

FURTHER DETAILS ABOUT PUBLISHED CUSTOMER CREDIT BALANCE DATA

Ofgem has published data on customer credit balances and will continue to do so quarterly going forward. The decision to publish reflects our commitment to transparency in the market and is possible because of additional data that Ofgem is receiving to monitor the market and individual retail suppliers on behalf of consumers.

Publication of this data meets a commitment made last year.¹ The data will be published going forward on Ofgem's Retail market indicators page.²

This document provides additional information and context to aid users to understand the data.

The role of customer credit balances in the domestic energy market

Consumers can choose different ways to pay for their energy, with the three (main) types being pre-payment via a meter, standard credit paying on receipt of a bill with a lag, and via direct debit.

A key attraction to consumers of paying by direct debit is that it is a convenient way to spread winter costs over a full year, avoiding seasonality in the cost of energy.

Where customers pay by direct debit, the amount that they have paid to their supplier for energy will differ from the cost of energy they have consumed up to that point. This difference is the customer's credit balance.

Requirements energy suppliers must meet in relation to customer credit balances

Suppliers' Customer Credit Balances (CCBs) are an important aspect of the retail energy market, and this is reflected in licence obligations in relation to both consumer standards and supplier financial resilience³.

¹ [Letter to ESNZ committee CCBs \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/consult/condocs/esnz/esnzccbs/letter-to-esnz-committee-ccb-2023-01.pdf)

² [Retail market indicators | Ofgem](https://www.ofgem.gov.uk/retail-market-indicators)

³ [Electricity Supply Standard Consolidated Licence Conditions - Current.pdf \(ofgem.gov.uk\) SLCs 4B.23 and 4B.8d](https://www.ofgem.gov.uk/consult/condocs/esnz/esnzccbs/letter-to-esnz-committee-ccb-2023-01.pdf)

Consumer standards:

Ofgem is clear that suppliers must ensure that customer fixed direct debit amounts are based on accurate and up to date information to ensure that credit balances are not excessive and to help customers effectively manage their bills. Customers must also be provided with information to explain their bills and customers can recover credits or seek to adjust payments if necessary. These rules were tightened in response to previous evidence that some suppliers were not setting direct debits appropriately.

Financial resilience:

Customer credit balances are protected when a supplier fails⁴, but these costs can be recovered from all consumers. For this reason it is important that suppliers act responsibly, are not reliant on excess CCBs, and have appropriate liquidity.

Since 20 September 2023, where a supplier does not hold cash equal or greater to 20% of its gross domestic CCBs net of unbilled consumption (energy that customers have already used but not yet been charged for), we have the power to direct that supplier to ringfence funds. Customers can therefore be reassured that if their balance is too high, the supplier will have the money on hand to repay in a timely manner.

Concepts and definitions

The Data being published reflect Ofgem's chosen policy measure – gross domestic CCBs of fixed direct debit domestic customers, net of unbilled consumption. The following section explains those concepts.

Gross customer credit balances – this is the simple total of all CCBs held by a supplier on behalf of customers at any point in time, regardless of the type of customer, or usage up to that point.

Fixed Direct Debit domestic customers – the preferred measure is for fixed direct debit domestic customers only. Standard Credit customers do not tend to have credit balances, and any advance balances on pre-payment meters are typically small and controlled directly by the customer. In addition, non-domestic customers have extremely wide variation in size. For all these reasons, comparing the average balance of fixed direct debit domestic customers across suppliers is more comparable and informative.

Unbilled consumption – at any point in time direct debit customers are likely to have consumed energy that they have not been billed for. This can lead gross balances to appear higher depending on the frequency of billing and time since the previous bill. Allowing for unbilled consumption is a more accurate measure of the net balance.

Seasonality – customer credit balances should rise in summer months when energy consumption is lower and then get spent in colder winter months. So changes from quarter to quarter will reflect seasonality as well as any underlying trend.

Closed account – Customers can still hold CCBs on their account after it has closed. This can be for many reasons, they may have moved and can't be tracked down, they may have moved banks, or there may be a billing issue with the supplier. Suppliers

⁴ [How you're protected when energy firms collapse | Ofgem](#)

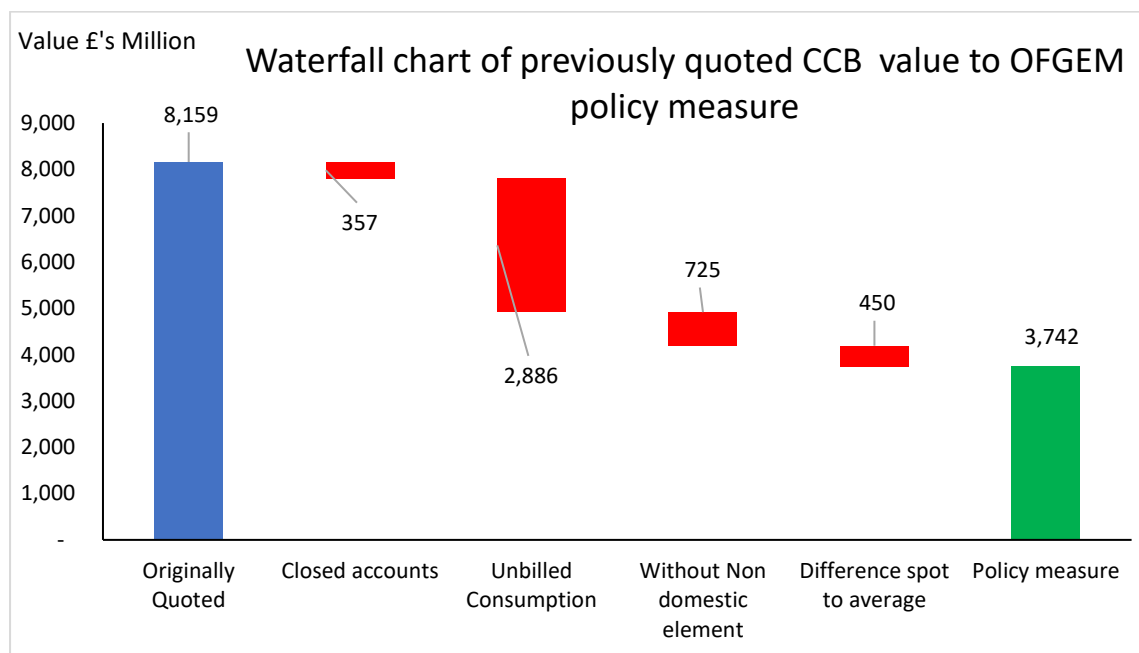
should actively refund these balances, and you could be entitled to compensation if it is not timely.⁵

The data as of end -December 2023

Previously Ofgem had quoted a figure of £8.1 billion Gross Customer Credit Balances. This had reflected a combination of all of the above balances and the chosen Ofgem policy measure. This new publication reflects our preferred policy measure of £3.7⁶ billion which can be mapped back to the original £8.1 billion by including the additional balances above as shown in fig 1:

- Non- fixed Direct debit domestic customers (£725 mill)
- Unbilled consumption (£2,886 million)
- Seasonal component (£450 million)
- Closed account (£357 million)

Fig 1



These figures reflect households that are in credit, the values are true as of the last day of each calendar quarter (31st March, 30th June, 30th September 31st December) – for the the year 2023. Latest updates will be reflected on Ofgem’s website.

These figures only relate to households that are in credit. If we were to include all households, those in debit or with a balance of £0 then the average would be lower.

⁵ [Are you owed money on your energy bill? | Ofgem](#)

⁶ Figures rounded for simplicity

We would expect that CCB would 'lag behind' changes to bills (such as an adjustment of the price cap)⁷. In a scenario where the cap reduces, this would take time to pass through in to household bills, with CCBs remaining high until this is unwound.

Finally, the use of quartiles may be impacted as usage changes in the future, which would need to be reviewed and recognised.

The quarterly value of total CCBs alongside a 12-month average (using our chosen policy measure)

Fig 2

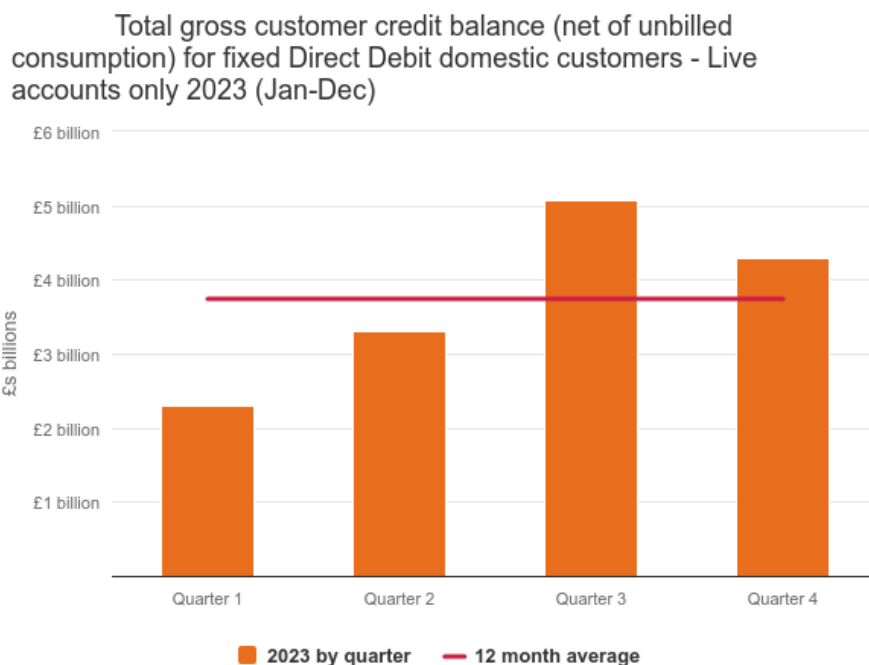


Fig 2 shows the seasonal variance of CCBs. Alongside this the 12 month average being £3.7 bn (rather than the previously quoted gross figure of £8.1bn better reflecting how households use their balances to smooth costs throughout the year).

Average CCB by household

Given the magnitude of the figures when summed across the domestic market, a per household measure is easier to contextualise and understand. We have decided to show what this translates to for the average household (Fig 3).

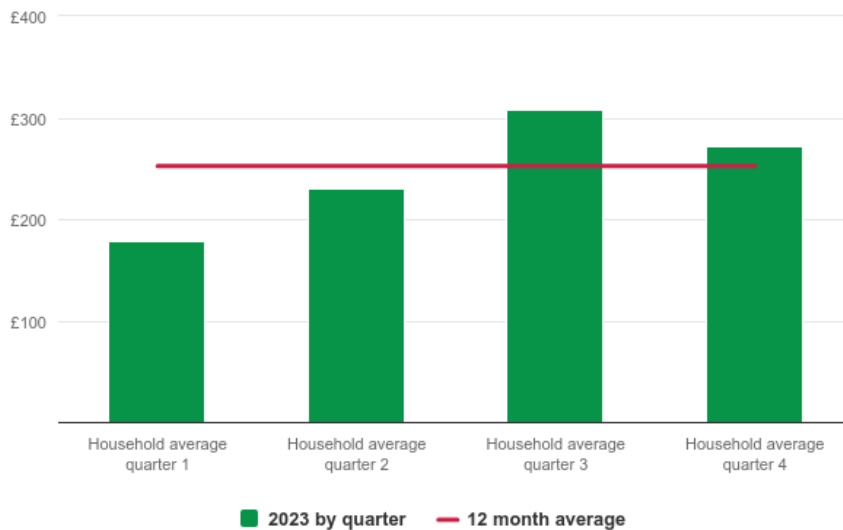
⁷ [Energy price cap | Ofgem](#)

When compared to TDCV (Typical Domestic Consumption Values)⁸ the current lowest figure (£179 for March 2023, i.e. the end of winter) represents 107% of a typical household bill being covered.

We will continue to monitor this situation.

Fig 3

Average gross customer credit balance per household (net of unbilled consumption) for fixed Direct Debit domestic customers - Live accounts only 2023 (Jan-Dec)



Information correct as of: March 2024.

Source: Ofgem analysis

A breakdown by Quartiles

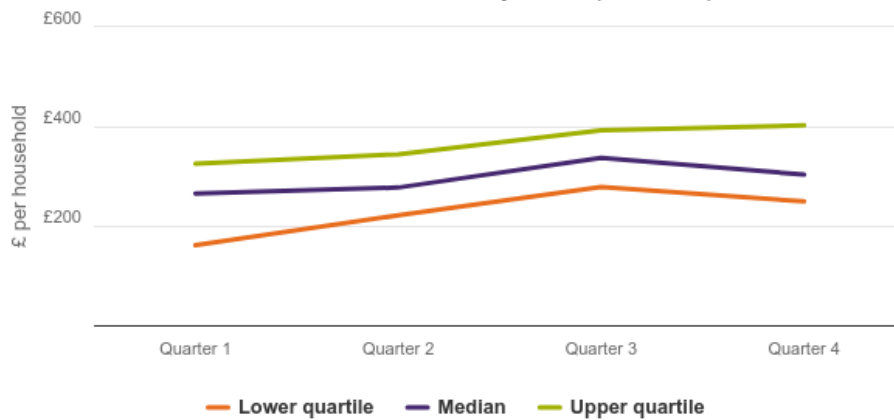
To give a sense of the distribution we have decided to give the Quartiles by suppliers through time. This highlights the variation that exists in the market. At time of publication there was a large spread of how suppliers hold Customer Credit balances. With the bottom quarter holding £249/ household at the end of December 2023, whilst the highest quarter held £402/ household. This spread of roughly £150 is relatively stable through time, whilst the median (middle supplier) varies between this range.

The quartiles will change every quarter and likely to be impacted by things such as usage changes.

⁸ [Average gas and electricity usage | Ofgem](#)

Fig 4

Quartiles - Distribution of gross customer credit balance per household (net of unbilled consumption) for fixed Direct Debit domestic customers - live accounts only 2023 (Jan-Dec)



Information correct as of: March 2024

Source: Ofgem analysis

Ongoing uses

We will continue to publish this data quarterly as we have a duty to transparency in the market, and the supplier level breakdowns will be used in our ongoing supervisory activities.

We expect suppliers to ensure direct debits are based on accurate and up to date information to ensure that credit balances are not excessive and to help customers efficiently manage their bills. Customers can ask their suppliers for a refund of their net balance at any time. We will continue to closely monitor credit balances and complaint levels over the winter period to identify and respond to risks of consumer harm.

Ofgem will be engaging with some suppliers on CCBs. Ofgem has the power in certain circumstances to direct suppliers to ring fence CCBs when in the consumer's interest.⁹

⁹ [Decision on introducing a minimum capital requirement and ringfencing customer credit balances by direction | Ofgem](#)