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1. Do you consider that we should make a temporary adjustment to the price cap to account for additional debt-related costs?

Care & Repair Cymru recognises that the levels of debt for energy bills have reached record high and Ofgem has a responsibility in helping to prevent suppliers from going insolvent, which could result in huge difficulties and challenges for energy consumers down the line. However, the UK is already facing an energy debt crisis which is why, first and foremost, OFGEM has a responsibility towards every household in the UK; ensuring they are not paying an unfair price for their right of heating and electricity.

We urge OFGEM to consider the extraordinary stress that a temporary adjustment in the price cap could have on fuel poor households. Many of whom are already facing huge levels of debt on their energy bills, OFGEM stated that £2.6 billion is currently owed by UK households who are behind on their energy bills, up more than 70% over the past few years.[1] OFGEM should consider that, if not administered appropriately, a temporary adjustment to the price cap could disproportionately impact fuel poor households, inhibiting them even further from keeping on top of their energy bills, pushing them further into debt and more severe fuel poverty. We feel that, as this allowance is to cover the costs of writing off debt, the money collected though this debt allowance should be used, where possible, to support households in fuel debt.

Care & Repair Cymru believe that a temporary adjustment to the price cap could therefore amplify the current challenge of rising energy bill debt that has led to OFGEM considering a temporary adjustment to the price cap in the first instance. Whilst we understand that the current level for the debt-related allowance in the cap isn't enough for suppliers to recover what they are losing in bad debt, we urge OFGEM to carefully consider how this adjustment is allocated. Overall, we advocate for this change to be carried out in the fairest way possible and for OFGEM to consider measures, which we will lay out in the further questions, within the temporary adjustment that would mean those in fuel poverty did not end up paying even more for their energy bills.

2. Do you think that suppliers cost due to the moratorium on involuntary PPM installation should be included in the adjustment?

Care & Repair Cymru believes that it would be unjust for suppliers costs due to the moratorium on involuntary PPM installations to be included in the adjustment on the debt-related allowance. This is because the moratorium came to pass in the first instance from energy supplier

[1] OFGEM (2023). *Ofgem explores options amid rising consumer debt*. Available at: https://www.ofgem.gov.uk/publications/ofgem-explores-options-amid-rising-consumer-debt#:~:text=Figures%20obtained%20by%20the%20regulator,wider%20cost%20of%20living%20pressures.

malpractice in involuntary PPM installations; we therefore believe it would be unreasonable to place the costs incurred from this moratorium back on to energy consumers.
We recognise OFGEM's estimation that energy suppliers are losing £25 million per month due to this current moratorium on involuntary PPM installations and the need for energy suppliers to be economically resilient. However, we believe that it is critical to ensure that disproportionate additional costs are not placed upon the least able to pay. Overall, we do not think that allowing suppliers to recoup money lost in the ban on involuntary PPM by including it in the price cap adjustment is fair for energy consumers. Forced installations of prepayment meters had negative consequences for many vulnerable households; leaving people living in fear of being unable to top up their meter. Our caseworkers have seen instances of our vulnerable, older clients at risk of 'self-disconnection' in times when it is crucial that they have access to electricity and heating for health and wellbeing purposes. This is why we feel that the malpractice from energy suppliers from involuntary PPM installations should be punished instead of having allowances made that ensure energy suppliers recover costs associated with the band.

4. Do you have any views on whether it would be appropriate to explore a specific levy mechanism for DNI ('do not install') customers? This would be separate to any adjustment for additional debt-related costs.

Care & Repair Cymru feel that OFGEM should allow for DNI customers to be exempt from having further costs allocated to their energy bills. Whilst we understand that this consultation is concerned with the economic resilience of energy suppliers, it is important for OFGEM to consider economic implications of further costs to energy bills on the most vulnerable households. New OFGEM rules states that anyone aged 75 or over cannot have an involuntary PPM installations, meaning that Care & Repair Cymru represents DNI customers. As acknowledged by OFGEM, such customers are considered 'high-risk', meaning that they are faced with further challenges which may make it more difficult to keep on top of their energy bills. For example, Care & Repair Cymru's 70+ programme employed Home Energy Officers (HEO) to tackle fuel poverty for older people living in Wales. One HEO in North Wales reported an older woman who had been recently discharged from hospital following an operation, spending 17% of her income on energy bills, with £779 debt on her pre-payment meter. For such clients, it would have a huge negative impact if further debt was added to their bills; it is key for OFGEM to support such households within the debt-related cost allowance.

This is why we feel it would be unreasonable for any debt-related costs to be distributed in the same way to DNI customers and non-DNI customers. For example, a DNI customer may have a health conditions, such as coronary heart disease, which is exacerbated by the cold and requires more heating than other customers, thus having increased energy costs. Overall, OFGEM needs to protect vulnerable customers, meaning that that DNI customers should be exempt from paying the debt-related cost levy.

5. Do you agree that we should make an initial float adjustment in April 2024, followed by a later true-up? Do you agree it should be included within the cap for a 12 month

period? Do you agree that this allowance should be temporary only?

Care & Repair Cymru believe that it is important for OFGEM to ensure that any initial 'float' adjustment is followed by a later 'true-up' that represents the actual figure of debt-related costs incurred for the full review period (April 2022 to March 2024). We understand that OFGEM need to introduce an initial allowances for the period in which they already have data to be included in the cap between April 2024 to March 2025 but it is important to allow for a later, more accurate figure of debt-related costs to ensure that energy suppliers are not over-recovering for incurred costs. There is huge uncertainty around future energy debt for consumers and the variability of costs incurred between different suppliers, so it is important to ensure accuracy. We urge OFGEM to carry out a later 'true-up' measure that reflects actual debt-related cost, this will prevent any distortion of costs. We feel that this allowance should be temporary to account for the current changes in energy prices and readjusted following a 12-month period to better reflect the ever-moving situation.

13. Do you have any views on which payment method allocation option would be preferable?

The allocation of payment for the debt-related cost allowance to be done in the most progressive way possible, ensuring that fuel poor and vulnerable households are minimally impacted. This is why we would urge OFGEM to consider using the option 1 payment allocation: this sets PPM costs to 0, with equal allocation across direct debit and standard credit. Households on prepayments are often financially vulnerable, put on PPM as they have accumulated debt on their energy bills in the first instance. This is why we believe these consumers should not be saddled with even further debt on their bills, perpetuating the energy debt cycle and further impacting those in severest fuel poverty.

We also feel that option 1 payment method allocation ensure those on standing credit are minimally impacted; people that pay using standard credit typically pay £125 more per year for their energy bills.[2] Care & Repair Cymru supports older people in Wales, with those aged 75 or above dedicate the largest share of their income to energy bills[3] and most of them paying on receipt of their energy bill via standard credit. Option 1 would result in marginally higher direct debit costs, but significantly lower standard credit costs compared to option 2, 3 and 5. Overall, as direct debit customers are often more engaged with their energy bills, and on average pay less than those on standard credit, we feel that the fairest payment allocation would be option 1 to ensure lower standard credit costs and no prepayment meter costs.

[2] Money Saving Expert (2023) *Energy Direct Debit Help*. Available at: https://www.moneysavingexpert.com/utilities/lower-energy-direct-debits/

[3] Resolution Foundation https://www.resolutionfoundation.org/app/uploads/2022/11/An-intergenerational-audit-for-the-UK.pdf

14. Do you agree with us allocating other debt-related costs (debt-related administrative and working capital costs) uniformly across payment method?

As stated in question 13, Care & Repair Cymru emphasises the need for debt-related costs to be allocated in the fairest way possible. This is why we again argue for debt-related costs to not be put on to those on prepayment meters, it would be unfair for PPM customers to accrue further debt that has been accumulated from energy suppliers.

15. How should we apportion any debt-related costs allowance over the unit rate and standing charge elements of the cap only?

Standing charges on gas and electricity bills have already increased by 64% since the introduction of the energy price cap in 2019[4], charges also vary greatly by region with those in North Wales and Merseyside paying on average £82 more on standing charges than those in London. Standing charges disproportionately affect low-income households or single person households, which make up a large percentage of the clients we help, as they spend less on energy, meaning that a higher proportion of what they pay goes on the standing charge but buys them no extra energy. This is why we argue for the debt-related cost allowance to be added to the unit rate, with no further costs added to the standing charge. We believe that adding costs onto the unit rate will ensure that low-energy users are not further penalised than they already are. It is important that OFGEM explores mechanisms to deliver reforms on standing charges; we urge OFGEM to work with UK Government to substantially reduce standing charges to reflect pre price-cap levels and an affordable price for consumers.

[4] NEA (2023). Increase in Standing Charges. Available at: https://www.nea.org.uk/news/new-report-reveals-energy-standing-charges-set-to-increase-to-new-high-up-by-64-leaving-low-income-households-worst-hit-2/#:~:text=A%20new%20report%20released%20today,It's%20an%20increase%20of%2064%25.