

Warm Home Discount Scheme Core Group Reconciliation Mechanism

December 2011 Version 1.0

This document is for eligible suppliers, who are required by DECC, to participate in the Warm Home Discount Scheme, and suppliers who have opted into the scheme. It explains the reconciliation process that ELEXON operates, and describes what suppliers need to do if they want to raise a dispute or review.

What is the Warm Home Discount Scheme Core Group Reconciliation Mechanism?

DECC's Warm Home Discount Scheme Core Group requires participating electricity suppliers to provide rebates (the level of which is set by Government through regulation) to a targeted group of consumers that are in receipt of defined pension credits.

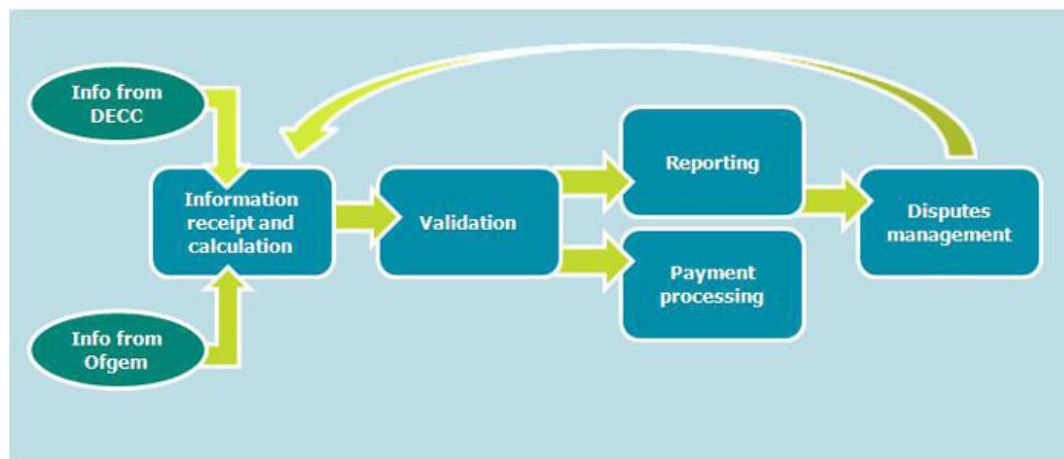
The purpose of the reconciliation mechanism is to ensure that scheme costs are shared equitably between the scheme's electricity suppliers such that no supplier is disadvantaged as a result of having a higher numbers of consumers eligible for the rebate.

ELEXON will operate the reconciliation mechanism using market share information provided by Ofgem and consumer numbers provided by DECC, to calculate and then process the reconciliation payments to be made or received by participating suppliers. ELEXON may also be called upon to provide dispute resolution services.

The diagram below shows this simplified process, which we will follow three to four times a year.



If you have any questions about Warm Homes, please contact [Darren Draper](mailto:Darren.Draper@elexon.co.uk) on 020 7380 4106 or warm.homes@elexon.co.uk.



Visit our website: www.elexon.co.uk

The Annual timetable

ELEXON will process a reconciliation run when DECC formally request us to do so. We expect to receive four requests in the first scheme year (2011/12) and three in each year after this. Broadly speaking, in the first year, we expect these requests to come in December 2011, February 2012, April 2012 and October 2012. For years 2-4, we expect them to be in December, May and October.

We will notify all scheme suppliers as soon as we receive a request to carry out a run, and will advise you of the detailed timetable for that run at the same time.

Processing a reconciliation – generic process

The first two runs each year (or the first three in year 1) will be interim reconciliations and the last run will be a final reconciliation. The final reconciliation is very similar to the interim reconciliation process, and so this document describes the interim reconciliation process, and clarifies the differences for the final reconciliation.

For **interim reconciliations** we will:

- Step 1.** check that we have received all of the required information from DECC (i.e. the reconciliation period, the number of eligible customers for each supplier and the total number of eligible customers identified in the initial match or sweep up) and Ofgem (i.e. the market share of each supplier).
- Step 2.** produce a reconciliation timetable for the run, including the payment dates, and publish this on our website and send it directly to DECC, Ofgem and each of the scheme suppliers.
- Step 3.** process and validate the calculation described in Section 6 of the Reconciliation Regulations 2011 using an in house, custom built system.
- Step 4.** provide reconciliation notices to scheme suppliers according to Section 9(1) of the Reconciliation Regulations 2011 and resolve any resulting queries.
- Step 5.** send the calculation results to our existing payment processing agent, Logica. Logica will issue the invoices and confirm the payment dates (incoming and outgoing) as provided in the timetable (step 2).
- Step 6.** Logica will process all the incoming payments, on our behalf.
- Step 7.** Within ten Working Days of the incoming payments, Logica will process all of the outgoing payments, and then confirm the status of these to us.
- Step 8.** confirm to scheme suppliers and DECC that all payments have been received and made as expected.

Final reconciliation

As soon as possible after the end of each scheme year, and after notification from DECC, Ofgem will advise us of:

- the value of the rebates provided by each of the scheme suppliers to domestic consumers; and
- total value of rebates provided by all scheme suppliers

When we receive this information, we will check that we have all of the required information, and then follow step 2 of our interim reconciliation process. Then use our custom-built system to run the calculation described in Section 8 of the Reconciliation Regulations to establish the final adjustment payments from or to each scheme supplier.

Once we have calculated these numbers, we will follow steps 4 to 8 of our interim reconciliation process.

For scheme years 2, 3 and 4 we will also pay back any interest that we have accrued over the year across the scheme suppliers, in proportion to the market share as part of this reconciliation. We will make these interest payments at the same time as the outgoing payments to suppliers (step 8).



Click [here](#) to read the Warm Home Discount Scheme Reconciliation Regulations on the DECC website.

Missed payments and exceptions

A number of exceptions are possible during the processing of these reconciliation runs. The key ones are:

1. A supplier misses a payment
2. A supplier believes that their invoice is incorrect
3. An error is confirmed in our calculations and the payments need to be corrected
4. A supplier licence is terminated mid way through the year

If one of these exceptions were to occur, we would contact all scheme suppliers and DECC, and provide details of what to expect next. The following paragraphs describe the basic process in each instance.

Missed payments – Mutualisation

When a scheme supplier fails to make a payment, ELEXON is required to process a mutualisation, whereby other scheme suppliers make up the shortfall, based on their market share. In this instance, we will:

- issue a notice to DECC and all scheme suppliers explaining that we are processing a mutualisation, and will provide the timetable for this mutualisation within two Working Days;
- calculate the mutualisation amounts by allocating the missing payment between all the scheme suppliers other than the defaulting suppliers (non-defaulting suppliers), in proportion to their market share. Mutualisation notices will be given to non-defaulting suppliers according to Section 9(1) of the Reconciliation Regulations 2011.

If we receive the missing supplier payment, before we receive the mutualisation payments, we will cancel the mutualisation by issuing a notice to DECC and all scheme suppliers and continue with the normal reconciliation process. If not, we will process the payments in line with steps 4 to 7 in the interim reconciliations process.

Once the missing payment is made we will, within 10 days, pay back the suppliers who provided additional funds as part of the mutualisation.

Potential error in an invoice – Review and Disputes

In the first instance, if you query one of our calculations, we will discuss the question with you, and seek to resolve the issue before the payments are processed. If you aren't satisfied with the results of this conversation, then you, as a scheme supplier, have the option to ask us to carry out a review or to raise a dispute.

To request a review, just email warm.homes@elexon.co.uk, and attach the **Warm Homes Reconciliation Review Request** form which is available on our website. When requested to conduct a review, we will:

- Advise DECC and the other suppliers that we are conducting a review, and confirm when we will complete the review
- Request any representations from suppliers
- Review our calculations
- Publish the results of our review to both DECC and the other scheme suppliers

The operational team who run the Warm Homes reconciliations will usually carry out a review.

If you are still unhappy, then, as a scheme supplier, you can raise a dispute. To raise a dispute, just email warm.homes@elexon.co.uk, and attach the **Warm Homes Reconciliation Dispute** form which is available on our website. Disputes will always be analysed by a separate team, and will be assessed by industry experts. If a dispute is raised, we will:

- Confirm that the dispute complies with the Reconciliation Regulations (e.g. received within 10 Working Days)
- Notify DECC, all scheme suppliers and Ofgem that a dispute has been raised
- Confirm our timetable for investigating and reporting on the dispute
- Investigate the dispute thoroughly
- Arrange and hold a meeting of the Warm Homes Disputes Committee (WHDC), and obtain a decision on the dispute from them
- Publish the decision and a non-confidential version of the report to DECC, all scheme suppliers and Ofgem.

If the dispute is upheld, or a review concludes that we made an error in the calculation, we will follow the make right amount process described on the next page.



The review and dispute forms are available on the [Warm Homes](#) page of our website.

Confirmed calculation error – Make Right Amounts

Where an interim, final or mutualisation calculation has been proven erroneous, we will:

- Advise suppliers that a make right amount payment run will be made, in the same way that we will do for interim reconciliation runs (step 2)
- Recalculate the amounts attributed to each scheme supplier (including the interest applicable) to match the direction from the Secretary of State or Warm Home Disputes Committee
- Compare the original payments (made or received) by the scheme suppliers to these correct amounts, and issue a requests for the difference, by following the same process as for interim reconciliations (steps 3 to 8).

Supply licence termination – Revised Market Share Calculation

If Ofgem notifies us that one of the scheme suppliers is exiting the market (including the date of exit), we will exclude the exiting supplier from all further reconciliation runs and mutualisations after the exit date provided.

Where a reconciliation run or mutualisation run is already in progress (i.e. we have already issued the payment requests), we will still expect the scheme supplier to pay or receive, a payment (depending on their market share and actual liabilities so far).

For all future reconciliations and distribution of accrued interest during the scheme year, we will use a revised market share for all of the remaining scheme suppliers, as described in Section 11 of the regulations.

Where can I get more information?

If you have more questions about warm homes, please contact Darren Draper on 020 7380 4106, or via email at warm.homes@elexon.co.uk.

If your query is out of office hours, you can still contact the BSC Service Desk (which operates 24 hours a day, seven days a week) on 0870 010 6950.