

Impact Assessment

Debt Relief Scheme - Impact Assessment

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Contact:	Amy O'Mahoney
Team:	Retail Pricing and Systems
Email:	debtconsultations@ofgem.gov.uk

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Consultation

Contents

Debt Relief Scheme - Impact Assessment	1
1. Executive Summary.....	4
Problem under consideration and policy objectives	5
2. Terminology and Definitions	7
3. Monetised and non-monetised benefits and costs of the DRS.....	9
Impacts to customers.....	9
Summary of costs and benefits	9
Monetised and non-monetised benefits.....	10
Monetised and non-monetised costs.....	11
Impact on suppliers	11
Monetised and non-monetised benefits.....	11
Monetised and non-monetised costs.....	14
4. Wider Impacts.....	15
Strategic impacts.....	15
Competition impacts	16
5. Public Sector Equality Duty	18
Age	19
Disability or illness	19
Sex	19
Race.....	20
Pregnancy and maternity	20
Our assessment.....	21
6. Monitoring and evaluation.....	22
Appendix 1: Distributional analysis.....	23

1. Executive Summary

- 1.1 The Debt Relief Scheme is a targeted, time-limited intervention designed to address increasing debt and arrears in the energy sector by writing off eligible debt and arrears accrued during the energy crisis period (1 April 2022 to 31 March 2024). Phase 1 of the scheme focuses on customers in receipt of MTBs who hold Eligible Debt of £100 or more. It is expected to benefit between 280,000 and 400,000 accounts in Phase 1, writing off between £312.4 million and £472.9 million of eligible debt and arrears. By reducing the burden of historic debt, the scheme aims to improve financial resilience for vulnerable households, encourage positive payment behaviours, and support wider market stability. This supports Ofgem’s Principal Objective of protecting the interests of current and future energy consumers.
- 1.2 Our Impact Assessment shows that Phase 1 of the DRS will deliver both immediate and longer-term benefits. These include working capital savings for suppliers, reduced administrative costs, improved customer engagement, and displacement of repayments towards non-eligible debt. Total monetised benefits for Phase 1 are estimated at £44.1 million to £97.2 million, alongside wider non-monetary benefits such as improved wellbeing and reduced risk of self-disconnection. Phase 1 of the DRS also carries costs, primarily supplier reimbursement for unprovisioned debt, administration, and financing costs, which together are estimated at £91.8 million to £145.6 million. This corresponds to a net impact of Phase 1 ranging from £5.5 million in benefits to £101.4 million in costs, equating to a bill increase of between £3.23 and £5.13 per dual-fuel household over one year only.
- 1.3 Our analysis indicates that debt and arrears are disproportionately concentrated among lower-income households, with around 60% of eligible debt held by households in the bottom three income deciles; the scheme therefore delivers progressive benefits. This further aligns DRS Phase 1 with Ofgem’s Principal Objective to act in the interests of current and future energy

consumers, with regard to the interests of vulnerable consumers under our vulnerability duty.¹

- 1.4 The DRS is designed as a one-off intervention to mitigate the moral hazard associated with expectations of future debt relief schemes. Engagement requirements and contribution elements further incentivise improved payment behaviours. We may undertake evaluation of Phase 1 to assess debt reduction, behavioural impacts, supplier cost savings, and any unintended consequences.

Problem under consideration and policy objectives

- 1.5 There are approximately 53.7 million domestic customer accounts in Great Britain (GB), and a total estimated Energy Debt across the energy market of £4.43 billion as of Q2 2025.^{2, 3}
- 1.6 Energy debt and arrears have risen sharply since early 2022, creating significant pressure on household budgets and supplier financial resilience. The DRS is designed to ease this burden by fostering constructive engagement between consumers and their suppliers, promoting sustainable payment behaviours that help prevent debt and arrears from continuing to accumulate at its current rate.
- 1.7 The scheme is time-limited to debt accrued between 1 April 2022 to 31 March 2024, a period marked by exceptionally high energy prices and wider macroeconomic challenges following COVID-19. Restricting eligibility to this defined crisis period not only targets support where it is most needed but also mitigates the risk of moral hazard by reducing any expectation that similar schemes will be repeated in future.
- 1.8 As outlined in our policy consultation, a targeted DRS, aimed at writing off debt accumulated during the energy crisis, could help alleviate the financial burden

¹ See [Consumer Vulnerability Strategy 2019-2025](#) | Ofgem

² See [Smart Meter Statistics in Great Britain: Quarterly Report June 2025](#)

³ [Debt and arrears indicators](#) | Ofgem.

Impact Assessment – Debt Relief Scheme

on affected consumers and improve overall financial stability.⁴ Additionally, such a scheme would likely reduce future bad debt costs, thereby helping to limit charges for the broader customer base.

- 1.9 The proposed DRS will be implemented in two phases. Phase 1 is expected to address £0.905 billion in Eligible Debt across 706,000 customer accounts.⁵ It is anticipated that between £312.4 million and £472.9 million in debt and arrears will be written off, benefitting between 280,000 and 400,000 accounts.
- 1.10 Phase 2 is intended to cover the remaining customer accounts with Eligible Debt, with the remaining Eligible Debt valued at around £1.6 billion and spread across approximately 1.7 million customer accounts. The estimated value of debt write-offs and the number of eligible customer accounts in Phase 2 will depend on policy decisions regarding the eligibility criteria. This phase will involve a separate assessment process, and a separate impact assessment will be conducted prior to its implementation.

⁴ [resetting the energy debt landscape. the case for a debt relief scheme](#)

⁵ To estimate the numbers of total Eligible Debt and total customer numbers, we assume that the number of households receiving MTBs is 2.5 times those receiving the Warm Home Discount (WHD) by making reference to an estimation by the Department for Energy and Net Zero (DESNZ). We then use suppliers' data of WHD accounts to project the number of MTB recipient accounts. In doing so, we also assume that the debt profile of those in receipt of MTBs is the same as those in receipt of WHD.

2. Terminology and Definitions

2.1 This document should be read in conjunction with the associated statutory consultation which sets out the scope, purpose and operation of the Debt Relief Scheme.

2.2 This section defines the key terminology used throughout the Impact Assessment (IA) to support clarity and consistency:

- **Debt and Arrears** are monies owed to a licenced Energy Supplier for charges in relation to the licensed supply of Gas and Electricity which have been outstanding for at least 91 days. Of this Debt is monies owed for which there is a repayment plan or agreement in place with the supplier and Arrears are monies owed which are not on a repayment plan.
- **Energy Debt** is used to mean debt, arrears or both where the distinction between debt and arrears is not relevant for the context.
- **Eligible Debt** is Debt and Arrears which built up during the Eligible Period and is still outstanding.
- **Customer Account** refers to accounts held by a domestic customer with their energy supplier. For the avoidance of doubt an account will:
 - relate to a single domestic property; but
 - may have more than one supply point attached (ie a customer with both gas and electricity supplied by the same supplier to the same premises will have one “dual fuel” account).
- **Eligible Customers** are those domestic customers who are identified as being on Means Tested Benefits (MTBs) and who hold more than £100 of Eligible Debt at the point at which the Debt Relief Scheme (DRS) is implemented.
- **Eligible Period** refers to the timeframe specified in the DRS Delivery Guidance during the energy crises from 1 April 2022 to 31 March 2024.

Impact Assessment - Debt Relief Scheme

- **Live Account** refers to a Customer Account in which the energy supplier is actively providing energy at the time the DRS is implemented, and where there is outstanding debt which was incurred during the crisis period.
- **Means Tested Benefits** (MTBs) means a welfare benefit paid by His Majesty's Government (HMG) to qualifying people subject to income and other financial thresholds for eligibility.
- **Standard Variable Tariff (SVT)** is a set of charges for the supply of gas or electricity with associated terms and conditions for which the prices may be varied unilaterally from time to time by the supplier, and to which the Default Tariff Cap Act 2018 (DTCA) applies. These are also known as Price Cap Tariffs.
- **Working capital** is used in this document to refer to the cash which a supplier needs to operate their business. Deployment of working capital has a cost, either because it is borrowed at a given rate (the suppliers "cost of capital") or an opportunity cost equivalent to the cost of capital.
- **Automatic route** are those domestic customer accounts which receive an automatic write off; provided they hold eligible debt of £100 or more, are identified as being in receipt of MTBs, and have had made a payment in the billing period immediately prior.

3. Monetised and non-monetised benefits and costs of the DRS

Section Summary

The total expected benefits from the DRS are estimated to range between £44.1 and £97.2 million, while total costs are projected between £91.8 and £145.6 million.

The immediate net impact of DRS is estimated to range from a £5.5 million benefit and £101.4 million cost. This equates to a one-off impact of approximately between £0.19 of benefit to £3.57 of costs per dual fuel household. In the short term, customers would see a short-term increase in annual bills of around £3.23 to £5.13 per dual-fuel household. These short-term costs are expected to be partially offset by longer-term benefits, which have been modelled over a three-year period. As network charges apply universally, the bill increase would affect both Standard Variable Tariff customers and those on new fixed tariffs.

Impacts to customers

Summary of costs and benefits

A detailed breakdown of costs and benefits is provided in Table 1 below.

Table 1 - Itemised breakdown of costs and benefits

Category	Item	Cost neutral scenario (£m)	Mid cost scenario (£m)	High-cost scenario (£m)
Benefit	Working capital cost savings	5.4	7.0	8.1
Benefit	Improved customer behaviour	11.2	7.3	4.0
Benefit	Debt administrative cost savings	8.6	11.2	13.1
Benefit	Debt repayment displacement	72.1	37.9	19
Cost	Supplier reimbursement for lost value of writing off debt	87.5	113.7	132.4
Cost	Administering scheme cost (fixed)	2	2	2
Cost	Administering scheme cost (variable)	1.9	5.1	10.0

Impact Assessment - Debt Relief Scheme

Cost	Interest rate cost	0.4	0.7	1.1
Total benefits		97.2	63.4	44.1
Total costs		91.8	121.5	145.6
Net benefits/cost		5.5	58.2	101.4

Monetised and non-monetised benefits

- 3.1 Lower-income households are more likely to accumulate Energy Debt and arrears. We have considered the distributional impacts relevant to the DRS, specifically the relative impact on lower income groups using Ofgem's consumer archetypes which are described in Appendix 1. Our distributional analysis indicates around 60% of total Eligible Debt and arrears is owed by households in the lowest three income deciles. Currently customers having debt and arrears exceeding certain thresholds are not allowed to switch to other suppliers. On top of their debt and arrears, they cannot switch to cheaper or more suitable tariff plans to reduce their energy bills.
- 3.2 The DRS will automatically write off Eligible Debt for the already engaged Eligible Customers. Those who are not currently engaged could also have their Eligible Debt written off, if they fulfil the engagement criteria. As a result, some Eligible Customers will become debt free or have their debt and arrears falling below the thresholds allowing them to once again switch to other suppliers. They will be able to enjoy the benefits of a competitive supplier market, switching to suppliers and tariff plans meeting their needs, reducing their energy bills. By taking part in the DRS, some other Eligible Customers will have a substantial portion of their debt and arrears written off, making the amount of outstanding debt and arrears more manageable. It may become possible for them to engage with suppliers, gradually repaying the debt and ultimately becoming debt free. Eligible Customers on PPM having their debt reduced are likely to have a lower risk of self-disconnection.
- 3.3 By writing off a substantial portion of their debt and arrears, the DRS will improve the financial position of Eligible Customers, alleviating the burden associated with high levels of debt and arrears.

Monetised and non-monetised costs

- 3.4 The DRS will incur new costs to partly reimburse suppliers for the un-provisioned part of Eligible Debt that they write off. Administrative costs and an interest cost will be incurred too. These costs will be borne by all energy customers through higher network charges. Our estimation on the new cost of the DRS will likely be between £91.8m and £145.6m, which is equivalent to £3.23 to £5.13 increase in customer bills per dual fuel household spread over a year.
- 3.5 The additional burden of the scheme on energy customers is likely to be substantially smaller than the abovementioned amount. Already under the existing mechanism, costs of bad debt are unavoidably borne by all energy consumers.
- 3.6 We also envisage some dynamic cost reduction by implementing the DRS, reducing the burden of all energy consumers in the long run. Lower administrative costs for suppliers recovering debt, reduced debt levels due to debt repayment displacement and long-term improvement of repayment behaviour by engaging Eligible Customers are some of the benefits. Details of these benefits are given in the next section. Based on our estimates, once these benefits materialise and partially offset the costs of implementing the DRS, the one-off net impact per customer will likely be between £0.19 of benefit to £3.57 of cost.

Impact on suppliers

Monetised and non-monetised benefits

- 3.7 Under the current mechanism, suppliers have a part of their bad debt costs compensated through the Debt Related Costs component of the retail price cap. This mechanism may not be the best approach to resolve the historic Eligible Debt. First, suppliers spend substantial efforts and resources in recovering the historic debt which is probably unrecoverable, before fully provisioning and categorising them as bad debt. Second, the Bad Debt Allowance does not align with suppliers' individual bad debt situations. Some

suppliers may be under-compensated. Third, it takes longer for suppliers to be compensated under the Bad Debt Allowance relative to receiving revenue for outstanding debt upfront, meaning higher working capital costs for suppliers.

- 3.8 The DRS will directly reimburse suppliers without going through the existing protracted process as outlined above. Suppliers will have their un-provisioned debt and arrears they write off reimbursed, the amount of which will reflect the market value of Eligible Debt that they are entitled to recover. The DRS reduces suppliers' costs for recovering their debt, provides them with certainty around the level of compensation they will receive for outstanding debt and arrears, and reducing their working capital costs. Repayments from newly engaged Eligible Customers will displace existing debt, reducing suppliers' debt levels. Most importantly, by writing off Eligible Customers' debt, the DRS creates an opportunity for suppliers to engage the previously disengaged Eligible Customers, potentially enhancing repayment behaviour, which we expect to alleviate the problem of debt and arrears accumulation.

Debt Administration Savings

- 3.9 The DRS will likely reduce suppliers' administrative costs. By writing off debt and arrears, suppliers' administrative cost on collecting repayment will be reduced by £8.6 million to £13.1 million per year.⁶

Working Capital Savings

- 3.10 We anticipate that suppliers will have material savings in working capital due to the shortened duration for them to receiving funds under the DRS. According to information provided by suppliers, the estimated average time for recovering outstanding Eligible Debt is more than 22 months.⁷ Under Phase 1 of the DRS, suppliers would likely receive repayment 6 months earlier. Assuming a monthly working capital cost rate of 1.02%, derived from an annual rate of 12.2%,⁸ the

⁶ The average cost for collecting debt is 3 pence per £1 of debt and arrears. This estimate is arrived at by making reference to the average debt administration cost in 2024.

⁷ According to Social Obligations Reporting data and corroborated by DRS-specific submissions from Suppliers to Ofgem.

⁸ [Price Cap - Statutory consultation on amending the methodology for setting the Earnings Before Interest and Tax \(EBIT\) allowance](#)

Impact Assessment - Debt Relief Scheme

estimated working capital cost savings would be between £5.4 million to £8.1 million.

Debt Repayment Displacement

3.11 By taking part in the DRS, Eligible Customers may have their Eligible Debt written off if they fulfil the engagement criteria. For those that only owe Eligible Debt, they will become debt free. Some Eligible Customers also owe debt and arrears not accumulated during the Eligible Period. By taking part in some repayment plan, their repayment will be redirected towards outstanding debt and arrear balance which fall outside the eligible period. We refer to this process as 'debt repayment displacement'. Suppliers' debt levels will be reduced through this new stream of repayment, the amount of which depends on the participation rate of these customers. By making reference to information about voluntary debt repayment schemes provided by suppliers, we create three possible scenarios for the participation rate of customers and the estimated amount of debt repayment displacement. A summary is given in Table 2.

Table 2 - Debt repayment scenarios

Expected repayment behaviour	Estimated Participation Rate of Customers on Non-Automatic Route	Total estimated debt repayment displacement with customer contribution (£m)
£30 per engaged customer without a repayment plan; and £50 for customers already on a repayment plan for 6 months	20%	£72.1 million
£10 per engaged customer without a repayment plan; and £25 for customers already on a repayment plan for 6 months	32%	£37.9 million
£1 per engaged customer without a repayment plan; and £15 for customers already on a repayment plan for 6 months	40%	£19 million

Improved Customer Payment Behaviour

- 3.12 We note that some literature reviews suggest that reducing debt and arrears can incentivise positive payment behaviours and lower the risk of future indebtedness.^{9, 10} Similar outcomes were observed in a supplier's scheme.¹¹
- 3.13 If such an outcome is realised by implementing the DRS, suppliers may further benefit from a lower level of debt in the long term and lower administrative costs on debt.
- 3.14 We estimate that improved customer payment behaviour such as paying bills on time, avoiding future indebtedness, and maintaining engagement with suppliers could deliver total benefits of £4 million to £11.2 million for all engaged eligible households over a three-year period in 2025's price level.

Monetised and non-monetised costs

- 3.15 The cost of the DRS consists of costs connected to the reimbursement to suppliers, as well as operating the DRS generally.

Cost connected to the Reimbursement to Suppliers

- 3.16 The total funding amount in relation to the reimbursement is:

Total funding requirement = Eligible Debt and Arrears write off x (1 - calculated average provisioning rate) + total administrative cost (fixed + variable) + interest cost.

- 3.17 The projected total funding requirement is between £91.8 million and £145.6 million, dependent on uptake of the scheme and actual reimbursement rates.
- 3.18 Under the proposed Pay When Paid mechanism, suppliers will be reimbursed once networks recover the relevant charges, which is expected to occur in 2027. This delay between the initial debt write-off and reimbursement

⁹ [Household Debt Relief](#)

¹⁰ [reducing debt improves psychological functioning and changes decision making in the poor](#)

¹¹ When estimating the **change in payment behaviour** resulting from the DRS, we assume it will be similar to changes observed in similar debt relief schemes within the retail energy sector. Engagement levels among customers using the "non-automatic" route may be similar to that observed in such schemes. For example, our cost neutral scenario assumes 32% engagement and 20% payment behavioural change in payment behaviour, based on figures provided by E.ON Next for their Winter Support Scheme and by experiences from the WHD scheme. For high-cost and low-cost scenarios, we assume that 10% and 40% of customers, respectively, would change their behaviour.

introduces a cost associated with borrowing, as suppliers may need to finance the upfront expenditure until repayment is received.

Operational Administration Costs associated with DRS

- 3.19 Implementing the DRS will likely increase suppliers' administrative costs primarily due to increased customer engagement and the operational requirements of the scheme. For instance, customers would contact suppliers for details of the scheme, such as the eligibility criteria, details of engagement plans.
- 3.20 By making reference to previous experience in implementing Energy Bill Support Scheme in 2022 / 2023, Payment Method Levelisation in 2024/2025, and the ongoing Radio Teleswitch Service, a fixed administrative cost of £2 million across all suppliers would be needed. Suppliers will likely incur some variable administrative costs. Based on information provided by suppliers, the estimated cost per customer account is approximately between £5 - 20 for those on the automatic route and £10 - 30 for those on the non-automatic route, who may need more attention and communication to engage.
- 3.21 We also assume that suppliers will be able to claim for certain fixed administrative costs, which are otherwise unavoidable, incurred in delivering their license obligations. We will set out more information on this in the Delivery Guidance as we develop this through engagement with industry.

4. Wider Impacts

Strategic impacts

- 4.1 The implementation of the DRS addresses a systemic issue of high levels of energy debt and arrears. This foundational intervention is critical, as unresolved debt and arrears undermines the effectiveness of subsequent policy interventions aimed at tackling the root causes of debt accumulation.
- 4.2 A key challenge to reform is the perception of fairness. Rising energy costs have driven many vulnerable households into debt, with the associated costs of this debt borne by all consumers in the retail energy market. We need to rebalance

the processes in the energy system so that debt can be properly controlled and managed, but policy movement is difficult while unfairness is still perceived in the sector. By beginning to reset the debt picture, schemes such as the DRS allow Ofgem to begin to unpick some of the other systematic issues, aside from wholesale cost, which have led to historic debt. The first of these to be developed and deployed - facilitated by the strategic and narrative benefits of the DRS - is a proposed reform to reduce the levels of debt incurred through the Change of Tenancy (COT) process.¹²

- 4.3 These reforms could lead to savings that may be reflected in future customer and supplier accounts through price cap adjustments.

Competition impacts

- 4.4 Using Ofgem's [competition framework](#) we have assessed the impact on competition, namely on (i) customer engagement and empowerment, (ii) market rivalry and (iii) structural parameters.
- 4.5 The DRS is expected to positively influence customer engagement and switching behaviour, though its overall impact may be modest or neutral, as its effects are likely to be limited to a small subset of customers.
- Customers on repayment plans will have their debt automatically written off, resulting in short-term engagement. Those with both eligible and ineligible debt may also show limited interest, particularly if their ineligible debt is substantial. The most sustained engagement is expected from customers in arrears with little or no ineligible debt.
 - Currently customers having debt and arrears exceeding certain thresholds cannot switch to other suppliers and, thus, they cannot enjoy

¹² COT is a term defined in the Retail Energy code and describes the situation where any occupier responsible for the payment of energy bills moves out of any property (residential or commercial) and any new occupier moves in. Under these circumstances energy suppliers can create a "deemed contract" in the name of "the occupier" for the new occupier. The GB energy system is unique in Europe in having a presumption of continuity of supply on Change of Tenancy. There is no enforced requirement for a new occupier to establish a relationship with an energy supplier in order to establish, or maintain, connection. Later this year we will publish further details to trial remote switches to Prepayment (where a supplier has received notification of a householder moving out).

the benefits from lower deals. By writing off Eligible Debt, some customers will become debt-free and be able to access competitive tariffs or suppliers. However, this benefit is limited to those without ineligible debt or whose ineligible debt falls below switching thresholds. Our estimates suggest around 10% of Eligible Customers with Eligible Debt are live accounts that will become debt-free under the DRS. For others, switching barriers may be reduced but not eliminated.

- 4.6 The DRS introduces new dynamics in supplier reimbursement and customer switching, which may affect suppliers' competitive positioning. When suppliers write off Eligible Debt, they receive partial reimbursement based on the extent to which the debt has not already been provisioned. This process may risk creating an uneven playing field in which suppliers with a lower proportion of Eligible Debt in Phase 1 may receive less financial support under the scheme. However, this risk is mitigated by the reimbursement adjustment mechanism outlined in the Reimbursement methodology section of the statutory consultation.
- 4.7 From a market-wide perspective, the DRS may lead to a direct reduction in sector-wide debt levels. The most immediate structural impact is a reduction in total outstanding debt, particularly among vulnerable customer segments. This may improve supplier cash flow and reduce administrative burdens associated with debt recovery.

5. Public Sector Equality Duty

- 5.1 Ofgem has a legal duty to consider the impact of our policies on people with protected characteristics under the Public Sector Equality Duty (PSED). The main objective of the PSED is to:
- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
 - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 5.2 In this section, we have summarised our assessment on customers with protected characteristics. Our assessment overlaps with the PSED for the following portrayed characteristics: age, disability, sex, race, and pregnancy and maternity.
- 5.3 The impact of the DRS would be felt through changes in prices paid for energy. In principle, increases in customers' energy bills can impact them through:
- i. Direct financial impacts and,
 - ii. Indirect impacts, such as reducing consumption leading to social, physical detriment, mental detriment, and at worst serious health impacts
- 5.4 The financial impact of the proposals will vary by individual circumstance. While individuals with protected characteristics are more likely to experience lower incomes, some may benefit directly from debt write offs under the scheme. Others may not receive a write off but could still face affordability pressures. Overall, we do not consider that the proposals would result in significant financial detriment to any group.
- 5.5 We have assessed whether the policy option under consideration would result in materially different impacts across customer groups, including those with

protected characteristics. Individuals with protected characteristics are, on average, more likely to experience lower incomes, and therefore may be at greater risk of energy debt. The consequences of debt, such as self-rationing, may also have more significant impacts for these groups.

Age

- 5.6 Older people, many of whom rely on fixed incomes such as state pensions, are particularly vulnerable to energy debt. According to Age UK, older adults often face difficult choices between heating and other essential needs, especially in winter. Under the proposed Debt Relief Scheme, some older individuals may benefit directly through debt write-offs, while others may not. Overall, we consider that the scheme is likely to deliver greater benefit than harm to older people overall.¹³

Disability or illness

- 5.7 Ofgem's latest customer research available shows that 42% of PPM customers, 28% of Standard Credit customers, and 29% of Direct Debit customers self-reported that someone in their household has a long-term disability or illness in their household. The proportion of customers with a long-term disability or illness was highest on the PPM payment method even though the highest number of those customers are paying by Direct Debit. 68% of households which reported a vulnerability were struggling with energy bills at least sometimes compared to 62% among all surveyed households. In addition, disabled individuals may face barriers in accessing energy services and are disproportionately affected by energy debt. We will ensure the DRS is accessible, inclusive and responsive to the needs of disabled people, including those with mental health conditions.

Sex

- 5.8 Women are disproportionately affected by energy debt, both in terms of prevalence and the psychological burden it creates. According to StepChange,

¹³ [Age UK debt help](#)

among their clients, 47% of women were in energy arrears compared to 37% of men, indicating a gendered disparity in financial vulnerability among those seeking debt advice.¹⁴ Additional research found that women exhibit approximately 30% higher debt stress scores than men.¹⁵ The DRS is designed to address these gender dimensions of financial vulnerability and promote equality of opportunity.

Race

- 5.9 Racial and ethnic minority groups in the UK are more likely to experience energy debt due to structural inequalities, including lower average incomes, higher housing costs, and poorer energy efficiency in urban housing¹⁶. These communities are also more likely to face barriers in accessing financial support and public services. Research from the Joseph Rowntree Foundation highlights that ethnic minority households are overrepresented among low-income groups and are disproportionately affected by fuel poverty¹⁷. The DRS through its delivery design will ensure culturally sensitive communication in relation to providing a debt write off for all groups, to ensure equitable access and support.

Pregnancy and maternity

- 5.10 Pregnant women and new mothers may be disproportionately affected by energy debt due to reduced income during maternity leave, increased energy use, and the financial pressures of caring for a newborn. Research from the Joseph Rowntree Foundation highlights that low-income families are increasingly relying on credit to cover essentials like energy, often at the expense of food or heating¹⁸. The DRS can reduce financial stress during a

¹⁴[Step change_ Unravelling Women's Debt Dilemma](#)

¹⁵[Gender Differences in Consumer Debt Stress: Impacts on Job Performance, Family Life and Health](#)

¹⁶[Fuel Poverty, Cold Homes and Health Inequalities in the UK](#)

¹⁷[Ethnicity and the heightened risk of very deep poverty](#)

¹⁸[The cost of debt for low income households in the cost of living crisis](#)

Impact Assessment - Debt Relief Scheme

critical life stage, supporting maternal and infant wellbeing and advancing equality of opportunity.

Our assessment

- 5.11 We have had due regard to the PSED in developing the DRS. Our quantitative and qualitative assessment indicates likely positive impacts for groups including age, disability, sex, race and pregnancy and maternity, through reduced energy debt, inclusive communication and improved access to resolution. Some of the distributional impacts on these groups are reflected implicitly in the scheme design.
- 5.12 While the proposed policy may result in a modest increase in bills, this increase is expected to be temporary, limited in scale, and spread over a year.
- 5.13 Given the overall benefits outlined in the Impact Assessment, which predominantly accrue to households with low incomes and those with protected characteristics and considering that any temporary bill increase is capped at under £5.14, spread over a year, we do not anticipate the policy will result in additional hardship.
- 5.14 We recognise potential risks for non-engaging customers, some of whom may share protected characteristics. Mitigations are proposed through our supplier delivery design at phase 1 to support equitable access.
- 5.15 We will continue to assess evidence on all customer groups, with particular attention to those with protected characteristics, to inform the final Impact Assessment.
- 5.16 For other protected characteristics such as, religion, sexual orientation, gender reassignment, religion, and marriage or civil partnership, we have not identified any potential for discrimination or adverse impacts.

6. Monitoring and evaluation

- 6.1 We will structure Monitoring and Evaluation in line with the DRS scheme design and undertake a review of Phase 1. We may undertake a process evaluation, impact evaluation or both as part of this assessment.
- 6.2 A **process evaluation** would aim to answer questions regarding the DRS design and implementation, and would covers areas such as:
- How has the design and implementation of Phase 1 contributed to its effectiveness?
 - What worked well and for whom?
 - What worked less well and could be improved upon?
- 6.3 An **impact evaluation** would aim to quantify the extent to which the DRS has achieved its key objectives and identify any unintended consequences. Key areas we would assess include:
- What have been the benefits of the policy in terms of debt reduction, working capital and debt admin cost reductions and improved consumer engagement?
 - What have been the costs of the policy in in terms of bills, financing and implementation costs?
 - Have any unintended consequences (either positive or negative) emerged?
- 6.4 We would like to collect views from consultees regarding what to consider in a review of Phase 1 DRS.

Appendix 1: Distributional analysis

Archetype	Description
A1	Lowest income; mains gas; retired; 75+ years old; single adults; owner occupied; urban; not early adopters; no internet connection; no degree or higher
A2	Low income; housing association; single adults; 55+ years old; prepayment meter; WHDS eligible; good EPC rating; no degree or higher
A3	Low income; housing association; single adults; 55+ years old; prepayment meter; WHDS eligible; good EPC rating; no degree or higher
B4	Low income; electric heating; retired/unoccupied; 65+ years old; purpose built flats; owner-occupied/housing association; high electricity consumption
B5	Low income; electric/solid fuel/LPG heating; 45+ years old; retired/unoccupied; disability benefits; high electricity consumption
B6	Low income; mains gas; private rented/local authority; 45-74 years old; low gas consumption; early adopters
C7	Lower-middle income; mains gas; purpose-built flats; housing association/local authority; full-time/part-time employed/ 25-54 years old; early adopters; high proportion BAME
C8	Lower middle-income; electric heating; purpose-built flat; private rented/local authority; full-time/part-time employed; 1 child; 25-54; early adopters; high proportion BAME
C9	Lower-middle income; couples/single adult woman; retired; 65+ years old; owner occupied semi-detached/terraced dwellings; average energy consumption; WFP eligible
D10	Lower-middle income; mains gas; disability benefits; mobility & dexterity disability; retired/unoccupied; owner occupied; semi-detached/terraced; 55+ years old; not early adopters; CWP & WFP eligible;
D11	lower-middle income; low energy consumption; good EPC rating; purpose built flats; full-time employed; 25-74 years old; early adopters; urban; low scheme eligibility
D12	Lower-middle income; retired 65+; owner occupied; detached; couples; high gas consumption; not early adopters; eligible for WFP; suburbanites
E13	Middle income; <35 – 54 year old unoccupied/retirees; 1+ children; disability benefits; early adopters; high energy consumption; CWP & WHDS eligible; prepayment meter; hard-pressed living
E14	Middle income earners; 2+ children; 25-54 year olds; full-time/part-time employed; private-rented/owner occupied; urban; early adopters
F15	middle income; other/electric heating fuel; 2+ children; full-time/self employed; 25-54 year olds; early adopters; high electricity consumption;

Consultation - Debt Relief Scheme

F16	Middle income; electric heating; has degree or higher; purpose-built flats; 16- 54 year olds; good EPC rating; full-time employed; couple/single adult man; early adopters
G17	Upper middle income; Oil/Other heating system; unconventional housing; Owner occupied; self-employed; couple/single adult; 45+ year olds; rural; unknown EPC rating
G18	Upper middle income; Other heating fuel; owner occupied; full-time employed/retired 65+; low scheme eligibility
H19	Upper-middle income; oil heating fuel; retired 65+/full-time employed; poor EPC rating; rural; owner-occupied; detached/semi-detached; WFP eligible
H20	Upper-middle income; mains gas; early adopters; 25-54 years old; full-time employed; below average consumption
I21	High income; mains gas; 1 child; full-time employed; 25-54 years old; early adopters; owner-occupied/private rented; semi-detached/terraced; high ECO eligibility
I22	High income; no children; mains gas; highest gas consumption; 45-64 years old; full-time employed; early adopters; has degree or higher
J23	High income; mains gas; 2+ children; 35-54 years old; full-time employed; owner-occupied; semi-detached/terraced; early adopters; urban
J24	Highest earners; 1+ children; oil heating; highest electricity consumption; rural; full-time employed; owner-occupied; poor EPC rating; early adopters