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Reference: Debt Relief Scheme Working Paper response

Dear Colleagues,

Thank you for providing Ecotricity with the opportunity to respond to the Debt Relief Scheme working paper and the questions raised within the recent workshop.

Ecotricity was the world's first green energy company when we were established in 1995 and we now have over 150k domestic and over 40k non-domestic supply accounts, alongside over 100MW of self-developed renewable generation capacity. We continue to invest in new sources of renewable generation that has led to the commissioning of two new solar parks and our first energy storage facility.

### **Cap on DRS Support**

#### **1. Whether we should cap available DRS support as at statutory consultation date?**

Ecotricity is of the view that in theory the debt for the eligible time period should not increase after the statutory consultation has been issued. The debt will only increase where any future bills after 31 March 2024 have not been paid, which is already out of scope of this scheme.

As a business we have a policy of applying all payments received to the oldest outstanding debt first, this is a policy we understand most suppliers adopt. This could result in customers who built up debt during the energy crisis and having proactively been in a payment arrangement to cover the debt due to the timescales, having already repaid the debt built up between 1 April 2022 - 31 March 2024, due to how payments are allocated (applied to oldest debt first). The debt the customers have outstanding remaining, would therefore be from unpaid bills after 31 March 2024 and not therefore in scope for DRS relief. Our understanding is that this is an acknowledged issue within the design of the scheme

Adapting to a different methodology for managing payments would necessitate a fundamental change to our payment allocation process

Considering the above, the simplest solution would be to look at the value of debt that was built up during the energy crisis (snapshot as at 31 March 2024), compare that to the debt that is outstanding now (at the cap date) and use the lesser of the 2 balances as the capped support e.g. if £800 debt was built up in the energy crisis period, there is £500 debt now. The capped support will be £500. Another example is £400 debt was built up in the energy crisis. There is £1,000 debt now. The capped support will be £400.

Using the example given in the paper:

*consumer with a total debt of £2,000 (Energy Crisis Debt is £1,000), goes on to repay £1,500 before DRS support is issued. The Capped Support will be £500*

The total debt of the consumer has been considered and not just the amount built up during the energy crisis.

This seems a fair methodology otherwise as in our example, customers with a payment arrangement and due to the way, we manage payments allocation (oldest debt first), this cohort of customers who have been diligent in arranging a payment arrangement could miss out on the scheme.

On this basis, we agree that a cap is necessary. Using the date of the statutory consultation as the reference point appears sensible provided the details of the scheme do not become publicly known beforehand, as early disclosure could lead to consumer gaming of the system.

Further consideration and decisions are required regarding the various payment methods and their impact on scheme eligibility to ensure fairness. For example, if eligibility is contingent on demonstrating payment an area where clarification is still lacking customers using prepayment meters (PPM) are, by default, making payments through top-ups to maintain their energy supply. Similarly, some customers may have opted to repay their debt through fixed direct debits. We refer to the earlier points raised in this section regarding the challenges and need for clarity around payment allocations and the age of debt.

#### **Affordability Assessment/Engagement conditions**

**1. Are there any alternative engagement pathways that customers could choose to demonstrate a commitment to resolving debt sustainably?**

Consider expanding the signposting to include individuals already engaged with support services, including those who have made inquiries or submitted applications for grants or support funds.

Our understanding is that customers, where they have not reached out to their supplier to discuss their debt situation or request a payment plan but are actively making regular payments would be included in this scheme. Please provide clarity in whether we have understood this correctly.

**2. Do you agree with the conditions proposed for both engaged and currently disengaged customers, or do you believe that the threshold for accessing DRS should be lower or higher (and if so, please clarify how)?**

There needs to be more clarity on engagement/eligibility.

The eligibility criteria: "Make some payment towards current usage in the most recent billing period." This could be restrictive.

If a supplier is billing quarterly, their customers will have an advantage as they will have 3 months to have demonstrated payment. Whereas those that receive their bills monthly only have that month to pay.

We recommend that this criteria is changed to specify a time period i.e. payment within the last 3 months.

Clarity is also required on the duration that customers are required to be paying for before they are eligible for the scheme. For example, is one payment enough to show engagement or is the criteria that the customer will need to have made a certain number of regular payments to qualify this was our original understanding of what the scheme was about.

A facility to rehabilitate customers back into the habit of paying. This is important from a scheme management perspective, to ensure all suppliers are working consistently and for suppliers to give the correct information to “disengaged” customers.

Our understanding is that any payment the customer can afford will be taken into consideration, whether this is the full amount of the ongoing usage or not. To remove any ambiguity for the criteria and engagement conditions would suggest reference to the “ongoing usage” is removed.

A further consideration is these are low-income households who may not be in a position to pay within the criteria time period (clarity needed on payment criteria as laid out above). From the workshop on the 20<sup>th</sup> August, it was suggested that this scheme is not to benefit customers who are in a negative budget (i.e. those who cannot find any funds to pay their supplier). Even though these customers may be actively seeking support to manage their situation. This decision feels unfair, especially as the scheme is aimed at those customers in genuine financial difficulty. Is this not a case of genuine financial hardship? We would strongly encourage that this decision is reconsidered. If this cohort is deemed out of scope suppliers will need clarity through FAQs to sensitively manage customer concerns and queries about this. We need to be careful this exclusion does not ruin the opportunity for these customers to continue to engage and build relationships with their supplier.

Also, within the workshop on 20th August it was raised that the data matching for the MTB will not pick up anyone in the household in receipt of MTB. The data will only be matched against the named customer the supplier provides. We would urge that you to reconsider this. Looking at the complete household will ensure this scheme will support those in genuine financial hardship and it is as far reaching as possible. If it is decided that this is out of scope, some consistent guidance and messaging will need to be provided to suppliers on how to handle any customer queries, along with messaging to the general population.

Reviewing the engagement requirement of the scheme, this is currently confusing and requires some further clarification. Particularly around the statement “MTB customers who are currently disengaged must respond to supplier contact, provide basic information and engage with at least one additional support option – such as agreeing to a repayment plan, agreeing to a smart meter install, enrolling in the Fuel Direct Scheme or accepting a signpost to a debt advice service”. Does this mean if they are not paying but they engage through one of these methods they are eligible under phase 1? Or does this fall under phase 2? If so, does that suggest that customers not in receipt of MTB, will not have to be paying to be eligible for the scheme?

For simplicity, our recommendation would be phase 1 to include automatic write-offs based on the criteria of the scheme. With phase 2, including the disengaged MTB customers and eligible non-MTB customers. However, the eligibility criteria and planned go live date for phase 2 will need to be understood so this can be clearly communicated to customers for any comms plan and queries supplier will receive. Again, we suggest clarity through FAQs to be provided to suppliers to ensure consistency.

Regarding customer engagement, we disagree that providing a meter read or agreeing to a smart meter install, on its own, should be counted as “engagement.” The engagement conditions should relate to the customers financial situation, as all other suggestions in the paper do. Just agreeing to a smart meter does not mean the customer is actively looking to address their debt, this should be used in conjunction with a payment plan and the offering of alternative tariffs.

There is a subset of customers who initially engaged to start a “support” journey with their supplier and then do not re-engage. For example, they may not like the advice they have been given from the

signpost organisation (e.g. around budgeting advice) who continue not paying and not respond to contact from their energy supplier. There are also customers who engage for a short period to prevent a supplier taking any further debt recovery action. These customers should not be eligible for the scheme under the engagement conditions as they will only engage in the short term. This needs to be considered and followed though in the eligibility criteria.

We also should not lose sight of those customers who are not engaged, as they could be those most in need of support. They could be burying their head in the sand because of their situation, or their vulnerabilities makes it difficult to engage. We will communicate with this cohort of customers to inform them of the requirements of the scheme. They may not open communications whether through email or post as they are avoiding any contact from their supplier or just not capable of reaching out. As the paper suggests many customers face complex and overlapping challenges that cause significant distress and make it difficult to engage with suppliers or other services. How have these customers been considered as part of the scheme?

### **3. Are there any improvements that could be made to existing processes or rules to make the scheme more effective – e.g. to the Fuel Direct Scheme**

With the Fuel Direct scheme, the application for us as a supplier, is efficient using the CJSM portal. We face challenges when we need to contact the DWP with a query (e.g. refunds). We experience long wait times with limited success in obtaining the correct department. If customers are facing this same level of service, then there is an opportunity there to improve. Making it easier for consumers who contact the DWP direct, would improve the customer experience significantly.

Other ideas on how the Fuel Direct scheme could be improved:

- Refrain in decreasing the weekly amount paid for the debt repayment
- A clearly defined policy and process for customers, who would like to continue using Fuel Direct as a method of payment for ongoing usage only (once the debt has been repaid).

## **Supplier reimbursement – methodology**

### **1. Which of the three options do you prefer?**

We believe that the end financial result for us as a Supplier will be the same regardless of whether the customer pays 5%, 0%, 2.50% etc. as suppliers would be compensated via DRS. There would be timing difference associated with receipt of refund via DRS vs price cap income; however, this will need to be balanced with the administrative burden and costs of pursuing the collection of a large number of small debts, compared to simply being reimbursed via the price cap.

As previously mentioned, customer payments are allocated to the oldest debt first. There will be customers who built up debt prior to the energy crisis and continued building it during the crisis, meaning any payments made under this scheme will go against this oldest debt first and not necessarily the debt built up in the crisis period.

Will these payments be considered as part of the customer contributions, or are we expected to exclude this cohort of customers from the scheme because they had debt prior to the energy crisis period? If so, this needs to be specifically called out under the eligibility criteria as we believe this maybe an unintended consequence of the drafting of the scheme proposals at this stage.

Ecotricity certainly want “disengaged” customers to revert to paying towards their energy consumption and previous debt, we welcome payments for what the customer can afford. A number

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of this cohort of the eligible customers will already be paying. It is hard to gauge the volume of customers who will recommence making payments. The amount the customers will pay will be dependent on their affordability, so each case needs to be addressed on an ad hoc basis.

Due to the numerous unknowns still to be laid out in the delivery methodology, the preferred option is option 3 as the assumption is that the costs to the scheme will be passed on through the price cap for the foreseeable future.

One point to note from the workshop is the assumption that if the level of collection does not meet the claims submitted the payment back to suppliers could be held back a further year. This is not a feasible option in a period of regulatory financing where suppliers are facing increasing 'cost/time of money considerations (WHD for example). DRS cannot be a further cash flow drain on suppliers.

The above could again be an unintended consequence due to the lack of clarification provided within the working paper in view of defining the eligibility fully around customer contributions.

## **2. Do you consider that 5% is a reasonable value for Customer Contributions (including debt displacement) or do you have an alternative methodology for assessing this value?**

We are interested to understand how the figure of 5% was determined, along with the rationale for this decision. As no clarity has been provided, we are not in a position to provide a fully rounded response to this. Without understanding the methodology utilised, we are not in a position to provide an alternative, however, we do note that there does not appear to be any consideration into how the allocation of the debt is managed within a supplier.

## **3. What data does Ofgem need to help inform this decision?**

- Total defined clarity around the eligibility of the scheme.
- Number of customers in receipt of MTB (this MTB should be extended to household, not just account holders)
- Number of eligible customers already paying
- Explicit aged debt methodology

## **Supplier reimbursement – Reimbursement Methodology**

### **1. Preferred methodology for calculating reimbursement rate?**

A key point to note is that a supplier should not be penalised for having a responsible, prudent provisioning policy.

The methodology surrounding provisioning within some suppliers will have been considered on a regular basis since the energy crisis, to ensure the rationale is correct and does not put the supplier into financial constraints.

It is therefore in our opinion unfair to penalise suppliers for a business decision, that supports the

financial obligations and is risk averse as opposed to taking a riskier stance, which could affect the industry as a whole through SOLR. Historically, it is also important to note that such approaches are signed off as appropriate by external auditors on an annual basis

## **Overall review**

It is not appropriate to use a methodology based on a supplier's provisioning rates. Each supplier will have their own internal provisioning policy. At Ecotricity we follow a prudent approach to provisioning, primarily because of the energy crisis and associated audit pressure.

Whilst the debts have been provisioned this does not mean we stop attempting to collect debt, these are valid debtors and should be reclaimed. There is a significant difference between debts we have provisioned (which are still being collected) versus those we have written off. However, under the proposed rulings Ecotricity would be financially penalised for abiding by a prudent (and therefore financially responsible) provisioning policy.

By putting this policy in place, we risk encouraging suppliers to be less conservative in their financial reporting. We argue this will have a negative impact on the industry.

## **Preferred methodology**

Whilst no methodology is desirable, we prefer the notional supplier methodology from the 3 options provided. The supplier-by-supplier and Hybrid methodology would unjustly advantage suppliers who have been less prudent in their accounting policies.

A notional supplier methodology is simpler to follow and removes the complexity observed from different suppliers provisioning policy.

### **2. Whether under a hybrid or supplier by supplier model we should set a single rate for each supplier, or a rate for each supplier by payment type?**

As explained above, we believe that a hybrid or supplier by supplier model would be inappropriate due to the details outlined.

In response to the question, we believe a single rate would be the most appropriate method. To clarify we do not have a separate provision policy between payment terms as this would add complexity that cannot be justified.

For clarity, it is difficult to provide a detailed response where the figures provided are only illustrative and not applicable to the methodology utilised within suppliers.

## **Funding and supplier cost recovery process**

### **1. Is Pay When Paid with Third Party Assignment Rights the appropriate methodology for reimbursing suppliers?**

Due to the lack of information provided within the working paper, we have a number of questions for clarity on what this would mean to suppliers:

- What evidence will suppliers need to provide to a third party to obtain payment?
- Will this be the confirmation provided by Ofgem, which is subsequently presented to the network operators?

- Will there be a charge from the third party in providing these payments, as this will detriment the supplier, through no fault of their own?
- Financial responsibility SLC – by requesting payment through a third party, will this trigger concern as to cash flow. Again, through no fault of the supplier in writing off values as directed under the scheme.
- As highlighted within the workshop, suppliers may not receive their claim from the networks due to insufficient payments being made. Shouldn't the financial burden fall on both the suppliers and the networks in the short term, as opposed to only penalising the suppliers for being mandated into the scheme? With this in mind, again would suppliers be triggered under the financial responsibility SLC regarding putting forward a claim through the third party as opposed to the network due to time constraints?

#### **Extra questions from the DRS workshop on 20/08/2025**

##### **Can we use existing supplier data produced for RFIs?**

Within the workshop suppliers confirmed that existing data will not fit the requirements for this scheme.

##### **Can suppliers existing systems for WHD be repurposed for data matching once legislation is in place?**

Within the workshop suppliers raised concerns around closed accounts data matching as this is not currently covered. We hold the same concerns.

##### **What obstacles are there to identifying existing engagement and writing off debt at scale?**

Customers not engaging through any communication channel is the biggest factor.

##### **How should these customers be informed?**

Initially, via their chosen communication channel by the DWP.

##### **How should scheme comms be handled for Phase One only?**

There should be a communication plan provided by Ofgem to the public, potentially utilising the DWP in communicating with the eligible customers.

Suppliers will then communicate with their respective eligible customers relating back to communications from Ofgem and the DWP.

##### **How can suppliers use existing resources to provide support to these customers?**

Suppliers do not have qualified financial advisors completing the affordability assessment of means tested benefit. We can use existing processes to capture the financial situation of the Customer.

However, to ensure consistency in the scheme all suppliers should be managing these assessments in the same way. This brings a higher risk to the scheme as suppliers will be required to recruit additional experienced employees and/or provide additional training to the existing workforce, while putting constraints onto the current KPI's which suppliers are expected to achieve, with the potential to reduce overall customer satisfaction.,

There is a requirement for a standardised I&E form to issue to suppliers as a mandatory requirement. Thresholds need to be provided and clear for this to be successful:

- what should be the next steps where there are budgeting concerns?
- what is acceptable when it comes to budgeting for lifestyle impacting payment of bills?
- Are the debt charities aware of the scheme to ensure they are resources sufficiently to deal with the potential increase of traffic into their contact centres?

This response is not deemed to be sensitive.

Should you require any further information, please do reach out.

Many Thanks

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Sent on behalf of Ecotricity Ltd