces support

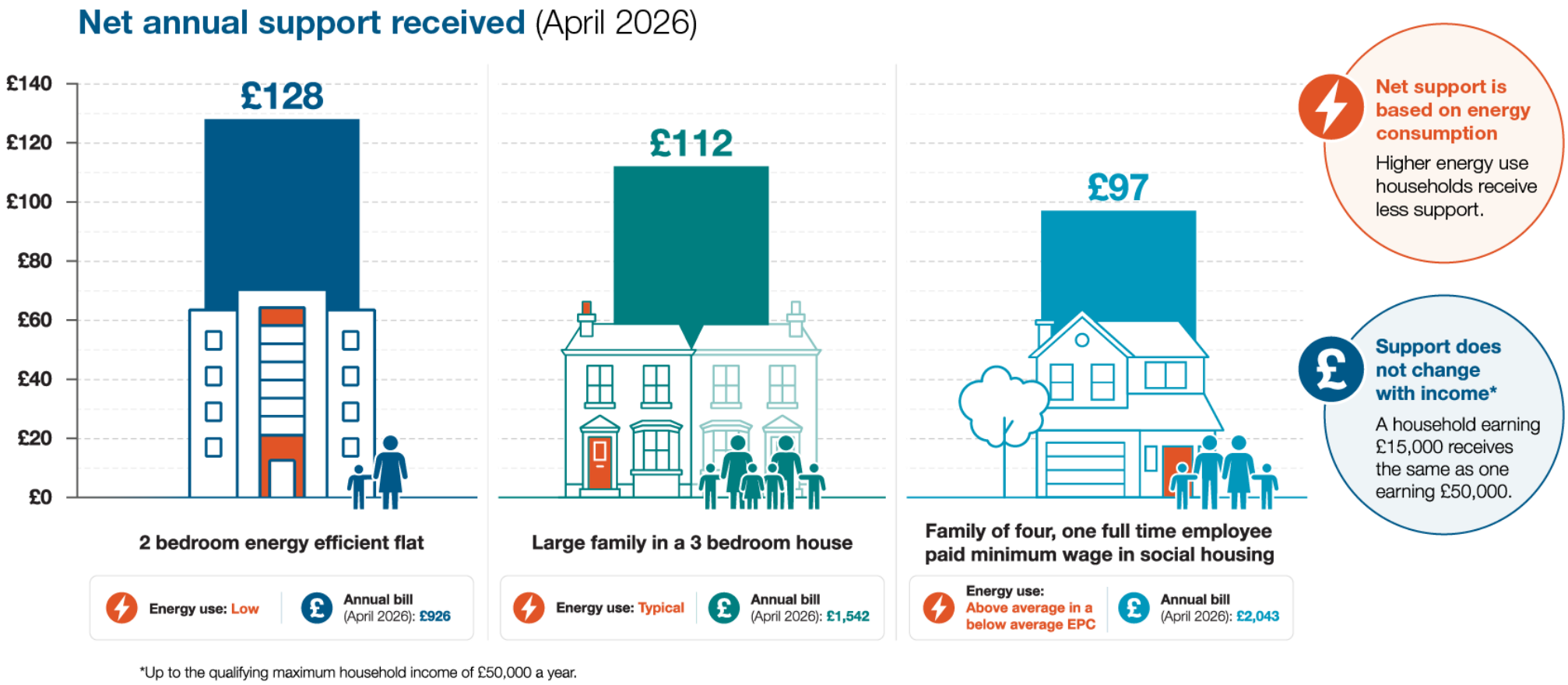
The scheme's cost recovery mechanism reduces its value further. As the funding is spread across all households, every billpayer, including scheme recipients, pay for the costs.

After the 2025 expansion, the additional 2.7 million recipients increased scheme costs and therefore the amount that households contribute via their bills. As a result, the net benefit for households receiving the discount fell from £128 in 2024/25 to £112 in 2025/26.

Thus, while the headline rebate of £150 has remained the same, the overall value of support has steadily declined. Energy UK analysis suggests that the real value has fallen by around 40% between 2017 and 2026.

For the 2026/27 scheme, the Government moved the cost recovery from the standing charge to the unit rate. Although this reduces costs for lower-usage households, it also creates distributional impacts by increasing energy costs for households with higher consumption who may be more likely to be in fuel poverty due to factors such as poor energy efficiency or greater energy needs. Combined with the flat-rate rebate, this means that some low-income households with high energy needs, for example due to inefficient homes or reliance on medical equipment, may contribute significantly more towards funding the scheme, while receiving the same level of gross support as lower-usage households on similar incomes. This creates unequal outcomes, as demonstrated in **Figure 4**.

Figure 4: Net WHD support across varying levels of consumption[19]



[19] Ofgem (2026), Policy cost allowance methodology (Annex 4); Energy UK analysis

A plan for a social discount

The WHD currently falls short of being an effective targeted energy bill support scheme in numerous ways. The level of support is inadequate and has not kept pace with rising energy costs, support is not well aligned with differing levels of need, and the scheme continues to miss many households facing significant affordability pressures while providing support to some households with comparatively lower need. In addition, data and legislative barriers limit the ability to target support more effectively.

Addressing these challenges will require more than incremental changes to the existing scheme, and instead, requires a structural reshape in how targeted energy bill support is designed and delivered.

What should a social discount look like?

A social discount should focus on improving how households are identified, how support is targeted, and how schemes operate in practice. Energy UK proposes five key principles that should underpin an enduring, workable, social discount regime:

1. Better targeted

A successful social discount must move beyond the means-tested benefits model and instead target households based on the understanding that the need for energy bill support is driven by both income and energy requirements. This means building a fuller picture of household circumstances, including both household income and factors that influence energy use such as housing quality, health, or disabilities.

2. Tiered according to need

A social discount should move beyond a flat-rate rebate and instead provide tiered support based on the scale of affordability pressures that households face. This would allow support to better reflect the fact that households experience very different financial and energy-related pressures, even where they share many similar characteristics. A flat rate increase in support would not account for these differences and would therefore be less effective at helping households facing the greatest affordability pressures.

3. Flexible

A flexible model would allow support to rise during periods of higher energy bills to match the increased need. Conversely, if bills fall, support could be scaled back accordingly. This would create a more sustainable framework by ensuring the rebate keeps pace with costs during periods of high energy prices, while avoiding unnecessary spending if energy prices are low.

Embedding this flexibility into a social discount would provide the Government with a mechanism that can respond to future energy price shocks, preventing the need for emergency universal support measures. During the previous energy crisis, the Government

introduced universal support via the Energy Bill Support Scheme and Energy Price Guarantee, which cost the Treasury £35 billion.[20] A targeted support scheme that is responsive to energy price movements would reduce the need for broad universal interventions by automatically increasing support for households facing the greatest affordability pressures when necessary.

4. Aligned to the fuel poverty gap

The WHD should operate at a scale that makes a meaningful contribution towards reducing fuel poverty. While improving the targeting of support would increase effectiveness of existing funding, at current energy prices, additional funding is needed to ensure that the scheme can both reach more households experiencing fuel poverty and provide more meaningful support to those facing the greatest affordability pressures.

Before the expansion, around 21% of fuel poor households receiving the rebate were lifted out of fuel poverty. Following the expansion, this increased to 58%. However, increasing coverage alone is not enough. As highlighted previously, many households that receive the rebate remain in fuel poverty because the level of support falls well short of the fuel poverty gap they face. A social discount should, therefore, improve both the reach of the scheme and the level of support it provides so that more households receive sufficient bill discounts to drive a considerable reduction in, or completely remove, their fuel poverty gap.

5. Progressively funded

Support should be funded more progressively. As highlighted above, as the cost of the WHD is recovered through the unit rate of domestic energy bills, some lower-income households with high energy needs (including those that do not receive WHD) contribute more towards the scheme than high-income households with lower energy consumption.

The most progressive approach would be to fund the scheme through government spending rather than energy bills. This would reduce policy costs on energy bills and better align contributions with households' abilities to pay. It would also avoid the current situation where fuel poor households contribute towards funding the support they receive. Further, it would create a more resilient framework for responding to future energy price shocks as a Treasury-funded, or partially Treasury-funded, scheme would provide greater flexibility to expand support without directly increasing costs on energy bills.

Delivering a social discount

These principles establish the key design features of a social discount. Better targeting provides the foundation of the scheme by identifying households based on both their financial circumstances and their likely energy needs. Tiering can then place households into different support bands according to the level of their affordability pressures and energy requirements. A flexible payment mechanism enables both the level of support and the

[20] Office for Budget Responsibility (2023), The cost of the Government's energy support policies

number of eligible households to adjust automatically as energy prices change. Aligning the scheme with the fuel poverty gap means households receive support that better matches their needs. Progressive funding ensures recipients fully benefit from the support provided.

Successfully introducing a social discount will take considerable effort from multiple stakeholders across government and the energy sector. Thus, the Government should establish a Social Discount Taskforce, including Ministers and senior officials from relevant departments, energy industry data and regulatory experts, and consumer groups, to progress data sharing at pace, design the details of the scheme, and plan its implementation.

The following section offers a model for the design and implementation of a social discount. It explores how the five key principles could be delivered in practice and sets out a proposed operating model.

Identifying eligible households

Delivering better targeting will require two key developments:

- Access to a broader range of datasets to build a fuller picture of household circumstances.
- A clear legal route to enable that data to be shared and used effectively.

The Government has already started to explore the use of wider datasets to support more effective targeting. During 2025, the Department for Energy Security and Net Zero (DESNZ) looked at how data can be used more effectively through its data sharing working group. Subsequently, in early 2026, the Department for Science, Innovation, and Technology (DSIT) launched a kickstarter project (now sitting within the Department for Digital, Culture, Media and Sport), aiming to make household income data available for targeting energy bill support.

Delivering a workable data sharing model will require close engagement with industry to ensure datasets are accurate, capable of being shared efficiently at scale, and support a largely automated scheme. For this reason, the Government should bring the kickstarter project into the Taskforce.

Our proposed model would use household income data alongside supplier-held energy consumption data to build a more complete affordability picture. Government-held income data would provide an indication of a household's ability to meet its energy costs and suppliers' historic 12-month consumption data can identify differences in energy requirements. Bringing these together would enable households to be assessed according to both income and energy use, rather than relying on receipt of means-tested benefits as the sole proxy for need.

The Government should also explore how health data can be made available for targeting purposes. Some households have higher unavoidable energy requirements due to disability

or health needs, and it would be beneficial to utilise this information to form a more sophisticated approach to determining the level of support required.

Auto-enrolment via government data sharing should be the primary mechanism for identifying eligible households in all regions. This should include aligning delivery in Scotland with the data-matched approach used in England and Wales, ensuring that eligible households can receive support automatically regardless of where they live or their energy supplier. A supplementary application route should remain available for households whose circumstances are not captured through automated data matching. This should act as a safety net rather than the main route into the scheme. The application process should be administered by Government, be simple and accessible, minimising barriers for households that may struggle to navigate complex application requirements.

Alongside making additional data available, a clear legal framework is needed to enable that information to be shared and used for the purpose of delivering support. Section 36 of the Digital Economy Act (DEA) is the legal framework for government and suppliers to share data to deliver targeted energy bill support via the WHD. While this enables data sharing for schemes like the WHD, it lacks the flexibility to reflect wider indicators of affordability and vulnerability, such as income data, health needs, and other household circumstances.

The Government should therefore assess whether amendments to secondary legislation under the DEA will be sufficient to ensure that the available data can be used effectively once it becomes accessible, or whether primary legislative change may be required. Any legislative changes should enable the use of income data, disability and health-related indicators to determine eligibility for a targeted support scheme. If primary legislative reform is needed, it should be progressed as soon as possible, potentially through the Energy Independence Bill, to avoid creating delays once additional datasets become available.

Determining eligibility

Once eligible households can be identified using a broader range of data, the scheme must determine how eligibility and the level of support should respond as energy prices change. Rather than operating with one fixed set of recipients, as it is with the current scheme, our proposed model allows the scheme to expand as affordability pressures increase, bringing additional households into scope while providing different levels of support according to need.

Figure 5 demonstrates how the better targeting, tiering, and flexibility principles work together in practice by showing who gets support as energy prices rise. The scheme categorises households into nine groups based on a combination of income and energy use. For example, Group 1 represents low-income, high use households, those with the greatest affordability pressures. On the other end of the scale, Group 9 represents high-income, low use households, who are least likely to require support but may face some affordability pressures if energy prices rise to very high levels.

The table shows that these groups become progressively eligible for support as energy prices rise. In the scenario of lower energy prices, only Groups 1 and 2 receive support, with more groups becoming eligible as prices rise. This reflects the fact that the need for energy bill support is driven by both household income and energy requirements, rather than income alone.

Unlike the current WHD, which has fixed eligibility and does not respond to changes in energy prices, the proposed approach to a social discount enables the number of supported households to flex in line with affordability pressures. At the highest price intervals, support would essentially become universal, reflecting that crisis level costs can create affordability pressures across all income distributions.

Figure 5: Progressive eligibility expansion as prices rise

Reference price interval[21]	Household group by income and energy consumption	Proportion of households receiving support
£500 - £1,000	**Groups 1 and 2:** Low-income, high and medium use households	10%
£1,000 - £1,500	**Groups 1-4:** All low-income households, and medium-income, high use households	25%
£1,500 - £2,000	**Groups 1-4:** All low-income households, and medium-income, high use households	25%
£2,000 - £2,500	**Groups 1-6:** All low-income and medium-income households	75%
£2,500 - £3,000	**Groups 1-6:** All low-income and medium-income households	75%
£3,000 +	**Groups 1-9:** All low-income, medium-income and high-income households	100%

As the Taskforce designs the social discount, it will need to develop a detailed eligibility framework, considering several factors including but not limited to:

- The number of years used to calculate household income.
- Whether to calculate energy use bands based on total energy consumption or an estimate of essential energy needs – for example, using winter consumption figures or cross-referencing consumption with energy efficiency data.
- How to most effectively incorporate health data – for example, shifting households with critical medical related energy needs into a lower-income band.

[21] Ofgem (2026), Review of typical domestic consumption values; Note: The reference price is based on the annual energy costs for medium Typical Domestic Consumption Values for dual-fuel household.

- How frequently eligibility data will be refreshed – for example, every 12 months.
- How to account for a significant change in household circumstances – for example, cross-referencing income figures with means-tested benefits and health data.
- Securing accurate data for households that have recently moved home, changed energy supplier, or switched to a modern electric heating technology.

Discount structure

The next step is to determine how to deliver tiered and flexible levels of support. There are two primary options structuring a social discount: a unit rate discount and a direct rebate.

- A unit rate discount provides recipients with a percentage or pence reduction in the price per kilowatt hour of energy consumed.
- A direct rebate, which is the approach of the current WHD scheme, provides recipients with a fixed discount applied to their energy bills at a set time of the year.

There are benefits and drawbacks to both options. While a unit rate discount automatically accounts for differences in energy use and minimises the risk of a cliff edge, Energy UK recommends a direct rebate because it is a far more practical delivery option. A direct rebate would avoid the need for ongoing reconciliation based on consumption and the complexity of maintaining separate versions of tariffs for eligible and non-eligible customers. It would also only need to be adjusted at most once per year if reference energy prices cross a threshold, rather than having to respond to changes in individual tariffs.

A direct rebate also provides the Treasury with more certainty on the overall cost of the scheme and can be timed to provide support during winter, when affordability pressures are typically at their highest.

The main drawback of this approach is that it does not automatically scale with household need or changes in energy prices in the same way as a unit rate discount. However, our proposed model compensates for this somewhat by tiering support to account for household finances and energy use. This balances the benefits of a scheme flexibility and responsiveness with deliverability and cost certainty.

As shown in **Figure 6**, the value of the rebate varies according to need and increases as energy prices rise. At the £1,500 - £2,000 reference price interval (where prices are currently), a low-income household with high energy use would receive £450, compared with £350 for a low-income household with medium energy use, and £175 for both low-income households with low energy use and a medium-income household with high energy use. At the £2,000 - £2,500 reference price interval, these households would receive £700, £550 and £300 respectively, while low-income low use and medium-income high use households would become eligible, receiving £150.

The combination of household income and energy consumption bands generates nine distinct groups. However, when determining payment categories, the Taskforce should merge some groups to create a smaller number of cohorts that is manageable for energy suppliers' systems to deliver. Our proposed model incorporates a maximum of five cohorts, but the fifth cohort would only become active in periods of exceptionally high prices. In most years, suppliers would need to provide three or four different levels of payment. The Taskforce should also consider whether higher value rebates could be provided to households at two points during the year, rather than through a single annual payment, as spreading support across more of the year could help with budgeting.

Figure 6: Proposed social discount payments under direct rebate model by reference price interval and cohort

Reference price interval	Low income			Medium income			High income		
	High use	Medium use	Low use	High use	Medium use	Low use	High use	Medium use	Low use
	Cohort 1	Cohort 2	Cohort 3		Cohort 4		Cohort 5		
£500 - £1,000	£125	£100							
£1,000 - £1,500	£250	£175	£75	£75					
£1,500 - £2,000	£450	£350	£175	£175					
£2,000 - £2,500	£700	£550	£300	£300	£150	£150			
£2,500 - £3,000	£1,000	£800	£450	£450	£250	£250			
£3,000 - £3,500	£1,350	£1,100	£650	£650	£400	£400	£250	£250	£250

The Industry Initiatives element of the WHD should also be retained with a social discount scheme. They are a valued part of the existing WHD scheme as they enable suppliers and their partners to reach customers who may otherwise be missed and provide wider support, such as energy efficiency advice and help with debt. When designing the new scheme, the Taskforce should consider how greater flexibility within the Industry Initiatives could improve their effectiveness, including raising the cap on debt write-offs. Giving suppliers more flexibility in this area would be beneficial as it allows them to tailor support to the needs and circumstances of their customers.

Funding

An effective and enduring targeted social discount scheme should make a meaningful contribution towards closing the fuel poverty gap. This requires a scheme that not only reaches more people in need but also provides support that better reflects the scale of need. At current prices, achieving this requires a larger level of total support than is provided through the WHD.

As set out above, Energy UK's proposed model would both extend support to households currently missed by the scheme and provide higher levels of support where affordability pressures are the greatest. **Figure 7** shows how the costs would increase as more households are added at each price interval. Under current prices, the cost of the scheme would be around £1.9 billion (not including Industry Initiatives funding), which is more reflective of the national fuel poverty gap.

Figure 7: Number of households supported and estimated annual cost of social discount support by reference price interval[22]

Reference price interval	Total households targeted	Scheme cost
£500 - £1,000	2,900,000	£326,250,000
£1,000 - £1,500	7,250,000	£942,500,000
£1,500 - £2,000	7,250,000	£1,921,250,000
£2,000 - £2,500	21,750,000	£5,292,500,000
£2,500 - £3,000	21,750,000	£8,192,500,000
£3,000 - £3500	29,000,000	£13,992,500,000

Currently, the WHD scheme is paid for via the unit rate of households' energy bills, meaning that recipients pay towards their rebate, reducing its net value. This is a regressive mode of funding and does not align with a scheme that is able to flex to higher prices and include additional households. **Figure 8** illustrates the net targeted support if the scheme were funded entirely through the unit rate of energy bills.

[22] Energy UK analysis. Note: Scheme costs do not include Industry Initiatives funding.

As the scheme expands, the cost recovered from bills increases, reducing the effective value of support received. At higher price bands, this can significantly erode the intended benefit. It also results in most households always paying more towards the scheme than they receive, and some households in greater need of support receiving a significantly lower net discount than those in lesser need of support. This demonstrates that expanding and increasing targeted support without changing how it is funded risks undermining the purpose of the social discount.

Figure 8: Net social discount support by reference price interval and cohort if the scheme were funded entirely through energy bills[23]

Reference price interval	Low income			Medium income			High income		
	High use	Medium use	Low use	High use	Medium use	Low use	High use	Medium use	Low use
	Cohort 1	Cohort 2	Cohort 3		Cohort 4		Cohort 5		
£500 - £1,000	£111	£90	-£6	-£14	-£10	-£6	-£14	-£10	-£6
£1,000 - £1,500	£208	£147	£57	£33	-£28	-£18	-£42	-£28	-£18
£1,500 - £2,000	£365	£293	£139	£90	-£57	-£36	-£85	-£57	-£36
£2,000 - £2,500	£465	£393	£200	£65	-£7	£50	-£235	-£157	-£100
£2,500 - £3,000	£636	£556	£295	£86	£6	£95	-£364	-£244	-£155
£3,000 - £3,500	£728	£684	£386	£28	-£16	£136	-£372	-£166	-£14

[23] DESNZ (2025), Subnational electricity and gas consumption summary report 2024; Ofgem (2026), Review of typical domestic consumption values; Energy UK analysis. Note: Energy bill payers' contributions to social discount costs do not include Industry Initiatives funding.

To avoid this, Energy UK proposes that funding for targeted support should transition away from energy bills to government spending. This is the most progressive way to fund a social discount, ensuring that those with the greatest ability to pay contribute the most.

If there is insufficient fiscal headroom for Treasury to take responsibility for the entire scheme cost in the near-term, we recommend initially adopting a hybrid funding model. Under our suggested model, the Exchequer only covers scheme costs when the reference energy price exceeds £1,500.

Figure 9 demonstrates the impact of this approach. At lower reference price intervals, funding through energy bills still provides households most in need of support with a meaningful net benefit. Moving scheme costs to the Treasury when the reference price interval is above £1,500 ensures the value of net support remains significant for all recipients as prices rise. Under this model, energy bill payers' contribution to the social discount would be similar to their current payments towards the WHD.

The better targeting, tiering and flexibility within the social discount model enable the provision of universal coverage when prices are exceptionally high, while optimising the cost to Treasury. Under our recommended model, if energy prices increased to a similar level to the 2022/23 energy crisis, the cost of bill support could be around one-third of the £35 billion spent during that time. Thus, the social discount provides a far more cost-effective way to address the impact of future energy price crises.[24]

[24] Office for Budget Responsibility (2023), The cost of the Government's energy support policies

Figure 9: Net social discount support by reference price interval and cohort, and cost to Treasury, under our proposed hybrid funding model[25]

Reference price interval	Low income			Medium income			High income			Cost to Treasury
	High use	Medium use	Low use	High use	Medium use	Low use	High use	Medium use	Low use	
	Cohort 1	Cohort 2	Cohort 3		Cohort 4		Cohort 5			
£500 - £1,000	£111	£90	-£6	-£14	-£10	-£6	-£14	-£10	-£6	£0
£1,000 - £1,500	£208	£147	£57	£33	-£28	-£18	-£42	-£28	-£18	£0
£1,500 - £2,000	£408	£322	£157	£133	-£28	-£18	-£42	-£28	-£18	£978,750,000
£2,000 - £2,500	£658	£522	£282	£258	£122	£132	-£42	-£28	-£18	£4,350,000,000
£2,500 - £3,000	£958	£772	£432	£408	£222	£232	-£42	-£28	-£18	£7,250,000,000
£3,000 - £3,500	£1,308	£1,072	£632	£608	£372	£382	£208	£222	£232	£13,050,000,000

[25] DESNZ (2025), Subnational electricity and gas consumption summary report 2024; Ofgem (2026), Review of typical domestic consumption values; Energy UK analysis. Note: Energy bill payers' contributions to social discount costs and cost to Treasury do not include Industry Initiatives funding.

Operational considerations

The energy supply sector and bill support provision have become increasingly complex in recent years. A social discount that reflects differences in household need and responds to changes in prices, income, and energy requirements will inevitably generate additional complexity. This complexity must be considered and managed to avoid causing disproportionate operational burdens for suppliers or creating confusion for customers.

As highlighted above, several key considerations surrounding eligibility criteria will need to be worked through with the Taskforce. However, once the criteria are determined, the Government must take responsibility for collating income, energy use and health data, assessing household circumstances against the criteria, and allocating energy customers into support cohorts through automated data matching. Suppliers' role should be limited to applying the discount determined by the Government to eligible customers, as with the current WHD model.

The Government will also need to determine when to confirm eligibility assessments and complete the data matching process, ahead of discounts being delivered. Given the additional operational complexity for suppliers of providing multiple levels of discount, the Government should aim to complete data matching with a longer lead time before delivery than the WHD currently does. Assuming that discounts are largely administered in winter, this could mean the moving the date for matching customer records forward from late August to late June. This timing would work with completing eligibility assessments against income criteria aligned with the tax year.

There is a risk that tiered rebates, and possible changes to the level of support provided from year to year, will drive additional customer queries about eligibility and the level of support received. If poorly communicated and managed, this has the potential to drive overwhelming demand on suppliers' customer services. Further, the supplier administration and implementation costs when upgrading their systems to deliver the social discount model should be considered. These costs should be fairly recovered and without unnecessary burden to suppliers.

The Taskforce should design a communications strategy, including a campaign leading up to the social discount's introduction and clear messaging about the scheme's structure each year. DESNZ should lead delivery of communications, working with energy suppliers and consumer groups to ensure messages reach as many households as possible. The Government should also take responsibility for managing disputes and queries, and providing clear instructions to suppliers if any changes are agreed, in line with the approach for the WHD.

The impact of a social discount: meaningfully tackling the fuel poverty gap

Taken together, Energy UK's recommendations would create a more targeted, flexible, and responsive support scheme that can make a greater contribution towards closing the fuel poverty gap. Under current prices, overall funding would increase from just under £1 billion

to around £1.9 billion.[26] This enables broader coverage and higher levels of support. The additional funding would be distributed through tiered rebates that better reflect household need and a flexible model that allows support to respond to changing energy prices.

However, while a social discount should make a significant contribution towards reducing fuel poverty, it should not be expected to be the only tool to close the fuel poverty gap. Fuel poverty is driven by wider structural factors, including the energy efficiency of homes, the overall cost of energy, and the decision to recover policy costs through household electricity bills. Targeted bill support will be most effective when delivered as a part of a wider package of measures that address the underlying cost of energy bills for households.

Government initiatives such as the Warm Homes Plan and the Minimum Energy Efficiency Standards in the private rented sector will all play an important role in improving the energy performance of homes and lowering bills for households. They will do so by encouraging the installation of low-carbon technologies and energy efficiency measures, unlocking opportunities for previously left-behind households to permanently cut their energy costs.

The Government has already taken some steps to move policy costs from electricity bills to the Treasury, thus reducing bills for households. Further action to take levies off electricity bills is critical to accelerate electrification and permanently reduce energy bills for all households.

Timeline for delivery

Designing and implementing a social discount, which provides tiered, flexible rebates to better meet household needs will take time given the significant operational complexity it entails. To ensure it is introduced before the end of this Parliament, action must be commenced immediately and strong momentum to be maintained over the next couple of years. **Figure 10** sets out a roadmap of the key steps for the Taskforce to enable the social discount to be fully established by 2028/29.

[26] DESNZ (2026), Warm Home Discount statistics, 2025 to 2026; Energy UK analysis.

Figure 10: Timeline to design and implement a social discount by 2028/29

Workstream	2026/27	2027/28	2028/29
Scheme design	Establish a Social Discount Taskforce, including Ministers and senior officials from relevant departments, energy industry data and regulatory experts, and consumer groups, to design a better targeted, tiered, and flexible energy bill support scheme.	Complete initial social discount design. Discuss whether any design changes are required following data sharing system tests. Finalise social discount design.	
Legislation	Confirm if amendments to the Digital Economy Act would be sufficient to enable the use of income and health data for a social discount, or whether primary legislation is required. Begin the necessary legislative process.	Bring new data sharing powers into force for a social discount. Consider expanding these powers to support wider affordability and vulnerability interventions.	
Data sharing	Accelerate the kickstarter project and wider data sharing work. Incorporate this work into the Social Discount Taskforce and engage closely with industry on prototype development.	Complete development of systems for data sharing and matching using household income, energy consumption and health indicators. Test the systems with energy suppliers, including running social discount delivery simulations.	Implement automated data matching using household income, energy consumption and health data.
Communications	The Social Discount Taskforce designs a communications strategy.	Start running government-led communications campaigns introducing the social discount and	Ongoing communications about the introduction of the social discount. Start messaging about levels of support and which households will

		explaining what it means for customers.	benefit in 2028/29, and deadlines for data matching.
Consultation		Conduct consultations on the social discount's design and implementation.	Establish an ongoing process for reviewing support levels, eligibility criteria, and other future refinements.
Funding framework		Use the Autumn Budget 2027 to set out the long-term social discount funding approach.	Implement the new funding framework, including establishing a mechanism for funding to respond to changes in energy prices.
Scheme delivery		Introduce tiered payments in the WHD to familiarise customers with the concept. Trial the use of an automatically data matched rebate provided to a targeted group of customers that are eligible for the social discount but ineligible for WHD. Run a pilot application route targeting the same type of customers. Confirm the social discount will be introduced in 2028/29.	Complete eligibility assessments and data matching by the end of June 2028. First social discount rebates provided in October 2028.

Conclusion

Energy affordability is likely to remain a significant challenge for many households in the years ahead. The question is no longer whether reform is needed, but how quickly an improved system can be put in place. By acting now, Government can deliver a fairer, more targeted and more sustainable approach to energy bill support that meaningfully reduces fuel poverty, strengthens household resilience, and provides greater protection against future energy crises.

The Warm Home Discount has provided important support to millions of households, but it was designed for a very different energy market and a very different affordability landscape. Today, higher energy costs, increasing levels of debt, and growing pressures on household finances mean that the current approach is no longer sufficient to meet the scale or complexity of need.

While recent reforms have expanded eligibility, significant gaps remain in both the reach of support and the level of assistance provided. Millions of households facing genuine affordability pressures continue to miss out, while many of those who do receive support are left with a substantial fuel poverty gap.

Energy UK believes a social discount offers the opportunity to create a more effective, enduring and resilient framework for energy bill support. However, delivering a social discount will require close collaboration between government, industry, regulators and consumer groups, alongside rapid progress on data sharing and the legislative changes needed to support it. Establishing a Social Discount Taskforce should therefore be the immediate next step.

By combining better use of income, energy consumption and, where appropriate, health data, support can be targeted more accurately at those who need it most.

Energy UK

The voice of the energy industry

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

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