

Ofgem's Additional Debt-Related Costs Allowance Consultation

Comments from the Committee on Fuel Poverty

1 November 2023

The Committee on Fuel Poverty (CFP) is an advisory Non-Departmental Public Body sponsored by the Department for Energy Security and Net Zero (DESNZ). We monitor and provide independent, expert advice on Government's strategy to improve the energy efficiency of the 3.2 million homes of the fuel poor in England to make them more affordable to heat.

Introduction

The Committee on Fuel Poverty recognises that if customers default on their energy bills, the supplier does not get paid for energy it has provided to that customer, and that in the context of a price cap based on efficiently-incurred costs, there is a role for allowing suppliers to recoup at least some of those costs.

We welcome the opportunity to comment on this technical consultation on possible uplifts for additional debt levels identified in Ofgem's monitoring of the market.

We limit ourselves here to commenting on one aspect of this, the question of how to deal with additional bad debt costs related to the moratorium on involuntary PPM installations which has been in place since February 2023.

The reason that the moratorium on involuntary PPM installation, and the order imposed on British Gas not to carry out involuntary PPM installation, was put in place is explained in paragraph 4.6 of the consultation: *'However, we saw evidence in 2022 and 2023 that suppliers may not always have been complying with the rules in place at the time when involuntarily moving customers to PPM.'* This move was sparked by the reports in The Times about the behaviour of British Gas contractors breaking into the homes of vulnerable people and forcibly installing prepayment meters.

We wrote to the Secretary of State for Energy Security and Net Zero on 10 February. In that letter we made clear that there needed to be stronger safeguards to protect vulnerable consumers when companies acting on behalf of energy companies, for whatever reason, seek to gain entry to the homes of vulnerable people. We noted that video recording of visits might be considered here. In the Secretary of State's response, on 28 February, he explained how he had written to energy suppliers insisting they revise their practices and improve their action to support vulnerable

households. He said, *'I want to see much greater efforts from suppliers to help consumers in payment difficulties.'*

In addition to Ofgem's moratorium, Energy UK members supplying around 90% of UK homes are signatories to a Vulnerability Commitment¹ (first introduced in 2020²). Further, from 8 November, energy suppliers will have to follow new rules, put in place by Ofgem, before a prepayment meter can be involuntarily installed in a household.

Ofgem estimates that around £25m per month of additional debt-related costs between February and June 2023 are attributable to the moratorium and related policy changes.

Q2 Do you think that suppliers cost due to the moratorium on involuntary PPM installation should be included in the adjustment?

These supplier costs should not be included in the adjustment.

The moratorium had to be put in place because Ofgem was unable to satisfy itself that energy suppliers were treating some of their most vulnerable customers fairly. The Secretary of State made clear that he expected more of suppliers. The new rules introduced by Ofgem, which we support, are hardly revolutionary – they are steps (such as leaving customers on supply at the end of an involuntary installation) any supplier, intent on putting their customers at the centre of their business, might reasonably have been expected to be taking already.

To put in place an uplift for additional costs incurred during the moratorium would be to pay suppliers for failing to satisfy the regulator, the Secretary of State and the public more generally. It would pay suppliers for introducing new policies they might reasonably have expected to have had in place already. And it would effectively be penalising all consumers for the failings of their suppliers in their treatment of some of the most vulnerable among them.

¹ <https://www.energy-uk.org.uk/our-work/vulnerability-commitment/>

² <https://www.energy-uk.org.uk/news/energy-uk-launches-vulnerability-commitment/>