

Energy Suppliers' Directors of Regulation

Email: priceprotectionpolicy@ofgem.gov.uk

29 September 2023

Dear Directors of Regulation,

Price Cap allowance for Additional Support Credit bad debt costs

On 25 August 2023, we published our decision to introduce a specific allowance for bad debt associated with Additional Support Credit (ASC) into the price cap from 1 October 2023, for 12 months initially.¹ I am writing to you now, as the allowance becomes available in the cap, to reiterate Ofgem's expectations for the appropriate use of this allowance and ASC practice more broadly, to help ensure delivery against both the letter and spirit of ASC obligations.

Expectations and guidance on ASC

We expect suppliers to be aware of and comply with their obligations under the standard licence conditions (SLCs) on domestic consumer protection, including those relating to ASC provision.² Indeed, some of these rules have recently been strengthened through our wider work on involuntary prepayment meters (PPMs).³

Suppliers have an obligation to offer ASC to a domestic PPM customer in a vulnerable situation who has self-disconnected or is self-disconnecting, and/or has reason to believe they have self-rationed or are self-rationing.⁴ Chapter 6 of our decision sets out our expectations in relation to ASC provision in detail.⁵ We made clear that we consider there to

¹ (2023) Ofgem, 'Additional Support Credit bad debt costs', <https://www.ofgem.gov.uk/publications/allowance-additional-support-credit-bad-debt-costs>

² Namely, the rules as set out in SLC 27A.5-27A.7 however other relevant rules apply, for example SLC 0.

³ For example, the Code's now mandatory provision that suppliers issue £30 credit per meter on all warrant installations/remote switches to remove risk of customers going off supply at point of PPM installation, <https://www.ofgem.gov.uk/publications/new-prepayment-meter-rules-extend-protections-vulnerable-people>.

⁴ As set out in SLC 27A.5 and subject to SLC 27A.6 and 27A.7.

⁵ (2023) Ofgem, 'Additional Support Credit bad debt costs', <https://www.ofgem.gov.uk/publications/allowance-additional-support-credit-bad-debt-costs>, page 36 - 40

be a high threshold before suppliers can properly determine that issuing ASC is not in the 'best interest' of a customer in a vulnerable situation.⁶ We also set out that we consider the risk and extent of serious detriment from self-disconnection should, in almost all circumstances, override the risk of increasing consumer debt when considering ASC provision for customers in vulnerable circumstances.

I also want to be clear that suppliers' practices and operations to administer ASC must ensure the support is accessible to any PPM customer who needs it. For example, all customers seeking ASC must be able to contact their suppliers in a straightforward, timely manner. Customers contacting their supplier to request ASC should not be subject to unnecessary processes which may disincentivise them from seeking ASC.

It is the responsibility of each supplier to drive delivery against their ASC obligations. It is therefore important, as a first step, that you are able to assure yourself that you have the appropriate ASC policies and processes in place.

Oversight and monitoring

Looking ahead, our planned programme of work includes a market-wide review in 2024 of suppliers' ASC policies, practice, and application. Building on our summer roundtable on debt with consumer groups and suppliers, we will also continue to engage with you and Energy UK on the work we are collectively undertaking to ensure appropriate support for consumers in payment difficulty this winter.

We are also stepping up an enhanced monitoring programme on ASC, examining both quantitative and qualitative metrics. Where we identify concerns or potential non-compliance, we will engage with the relevant supplier(s) to ensure a swift and appropriate outcome.

Yours sincerely,

Dan Norton
Deputy Director, Price Cap
Ofgem

⁶ This refers to the 'best interest' test as set out in SLC 27A.7.