



Making a positive difference  
for energy consumers

Energy Bills Support Scheme  
Department for Business, Energy and  
Industrial Strategy  
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Date: 20 May 2022

Dear Sir/Madam,

**Ofgem's response to [BEIS' Consultation on the Energy Bills Support Scheme, April 2022](#).**

Ofgem regulates the gas and electricity markets in Great Britain, and our principal objective is to protect the interests of existing and future energy consumers. We welcome the opportunity to respond to BEIS's consultation on the Energy Bills Support Scheme (EBSS).

**Scheme Context and Ofgem's Role**

An energy price shock driven by a record rise in global gas prices has resulted in a price cap increase for 23million customers from the 1<sup>st</sup> of April<sup>1</sup>. Ofgem recognises the benefit the EBSS could bring to customers, helping to smooth out the cost shock, especially ahead of winter months when average domestic energy consumption is the highest.

The Department for Business, Energy & Industrial Strategy (BEIS) are ultimately accountable for scheme design and its delivery. Ofgem has been asked by government to assist the scheme implementation and consider licence modifications to enable EBSS, alongside monitoring compliance.

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<sup>1</sup> Latest estimated figure

## **Implementation Considerations**

We understand the benefits of delivering the scheme ahead of the winter months, in line with the government policy intent, given potential further price rises. However, this timeframe heightens implementation risks as well as necessitating interdependencies between Ofgem's, Ministerial and industry activities, which will require a degree of parallel working. We have already been working with government, Suppliers and DNOs and recognise that providing clarity, and detail as early in the process as possible will provide the best opportunity for collective success. Ofgem have mobilised a project team to work with BEIS, amongst other things, to ensure any adverse downstream implications are identified (for example increased exposure to arrears and bad debt, as well as of mutualisation in the event of Supplier failures). We look forward to continuing to work with BEIS and wider stakeholders to ensure appropriate mechanisms are in place to help manage such downstream risks.

We are committed to ensuring clarity and effective execution of Ofgem's role in the delivery of the EBSS and have provided responses relating to our role in its implementation as well as to consumer's and Ofgem's interests more widely.

**Maureen Paul**  
**Deputy Director, Retail Market Policy**

Consultation Question	Response
<p>1. a. Do you agree with our approach to how we have considered customer eligibility to the scheme?</p>	<p>Yes, Ofgem supports the government’s intent to alleviate the impact of increased energy costs for domestic customers.</p> <p>We understand that the government’s principle of ‘simplicity’ in scheme implementation is central to ensuring that the grant can be delivered in time for the winter months. Selective distribution of the grant would add complexity (and implementation time) for industry parties and Ofgem compliance processes associated with the scheme. <b>As such, we note that the scheme design does not facilitate a means-tested payment of the grant</b>, which has traditionally been a feature of other schemes (such as the Warm Home Discount Scheme) and would have provided a more targeted way of delivering support to those who need it the most.</p>

Consultation Question	Response
<p>2. a. Do you agree with the proposed qualifying date, provisionally set at 23:59 GMT on 3 October 2022?</p> <p>2. b. Given this qualifying date, do you agree with the associated processes linked to it, as set out in the section titled 'Delivering the bill reduction to eligible customers'?</p>	<p>Yes, Ofgem recognise the scheme intent is to provide customers with support ahead of the winter months, for which a qualifying date in October is conducive. However, <b>energy Suppliers (and other organisations involved in scheme implementation) will have lead times associated with readiness in a relatively short window. We ask BEIS to consider opportunities to share details of the scheme design with such organisations at the earliest opportunity. In particular, details impacting customer billing and engagement processes, including Guidance as set out in Section 4 of the consultation, with participating organisations.</b></p> <p>As part of Ofgem's role within scheme implementation, we are consulting on associated licence change proposals. To provide clarity on the obligations introduced through these licence changes, visibility of the government direction as early as practicable following this policy consultation will be key.</p>

Consultation Question	Response
3. Do you agree with proposals that suppliers should provide all eligible customers that they serve on the qualifying date with the reduction as quickly as possible and within six weeks, and by no later than 31 March 2023 for hard to-reach customers?	<p>As per our response to Q2, availability of scheme details and guidance at the earliest opportunity will increase the potential for meeting the policy intent. In particular, to make billing adjustments in time for the planned scheme qualifying date.</p> <p>For Suppliers to be able to meet this obligation and for Ofgem to be able to effectively monitor compliance with the obligation, <b>it would be beneficial to align with similar provisions and processes in existing obligations (for example the Warm Home Discount Scheme).</b> Particularly with respect to the handling of exception scenarios in 'delivering' the grant. Further examples of this will also be available from the Government Electricity Rebate scheme (GER).</p> <p><b>BEIS should also ensure that the expectation to deliver where 'reasonably practicable' is defined in sufficient detail.</b> This should include any acceptable exceptions (or edge cases) to the obligation on Suppliers. Doing so will ensure that Suppliers have clarity in expectations on them, customers receive consistent treatment and Ofgem has clarity of direction to monitor compliance and consider any enforcement action against.</p>
5. Under what circumstances do you think it would not be reasonably practicable for suppliers to provide the payment?	

Consultation Question	Response
6. Do you agree with the proposals to spread the benefit for Direct Debit customers over six months?	Needs further design clarity - Ofgem recognises the intent and potential customer benefit of spreading the grant over the winter months. Suppliers have existing obligations to set Direct Debits at a fair and reasonable level taking into account customer circumstances, which should be considered when prescribing how the EBSS should be applied. We also note that Suppliers review their customers' Direct Debit arrangements with varying frequency and at differing points in the year, which may not correspond to the qualifying date. Aligned to the principle of 'simplicity', <b>consideration should therefore be made in the government direction on the most efficient way to meet this policy intent.</b>
17. Do you agree with the proposed approach to providing the grant to customers with different forms of energy debt?	Yes, Ofgem recognise the intent of providing the grant to customers with arrears or debt on their account. We note, however, that <b>the consultation could be clearer on the extent to which the grant can be used to pay off existing arrears or debt</b> , and to what extent it should be applied as genuine credit on customer accounts. Without this clarity, there remains scope for different interpretations of the obligation to 'deliver' the grant for customers in arrears, debt or bad debt. <b>To ensure clarity of the obligation and of associated compliance expectations for Ofgem, we request that government provide further detail on the treatment of debt in the context of the EBSS grant payments.</b>

Consultation Question	Response
20.Do you agree with the way in which we are proposing to fund suppliers?	We note the intent set out in section 4 is for government to use existing reporting systems (such as ECOES) to provide a snapshot of eligible customers, however in other sections of the consultation, Supplier data has been referenced for this purpose.
21.Do you agree with the proposal that suppliers should be required to report on delivery of the funds after the six-week period and the associated reconciliation process?	<p><b>Government should set out specifics of the process by which qualifying customers will be identified and aggregated, as part of more granular Supplier guidance.</b> This guidance should extend to how customer move events (such as a change of Supplier) in and around the qualifying date should be handled, and further detail on the expectation to provide grant payments ‘as quickly as is reasonably practicable’. This will ensure that Ofgem and Suppliers have clear direction for the purposes of reporting and assessing compliance with the scheme obligations.</p>
	<p>Practically, once the grant quantification and funding process is clarified, the feasibility of managing the process to the planned timescales should be tested. Ofgem are happy to support BEIS in understanding data collection and sharing considerations for this purpose. Reconciliation after the six week period should be considered alongside the intent for Suppliers to continue to attempt grant delivery to customers who couldn’t be reached in the initial six week period. Ofgem will seek to work with Suppliers to understand their grant delivery plans.</p>

Consultation Question	Response
22.Do you agree that applying the levy on a per meter basis would be the simplest approach to deliver and would impose the least administrative costs on the sector?	Yes, Ofgem note the intent to re-use existing industry processes, in alignment with government’s stated principle of ‘simplicity’ in scheme implementation. The proposal to apply a ‘levy’ via DNO pass-through charges is a mechanism used for other industry costs (such as SOLR).
23.Do you agree with our proposal for applying the levy to all DNOs?	
32.Do you agree with the proposal of using the existing collateral mechanism set out in schedule 1 of the Distribution Connection and Use of System Agreement?	<p>We recognise that there is a level of flexibility in the recovery mechanism set out by BEIS. Notably, the ability to alter the recovery rate (reduce or postpone as required), so long as the underlying pass-through mechanism is in place. We believe this flexibility provides government the opportunity to consider the timing and magnitude of recovery as market conditions (especially energy costs) evolve.</p> <p>There are downstream implications that <b>Ofgem ask government to consider, such as that of the mutualisation mechanism, where customer debt or Supplier failure related costs would ultimately be borne by the end customer.</b></p>
25.Do you agree with our proposal that the levy will be charged on a per meter per day basis, according to electricity meter points served in each DNO’s network?	<p>The Licence Condition changes proposed to be introduced by Ofgem as part of scheme implementation will, alongside relevant code changes, enable for charging per meter point and on a per day basis. <b>The exact mechanics of the process will need to be worked through between government, Ofgem and DNOs, to ensure that associated Distribution Connection and Use of System Agreement (DCUSA) modifications and network charge increase notifications can be made.</b></p>



Consultation Question	Response
<p>38. Do you agree that Ofgem’s current powers, and approach to enforcement of licence conditions, should be mirrored for this Scheme?</p>	<p>Ofgem recognise the scheme intent, based on policy assessment completed by government and set out in the consultation. <b>Ofgem are in turn consulting on the introduction of associated licence conditions to support scheme implementation in line with the government direction. The outcome of that consultation process will be for Ofgem to make a decision on any licence changes to be made.</b></p> <p><b>The introduction of compliance and enforcement mechanisms associated with any licence changes will be at Ofgem’s discretion</b> and would be put in place consistent with Ofgem’s existing powers and statutory objectives. In order to develop a robust and workable compliance and enforcement approach for EBSS, government need to set out details of Supplier and DNO obligation via the ministerial direction and guidance first.</p> <p>Finally, Ofgem note key design principles of the scheme, as set out within the consultation document, including the value of the grant, universality of its application (domestic customers, universal both for the grant out and levy return). It is important to note that these design principles have a bearing on our approach to licence conditions and an associated compliance and enforcement regime. Therefore, material changes to scheme design will require review and may necessitate a change in implementation approach by Ofgem.</p>