

Consultation

Debt Relief Scheme: Statutory Consultation

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We are consulting on the introduction of the Debt Relief Scheme. We would like views from all those with an interest in energy debt. We particularly welcome responses from energy suppliers, networks and other interested industry parties, consumer groups and charities, and other organisations with expertise and/or experience with supporting people in debt.

This document outlines the purpose of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations).

If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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Executive summary

In December 2024 we consulted on the introduction of a one-off, time-limited Debt Relief Scheme (DRS) to tackle historic debt and arrears that accumulated during the energy crisis. We published a policy consultation in December 2024 setting out the case for a DRS and have followed this with two working papers in May and August 2025. This statutory consultation sets out our revised proposals for how the scheme should operate.

The problem we are trying to address

High levels of customer indebtedness are a lasting effect of the high prices experienced during the energy crisis. Despite significant government support, many households accrued debts they are unable to repay. Whilst retail energy prices have fallen since the crisis, the debt and arrears have continued to rise.

Higher debt levels have negative consequences for individual customers, and for the wider retail energy market. Costs of debt divert supplier resources away from customer service and innovation in products and services, and threatens effective competition in the market. Without intervention, sustained high debt poses risks to individual households, suppliers, and the stability of the energy market.

Ofgem's Debt Strategy

Ofgem's Debt Strategy is intended to address both historic debt linked to the energy crisis and the ongoing debt being built up across the market. Recent data shows that total energy debt and arrears reached £4.4 billion in Q2 2025, a 20% increase over the previous 12 months. This debt is disproportionately held by consumers in the bottom 30% of earners.

The Debt Strategy aims to promote a fair, resilient, and consumer-focused energy market, including by providing targeted debt support to those in genuine payment difficulty, and intervening to ensure customers who can afford to pay prioritise their energy bills. It also aims to reduce the need for forbearance from suppliers by ensuring that appropriate checks and balances are in the system that prompt customers to pay when expected and provide proportionate consequences for non-payment. We have already written to suppliers to reset expectations on the use of additional support credit¹, and we will shortly be launching, on a trial basis, new processes to reduce the build-up of debt that can commonly occur during the home move process.

The DRS contributes to our aims to provide targeted debt relief to those in genuine need. It is a time-limited, one-off intervention in response to exceptional market conditions, focused on tackling historic debt built up by customers during the crisis. Through the use of eligibility criteria and by identifying those customers in financial

¹ [Additional Support Credit - our expectations](#)

need (using eligibility for means-tested benefits as a proxy in Phase 1 and enhanced income and expenditure assessments in Phase 2), the DRS will provide support to customers who accrued unmanageable debt during the energy crisis and have been genuinely unable to repay. Other parts of the Debt Strategy will address wider, systematic issues of non-payment.

More detail on the scope of our Debt Strategy is provided in the letter published alongside this statutory consultation.²

The Debt Relief Scheme

We intend to deliver the DRS in two phases. This statutory consultation proposes to require suppliers to deliver Phase 1 of the DRS, under which customers who are eligible for means-tested benefits will receive support in the form of the write-off of eligible debts incurred between April 2022 and March 2024. Suppliers will identify eligible customers using their billing systems and through matching with Department for Work and Pensions (DWP) data, subject to the passage of separate legislation. Eligible customers will need to have met a level of engagement requirements to receive relief. Customers who are already making payments to their supplier will be eligible for support at the scheme launch, whilst others will be encouraged to engage with suppliers or debt advice services.

We intend to deliver Phase 2 of DRS later in 2026. This phase will target customers in genuine payment difficulty but who are not eligible for means-tested benefits. These customers will be identified through an enhanced income and expenditure assessment, which will be developed with stakeholders ahead of launch. This will allow us not only to deliver targeted support to more customers in genuine need, but will provide stakeholders with a valuable tool to identify and improve outcomes for indebted customers.

Suppliers will be reimbursed at the market value of the debts they write off customers' accounts, and will be required to provide evidence to support their claims. These costs will be recovered from networks, which will pay DRS claims to suppliers (following approval by Ofgem) and recover these costs through higher network charges. We expect that the scheme will present a short-term increase in costs for consumers, but that over the longer term the DRS could deliver net benefits by reducing aggregate debt and driving positive behavioural change. This is the first in a series of steps to tackle debt and unlock benefits to customers and suppliers alike through a fairer, well-functioning retail market.

The scheme design that we are consulting on reflects extensive engagement with stakeholders. Stakeholders have offered strong support for intervention, and broad support for our proposals.

² See ["Debt strategy update: supporting the reduction of energy debt"](#)

The Secretary of State for Energy Security and Net Zero is supportive of Ofgem consulting further on the Debt Relief Scheme and is content to make Directions under s22 of the Energy Prices Act 2022 to network companies, subject to the outcome of this consultation.

What we are consulting on

This is a statutory consultation on our proposed draft Standard Licence Conditions (SLCs) for the Gas and Electricity Supply Licences, and Standard and Special Conditions for Electricity Distribution Licences and Gas Transporter Licences. We also set out the proposed final design of our DRS, alongside an Impact Assessment and Delivery Guidance³ for suppliers.

Next steps

Following this consultation, we will publish a decision on our proposed licence changes. We currently expect that the scheme will be delivered in early 2026, subject to stakeholder feedback to this consultation and to changes in legislation allowing data sharing between DWP and suppliers for the purposes of a debt relief scheme.

We welcome stakeholder views on this statutory consultation. Responses should be sent to DebtConsultations@ofgem.gov.uk by 18 December 2025. Subject to the responses received to this consultation, we intend to publish a decision on these proposals in early 2026.

³ Debt Relief Scheme: [Delivery guidance](#)

1. Introduction

We are consulting on updating the Gas and Electricity Supply Licences to require energy suppliers to deliver a new Debt Relief Scheme (DRS). This chapter sets out the background to the proposals that we are consulting on.

Background

- 1.1 High energy prices during the energy crisis increased the number of customers in debt to their energy supplier and the amount they owe. Excessive levels of debt and arrears have negative effects on all consumers and the market as a whole. Individual customers who are in high levels of debt and without the means to repay can suffer significant detriment. Higher aggregate debt and arrears results in higher levels of bad and doubtful debts held by suppliers, which leads to higher prices as these costs are reflected in tariffs, including through the debt related cost allowance within the price cap.
- 1.2 In March 2024 we published a Call for Input on affordability and debt in the domestic retail market.⁴ We discussed the reasons behind the affordability and debt challenges in the energy retail market and what more could be done to protect and support consumers struggling with their bills.
- 1.3 In December 2024 we published a consultation which set out the case for a DRS. In this consultation we argued that the level of debt and arrears in the domestic sector is unsustainable and projected that it will continue to rise without intervention. We proposed to introduce the DRS to provide targeted support to eligible customers struggling with debt and arrears. This was followed by further working papers in May 2025 and August 2025, in which we provided stakeholders with our evolving thinking on how we would implement a DRS.
- 1.4 Since the publication of our December 2024 consultation, the total value of domestic debt and arrears in the energy market has continued to grow. Based on our latest data, total value of domestic debt and arrears stands at £4.43 billion as of June 2025, with £3.32 billion of this not currently on a repayment plan. During the eligible period (April 2022 – March 2024), approximately £2.47 billion of this debt and arrears was accumulated. Despite the cost of energy stabilising since the peak of the wholesale gas crisis this remains higher than pre-crisis levels, and combined debt and arrears rose by 20% between Q2 2024 and Q2 2025. The level of debt and arrears in the domestic sector is unsustainable and we project that it will continue to rise without intervention.
- 1.5 The total number of accounts in arrears has increased by around 9% over the last year. In Q2 2025 there were around 1.1 million domestic electricity accounts and around 927,000 domestic gas accounts more than 91 days in arrears which were

⁴ [Affordability and debt in the domestic retail market – a Call for Input | Ofgem.](#)

not on a repayment plan – equating to 3.8% of both domestic electricity and gas customers. Our latest data shows there have been substantial increases in average arrears, reaching £1,716 for electricity and £1,489 for gas in Q2 2025 (up by 11% for electricity and up 12% for gas compared to Q2 2024).

Context

- 1.6 Ofgem has powers to amend SLCs for gas and electricity suppliers, as well as the Standard and Special Conditions for electricity distributors and gas transporters under the Electricity Act 1989 and the Gas Act 1986. To introduce the DRS, we envisage using our statutory powers to amend these licences in view of our principal objective and various duties.
- 1.7 Based on our analysis and the feedback that we have received from stakeholders, we consider that the implementation of such a scheme furthers Ofgem’s principal objective to protect the interests of energy consumers, including having regard to the interests of vulnerable consumers (our vulnerability duty), and aligns with the themes of our Consumer Vulnerability Strategy.⁵ We noted our intention to accelerate proposals for the DRS in our Forward Work Programme for 2025/2026.⁶
- 1.8 The DRS is a one-off measure which will target and provide assistance to those in genuine payment difficulty, both by addressing historic debt built up by customers during the crisis and incentivising those customers to engage with their suppliers and seek assistance. It will deliver immediate relief to eligible customers and establish positive behaviours that reduce the likelihood of future arrears. We also anticipate that lessons learned from the DRS will inform future policy decisions, particularly in relation to affordability assessments, engagement incentives and supplier obligations with regard to vulnerable customers.
- 1.9 Not all customers with debt will receive support under the DRS. We have set engagement criteria which aim to ensure that support is targeted at those who are in genuine financial need. Through our Debt Strategy, a coordinated programme of regulatory measures designed to improve credit management and debt recovery practices within the energy sector, we will also target those customers who are able to pay but do not have the right incentives to prioritise their energy bill. Taken as a whole, these measures will reduce aggregate debt when compared to the current baseline, and will reduce the need for forbearance from suppliers, by ensuring that appropriate checks and balances are in the system that prompt customers to pay when expected and proportionate consequences for non-payment.

⁵ See [Consumer Vulnerability Strategy 2019-2025 | Ofgem](#).

⁶ See [Forward Work Programme | Ofgem](#).

Purpose of this consultation

- 1.10 This is a statutory consultation on changes to the Gas and Electricity Supply Licences, and the Electricity Distribution and Gas Transporter Licences. The purpose of these changes to various licences is to obligate suppliers and networks to enable delivery of a Debt Relief Scheme.

Related publications

[Additional Support Credit - our expectations](#)

[Debt Relief Scheme: Delivery guidance](#)

[Resetting the energy debt landscape: the case for a debt relief scheme | Ofgem](#)

[Resetting the energy debt landscape: supplier funding route working paper](#)

[Debt Strategy: a 'reset' and 'reform' for customers in debt | Ofgem](#)

[Debt strategy update: supporting the reduction of energy debt](#)

[Improving debt standards in the domestic retail market | Ofgem](#)

[Debt Strategy: next steps | Ofgem](#)

Overview

- 1.11 Section 2 of this consultation provides a brief recap of our Case for Change, explaining why we intend to introduce the DRS, and how we have adapted our work in response to stakeholder feedback.
- 1.12 Section 3 summarises our position on how we will identify which customers and debt are eligible for support under the DRS, and how this is informed by stakeholder feedback.
- 1.13 Section 4 examines how we intend to oversee supplier delivery of the scheme.
- 1.14 Section 5 looks at our position on scheme financing.
- 1.15 Section 6 examines our proposals for ensuring that suppliers are reimbursed fairly for written-off debts.
- 1.16 Section 7 contains our current thinking on how suppliers will claim reimbursement.
- 1.17 Notices of proposed licence changes are published alongside this statutory consultation.

Consultation stages

Stage 1 Consultation open: 06 November 2025

Stage 2 Consultation closes and deadline for responses: 18 December 2025

Stage 3 Responses reviewed and published: 18 December 2025 to 29 January 2026

Stage 4 Consultation outcome (decision or policy statement): 29 January 2026

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

We will publish non-confidential responses on our website. We will share any comments on the draft SoS Direction with the DESNZ.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: ‘Open’, ‘Closed (awaiting decision)’, and ‘Closed (with decision)’.

2. Case for Change

In this section, we provide a recap of the case for intervention from our policy consultation and consider stakeholder feedback. We also set out our updated case for the introduction of the DRS, our design principles, and our updated objectives for the intervention.

The case for change

- 2.1 In our December 2024 consultation, we set out our initial view that a one-off DRS - time limited to domestic debt and arrears accrued during the energy crisis - could be a proportionate response to the continuing problem of debt and arrears in the domestic market.
- 2.2 We presented the DRS as a first step in a wider ‘reset and reform’ of the debt and arrears landscape – which could be accompanied by enhanced targeted support and an improvement in debt management practices across the sector.
- 2.3 We considered evidence of the social and individual harms caused by long-term indebtedness and considered there was a strong case for an intervention to provide direct relief to consumers in vulnerable situations. We noted that existing arrangements can result in customers who are unlikely to be able to repay debts being pursued until these debts are written off, compounding individual anguish. We considered that such an intervention could be designed to promote engagement between customers and suppliers, as well as providing customers with support to consistently make payments and prevent getting back into debt, allowing these customers to return to a more sustainable position, and to better enable them to pay for future consumption.
- 2.4 We considered that such a scheme could be positive for the wider retail market by complimenting existing price cap allowances with a one-off mechanism to clear consumer debt on suppliers’ portfolios.

Stakeholder feedback on our case for change

- 2.5 In response to our policy consultation, we received 87 responses from a range of stakeholders. These included 36 from consumer groups and charities, 22 from network and infrastructure companies, 13 from suppliers, 9 from individuals, 2 from Government bodies, and 5 other responses.
- 2.6 Most stakeholders agreed that our case for change was credible and that intervention was a proportionate response to the levels of debt and arrears in the sector. Several suppliers agreed that, without intervention, there was a realistic possibility that much of the debt accrued during the crisis period would not be

paid back. Respondents emphasised that any intervention should be well-targeted to ensure support was issued to customers in the most vulnerable situations and without the means to pay their bills.

- 2.7 Two suppliers strongly disagreed with our case for change. One supplier expressed concerns that the DRS would incentivise non-payment of debt and arrears, while another supplier called on Ofgem to prioritise renewable energy projects to support affordability. Several supplier responses focused on the nature of the debt related cost allowance in the price cap, while one supplier disagreed with our view that the DRS could act as an alternative method to manage the costs of debt among suppliers, calling on Ofgem to restart work on the levelisation programme.
- 2.8 Consumer groups and charities (CGCs) were strongly supportive of our case for change. Most CGCs agreed with our analysis of how high levels of debt and arrears contribute towards negative outcomes for customers and undermine trust and participation in the retail market. Some respondents disagreed that the DRS should be a one-off intervention or time-limited - with some calling on Ofgem to widen the scope of a scheme to include debt accrued outside of the energy crisis period.
- 2.9 Many suppliers and CGCs called for a broader package of Government affordability support. Several respondents expressed concern that the benefits of the scheme would not be enduring without a broader package of affordability support and that consumers would simply re-accrue debt after passing through the scheme.
- 2.10 While there was broad consensus in support of our case for change, stakeholders expressed a variety of views on how the DRS should be designed, who should be eligible, and how such a scheme should be financed. These views are expanded upon throughout this consultation.

How the debt problem has changed since our policy consultation

- 2.11 As we have set out in the previous section of this document, the total value of domestic debt and arrears in the energy market has continued to grow since the publication of our policy consultation. Our latest data shows the total value of domestic debt and arrears stood at £4.43 billion with £3.32 billion of this not on a repayment plan at Q2 2025. Despite the cost of energy stabilising since the peak of the wholesale gas crisis, combined debt and arrears rose by 20% between Q2 2024 and Q2 2025.
- 2.12 In addition, new research indicates that domestic debt and arrears has grown at a significantly higher rate than in other regulated sectors and with comparable

priority debts.⁷ The increase in debt and arrears has been faster than that for council tax and rent, despite council tax arrears also increasing rapidly and above inflation. Our most recent Consumer Impacts of Market Conditions survey, gathered in January and February 2025, found that people were twice as likely to have fallen behind on energy bills (6% of respondents) than other bills (3% of respondents).⁸

- 2.13 As set out in our policy consultation, we remain concerned that the level of debt and arrears in the domestic sector is unsustainable and project that it will continue to rise without intervention.

Updated case for change

- 2.14 We continue to believe that the DRS must be one arm of a wider ‘reset and reform’ to have the desired long-term effect on consumer behaviour and market stability. The DRS will form one part of Ofgem’s revised Debt Strategy, which will include proposals to prevent debt, address change of tenancy rules, control access to credit, and reconsider the appropriate action on non-payment where a customer has ability to pay.
- 2.15 By addressing historic debt through the DRS and reforming features of the energy market which make it easier to accrue debt in comparison to other sectors, we intend to help bring debt and arrears in the energy sector under control and restrict opportunities for customers to accrue debt in the future.
- 2.16 Having considered stakeholder feedback to our policy consultation and working papers, we consider that a broad consensus has developed in support of an intervention to address the build-up of domestic debt and arrears in the energy sector.
- 2.17 We remain of the view that the continuing growth of debt and arrears is unsustainable for both suppliers and for customers. Without intervention, we project that debt and arrears will continue to grow, driving up costs for all customers, requiring that suppliers prioritise resources for debt management, and increasing the likelihood of distress and poor outcomes for indebted customers.
- 2.18 We consider that intervention is required to address the levels of debt and arrears in the sector and that an intervention solely targeted at historic debt and arrears accrued during the wholesale gas crisis is proportionate and appropriate due to the extraordinary and unavoidable impact of market conditions on suppliers and customers.

⁷ See Resolution Foundation, “Money On My Mind” (September 2025) [Money-on-my-mind.pdf](#), retrieved November 2025.

⁸ [Consumer impacts of market conditions survey: wave 6 \(January to February 2025\) | Ofgem](#)

- 2.19 We consider engagement between suppliers and customers, in and at risk of accruing debt, is key to preventing negative outcomes and that the DRS could have secondary benefits by incentivising indebted customers to engage with their suppliers, identifying which customers would benefit from additional support from a debt advisor, and encouraging customers to take more control over their energy usage. As such, we consider such a scheme could contribute towards positive behavioural change, reduce the risk of customers from re-accumulating debt after the scheme, and allow for customers to re-engage in the competitive retail market after clearing a portion of their debts.
- 2.20 Our updated Impact Assessment, published alongside this consultation, finds that the DRS should have a positive distributional impact as 60% of the eligible debt is held by customers in the lowest 3 income deciles. We show that the scheme is likely to result in a modest increase to consumer bills of between £3.23 and £5.13 per dual fuel household over a year in order to unlock future savings. Our expectation is that, over time, the DRS will lead to positive behavioural change due to increased engagement levels. This will mean that these consumers will be less likely to become indebted. In a counterfactual scenario where we do not intervene, we would expect debt and arrears to continually rise and for no benefits to be realised by either suppliers or consumers.
- 2.21 The DRS cannot address some issues, such as affordability of energy and indebtedness of energy customers in other sectors. We note that interventions like the DRS sit alongside other initiatives across Government, such as the expansion of the Warm Home Discount to 2.7 million additional households.
- 2.22 We are therefore proposing to proceed with the introduction of a one-off, time-limited DRS and consider this furthers our principal objective of advancing the interests of energy consumers.

Scheme objectives and design principles

- 2.23 In our policy consultation in December 2024, we invited views on four proposed scheme objectives. We also identified potential risks of intervention and proposed to mitigate these by designing a scheme based on key design principles.⁹
- 2.24 In August 2025, we published a working paper which explained that we had listened to stakeholder feedback on the scheme objectives and evolved our approach accordingly. We recognised that addressing the growing debt challenge requires the DRS to be one part of a broader coordinated and comprehensive strategy.
- 2.25 In feedback to this working paper and other stakeholder engagement, stakeholders remained broadly supportive of our policy objectives and the

⁹ See “Resetting the energy debt landscape: the case for a debt relief scheme” at [Resetting the energy debt landscape: the case for a debt relief scheme | Ofgem](#), pp18-19

principles underpinning the DRS. However, several stakeholders emphasised a preference for clearer guidance, a longer lead time, and stronger engagement conditions to ensure that the fairness and consistency principle is met. Feedback from stakeholders also highlighted the importance of avoiding perverse incentives, providing targeted support effectively, and managing risks to deliver the policy in a timely and sustainable way.

2.26 We have considered these perspectives and recognise the points raised. We have therefore retained two primary objectives from our December 2024 policy consultation and have introduced a third objective, aligning the scheme more directly with Ofgem's broader Debt Strategy.

2.27 Our revised objectives for the DRS are therefore:

1. **To reduce the levels of domestic debt and arrears in the energy sector and have this shown directly on customer accounts.** The DRS will deliver measurable reductions in outstanding historical debt and arrears, with relief applied directly to customer accounts. This will deliver immediate and visible benefits:
 - Direct relief for customers in genuine financial hardship;
 - Greater market stability for both suppliers and consumers; and
 - Reduced future bad debt costs, helping to limit charges for the wider customer base.
2. **To facilitate improvements in the culture of debt management and provide an opportunity to build relationships between customers and their suppliers.** Customers will need to engage with their supplier to access support from the DRS. It is designed to foster renewed engagement between customers and suppliers, by linking eligibility to specific engagement conditions. This ensures debt relief is accompanied by steps to rebuild constructive relationships and prevent future arrears.
3. **To support the objectives of Ofgem's Debt Strategy (to improve debt outcomes for customers and the sector as a whole).** The scheme aligns with and complements the wider regulatory framework, the separate strands of which will work together to:
 - Promote a controlled and proportionate approach to credit;
 - Address inefficiencies and incentives that allow non-payment by customers with the means to pay; and
 - Strengthen trust and confidence in the energy market through fair, transparent and effective debt recovery processes.

- 2.28 We consider that the final policy proposal, set out in the statutory consultation and the associated proposed licence changes, best delivers these objectives, and reflects the design principles as set out in the December consultation and informed by stakeholder feedback.
- 2.29 In the remainder of this document, we set out our proposals on scheme implementation, and how this is reflected in proposed licence changes that we are consulting on.

3. Eligibility and engagement criteria

This section summarises the eligibility and engagement conditions that customers will have to meet to access the DRS support. This section also provides an overview of responses received from the detailed policy consultation, working papers and workshops undertaken across 2024 and 2025 on this subject matter with stakeholders over the course of designing the scheme.

Eligibility criteria and engagement condition

- 3.1 In our December 2024 policy consultation and August 2025 working paper, we proposed that customers would have to meet certain eligibility criteria to access support. We explained that one of the aims of the scheme was to facilitate engagement and behavioural change amongst customers in debt.
- 3.2 Our August 2025 working paper expanded on this to propose that to receive the DRS support, customers would need to be engaged with their supplier as well as the eligibility criteria, and that customers who were not making payments must demonstrate a basic level of re-engagement in order to qualify for support.
- 3.3 We also proposed that suppliers should discuss at least one additional engagement condition within the scheme's operational period. These were:
 - Entering a repayment plan;
 - Installation of a smart meter;
 - Use of the Fuel Direct scheme; or
 - Being signposted to an accredited debt advice provider.

Stakeholder feedback: eligibility criteria and engagement condition

- 3.4 We received feedback on these eligibility criteria in stakeholder responses to our original consultation and subsequent working papers. Stakeholders broadly supported the importance of clear eligibility and affordability checks to ensure that the DRS is effectively targeted at those most in need.
- 3.5 Stakeholder responses varied on the threshold for accessing the DRS. Some supported minimal eligibility and engagement conditions, expressing concern that overly stringent conditions could prevent customers in need from accessing support. Conversely, others advocated for stricter conditions to encourage behavioural change and help manage the overall cost of the scheme.
- 3.6 One CGC supported the requirement to limit the provision of DRS support to those customers who hold eligible debt of £100 or more, whilst another opposed this as they felt that this was an arbitrary cut off and would exclude customers with small amounts of debt who would benefit from the scheme.

- 3.7 Stakeholders expressed a range of views on whether customers should be required to make a payment towards their debt to qualify for the DRS support. One CGC and two suppliers supported a mandatory customer contribution arguing this would reduce moral hazard and promote sustainable repayment. Two suppliers proposed a more stringent approach than initially suggested, such as requiring payments over a defined period (e.g. 6 months) rather than just the most recent billing period. In contrast, three other CGCs and one supplier favoured either no payment requirement or a very minimal one, to avoid excluding households in need. This supplier also raised concerns that requiring a payment could lead to self-rationing. Two suppliers and one CGC supported treating direct debit and PPM customers as ‘engaged’ by default.
- 3.8 Some responses requested greater clarity on how we expected the payment requirement to apply, including on how the payment requirement would apply to disengaged customers, and how the requirement for a “payment in most recent billing period” should apply given differences across suppliers. These suppliers shared a view that the criteria should be clear, tangible and fair. While some supported the inclusion of flexibility and supplier discretion in applying the criteria, others expressed concern that unclear or inconsistent rules could undermine effective delivery and erode customer trust in the scheme.
- 3.9 Stakeholder response to our proposed pathways for customers to meet the engagement condition was mixed. Some stakeholders expressed concerns that overly restrictive engagement conditions could exclude low-income households, particularly those who are ‘disengaged’ or face barriers to direct interaction with suppliers. Two CGCs highlighted that psychological and emotional barriers can prevent some customers in vulnerable situations from engaging. They recommended that the engagement conditions are minimal to avoid unintentionally disadvantaging those who could benefit most from the DRS. One CGC cautioned against over reliance on digital engagement routes, noting that some customers have limited access to online services and may be disadvantaged as a result.
- 3.10 Four CGCs and three suppliers recommended expanding the engagement pathways to recognise a wider range of consumer actions. Suggestions included: recognising customers who had engaged with debt advice services within the previous 6 months; and considering a customer ‘engaged’ if a third party (such as a debt advice service) had contacted the supplier on their behalf.
- 3.11 Stakeholders expressed mixed views on how stringent the engagement condition should be. Two CGCs proposed that simply discussing available support options should be sufficient, whereas two suppliers and two CGCs supported more stringent engagement conditions, and that active participation in such advice services should be compulsory for accessing the DRS support. Two suppliers emphasised that engagement should be measurable. They felt the threshold would be too low if customer were deemed eligible simply for discussing a referral

to a debt advice charity, without engaging with their service. One supplier also suggested that engagement conditions should be linked to actions that contribute to reducing debt, noting that some of the proposed conditions (such as the installation of a smart meter) had limited relevance to paying down debt.

- 3.12 As with the eligibility criteria, there was broad agreement that clearer guidance is needed for both suppliers and customers on what constitutes ‘engagement’ and how the criteria will be applied in practice.

Final proposal: Eligibility criteria and engagement condition

- 3.13 We are grateful for the feedback from stakeholders on establishing customer eligibility and on the engagement condition, both from consultation responses and our stakeholder engagement sessions.
- 3.14 We recognise that overall, the feedback demonstrates a need for greater detail and clarity around how the scheme will operate. This is particularly important given that the proposed licence changes would introduce an obligation upon suppliers to write-off the eligible debts of customers who meet the Phase 1 Engagement Condition.
- 3.15 We have considered stakeholder feedback regarding a requirement for customers to make a payment towards consumption to receive the DRS support and recognise that this was not a feature of our original policy design in the consultation published in December 2024.
- 3.16 We agree with stakeholder feedback that any engagement condition should be measurable, and note the views of stakeholders that a requirement to ‘discuss’ one of the re-engagement routes is difficult to measure, and that stakeholders hold differing views on whether the engagement condition should require a discussion between the supplier and customer about support options, or require customers to commit to a specific course of action.
- 3.17 We consider that there is a balance to be made between minimising drop-out rates and maximising the number of customers who could benefit from the DRS to access this support, and achieving long term behavioural change.
- 3.18 With this in mind, we propose the following revised Eligibility Criteria and Engagement Condition.

Eligibility Criteria

- 3.19 To qualify for support under for Phase 1 of the DRS, a customer must:

- Be a domestic customer;
- Hold eligible debt of £100 or more; and
- Be identified as being in receipt of means tested benefits (MTB) by DWP.

Engagement Condition

3.20 In addition to meeting the Eligibility Criteria, a customer must meet one of the conditions set out below.

- A customer who has made a payment in the most recent billing period, as determined by the supplier will be entitled to receive the DRS support. This includes customers on prepayment meters.
- A customer who has not made a payment in the most recent billing period, but who meets one of the following alternative engagement conditions, will be entitled to receive the DRS support if:
 - (1) The customer agrees to pursue a repayment plan with their supplier. In this instance, the customer will be eligible for support when the supplier receives the first payment on the repayment plan.
 - (2) The customer agrees to pay their energy bills using the Fuel Direct scheme. In this instance, the customer will be eligible for support when the supplier receives the first payment through the scheme.
 - (3) The customer agrees to pursue a referral to a debt advice charity. In this instance, the customer will be eligible for the DRS support when the referral is made.

3.21 This represents a change from proposals in our August 2025 working paper, in that customers will have to take positive action to meet the condition, rather than for suppliers to discuss with the customer. These actions can be measured by suppliers and used to evidence that the customer has met the Engagement Condition.

3.22 We consider that these revised engagement routes maximise the opportunities for encouraging customers who can pay (even a small amount) to do so, using supplier - and government - provided tools like repayment plans and Fuel Direct. It also provides a measurable event enabling the supplier to record that the customer has met the engagement criteria. At the same time, it provides an opportunity for those customers who genuinely cannot make any payments to access the DRS and receive targeted help for debt repayment from debt advice charities.

3.23 These criteria do not include the installation of a smart meter as a route for meeting the engagement condition (and receiving the DRS support). This reflects a change from the proposal in the August 2025 working paper. We still consider that smart meters have real value in helping customers to budget and improving awareness of energy consumption, which are of great value to indebted customers. However, we note feedback from suppliers that smart meter

installation is less relevant to payment of debt and would not require a customer to directly address payment or debt.

- 3.24 For this reason, we propose not to use smart meter installation as a route to meet the Engagement Condition. Instead, we will recommend that the supplier should suggest smart meter installation to the customer during their approach to the customer (for example, when requesting updated contact details or a meter read). This allows suppliers to highlight the benefits of smart meters in reducing the risk of unexpected bills and supporting budgeting. We explore this further in the Delivery Guidance.
- 3.25 We have attempted to make the remaining engagement conditions as easy for customers to access and for suppliers to deliver as possible, reflecting stakeholder feedback. For example, we have not set a minimum limit on what this contribution to existing consumption should be, and we do not propose to introduce prescriptions on how suppliers should use repayment plans to meet the Engagement Condition, outside of our existing SLCs. We agree with suppliers' feedback that prepayment customers should be eligible for support if they top up their existing consumption, and direct debit customers with a 'live' direct debit should be considered to be contributing to their consumption. In addition, suppliers should allow eligible Phase 1 customers to access support throughout the scheme lifetime; this means that if they do not meet engagement conditions initially, they will still be eligible for support if they meet the criteria at any point before the scheme closes.
- 3.26 We note supplier feedback regarding the phrasing of the eligibility criterion requiring a "payment in most recent billing period". Our intention is that this criteria is applied as consistently as possible whilst reflecting supplier billing cycles or payment allocation practices. Our position remains that the criteria is met if a customer has made a payment during their most recent billing period – whether that is monthly, quarterly, or otherwise, depending on the supplier's billing approach. We recognise the barriers that customers may face with engagement and would encourage suppliers to make the engagement condition accessible – including by using different contact methods and supporting different formats of engagement, including non-digital engagement.
- 3.27 Based on data we hold, we expect that a significant cohort of customers identified through MTB data matching will be making payments and therefore will qualify for the DRS support at the point of launch.
- 3.28 More details will be set out in the Delivery Guidance which is published alongside this statutory consultation.

Cap on DRS support and period of debt accumulation

- 3.29 In our August 2025 working paper, we proposed to cap the amount of debt relief available to an individual customer at the total of the eligible debt they hold at the

point of publication of this statutory consultation and to limit eligible debt to that accrued between 1 April 2022 to 31 March 2024 (the energy crisis period).

Feedback from stakeholders: Cap on DRS support and period of debt accumulation

- 3.30 The majority of respondents to the August 2025 working paper agreed that the support should be capped. However, several stakeholders stressed the importance of designing the scheme in a way that does not discourage customers from making payments. One supplier suggested that the final value of the debt write-off should not be confirmed until the support is issued, to avoid disincentivising payments in the interim. Another supplier proposed capping support at the lower of the crisis-period debt, the current balance, or the debt level at the time of consultation, and another argued that requiring payments as a condition for receiving DRS support would help mitigate these disincentives for customers to continue payment.
- 3.31 Some respondents, including four CGCs and one supplier, expressed concern that affordability challenges are enduring and suggested that more needs to be done to address rising levels of debt in the sector.
- 3.32 One charity argued that the period for eligible debt accumulation was too narrow, and that the eligibility period should be longer. Some supplier respondents also argued that debt written off by suppliers under their own schemes should be eligible for retrospective inclusion under the DRS.

Final proposal: Cap on DRS support and period of debt accumulation

- 3.33 After considering stakeholder feedback, our final proposal is to retain a cap on the amount of debt relief available to each individual customer at the total value of their eligible debt as it stands on the date of this statutory consultation's publication.
- 3.34 However, we consider that it is important to strike a balance between offering support to consumers in vulnerable situations and managing costs for all households. While the DRS will not address all forms of customer debt – since not all debt types will be eligible for relief – we believe the engagement condition will play a valuable role. This is designed to encourage re-engagement and promote positive behavioural change among customers with eligible and non-eligible debt, while also helping them explore and access appropriate debt management options.
- 3.35 We consider that a floor of £100 on the level of eligible debt is appropriate to ensure that the cost of administering the support is not higher than the value of the outstanding debt, after considering feedback from stakeholders and considering data on the impact that this would have on eligibility.

- 3.36 We also consider that it is appropriate to limit support to debt accrued over the crisis period. In line with our revised Debt Strategy, we expect customers to prioritise and pay for their bills, for suppliers to proactively identify and support customers experiencing payment difficulty, and to take proportionate action to recover unpaid debts when necessary. We therefore do not consider it would be appropriate for Ofgem to intervene to clear debt accrued during periods of relative price stability.
- 3.37 As we set out in our August 2025 working paper, we note that suppliers already provide debt write off for some customers in debt on a discretionary basis. While this is outside of the scope of this scheme, suppliers may continue to write off the debt of customers that they are unable to engage with where they deem this to be appropriate.

Special provisions for closed accounts

- 3.38 In the December 2024 policy consultation, we outlined potential approaches for including closed accounts within the DRS. Stakeholders broadly agreed that including closed accounts is important to ensure fairness and inclusion, particularly for customers who may have moved supplier or closed their account while still carrying eligible debt. However, some stakeholders raised GDPR and commercial concerns about sharing customer data between suppliers to assess total eligible debt, and the practicalities of issuing debt relief where the customer relationship has ended.
- 3.39 We recognise the challenges of including all closed accounts in the scheme. Given that customer engagement is a core requirement for accessing the DRS support, we propose that only closed accounts where the customer is actively engaging with their supplier - such as making efforts to repay their energy crisis debt, regardless of change in residence or supplier will be eligible. Customers with closed accounts who are engaging to repay their crisis debt will not be required to contribute towards current consumption to qualify for debt write-off. All other closed accounts will be excluded from Phase 1 of the scheme.
- 3.40 This provision recognises that that some customers may have changed supplier or moved residence yet remain committed to clearing outstanding debt. It also helps to ensure fairness by including those who continue to engage despite having closed accounts.

Our proposed phased approach

- 3.41 In our December 2024 policy consultation, we proposed two routes for customers to receive support under the DRS. One route would use data proxies such as Warm Home Discount (WHD) and Credit Reference Agency data to help identify eligible customers, whereas the second route would provide an opportunity for potentially eligible individuals to apply directly for the scheme, following income and expenditure assessments.

- 3.42 Based on feedback from stakeholders to our December consultation and subsequent stakeholder engagement, we set out a revised two-phased implementation approach in the August 2025 working paper. This phased approach enables the rapid delivery of the DRS support for some customers, whilst reducing the resource need on suppliers over the winter peak demand period and allowing more time for a revised income and expenditure assessment process.
- 3.43 Phase 1 will target customers in receipt of means-tested benefits, identified through data matching with data from DWP. Customers will also need to meet eligibility criteria and the engagement condition to be eligible for the DRS support. We estimate that this phase will cover approximately one-third of all customers with eligible debt.
- 3.44 It is our intention that Phase 2 will target customers with eligible debt who are genuinely unable to repay this eligible debt, but are not in receipt of MTBs, and where the engagement condition and other eligibility criteria are met. We will use a standardised and enhanced income and expenditure assessment to identify which customers are eligible to receive the DRS support. As in Phase 1, we will explore ways to ensure support encourages customers to engage on an ongoing basis. We will introduce a separate statutory consultation ahead of the introduction of Phase 2.

Phased approach: Feedback received to policy consultation

- 3.45 Stakeholders broadly supported our two-route approach in the policy consultation, recognising the importance of clear eligibility rules and affordability checks to ensure the scheme targets those most in need. There was strong consensus on the need for a simple, efficient process that minimises administrative burden on both suppliers and customers. However, many stakeholders raised concerns about the capacity of CGCs to take on additional responsibilities – particularly during winter, when demand for their services is already high. We share these concerns and acknowledge the risk of overburdening these organisations.
- 3.46 Stakeholders also supported our proposal to split the DRS implementation into two phases. One supplier proposed that Phase 1 should be limited to those customers for whom eligibility could already be confirmed at the point of go-live, with other customers applying for and receiving support as part of Phase 2.

Final Proposal: Phased approach

- 3.47 We intend to introduce the DRS based on a two-phase approach, as set out in our August working paper. We consider that the use of MTB data as a proxy for income and expenditure assessment will allow us to bring some benefits to customers earlier and without the immediate need for a revised income and expenditure process.

- 3.48 We remain of the view that suppliers should be able to deliver Phase 1 of the DRS without building new systems. Whilst we recognise that there will be some resource impact on suppliers to deliver the first phase of the DRS, we consider that it is reasonable to expect suppliers to deliver this phase in the first half of 2026.

Data matching

- 3.49 Phase 1 customers will be automatically identified through a data-matching process conducted by suppliers in collaboration with DWP. Eligibility through being in receipt of MTB in Phase 1 will act as a proxy for income assessments. This will enable suppliers to use their existing systems to identify eligible customers as data matching is already conducted as part of WHD. Suppliers will be obligated by our proposed SLC 23B.13 to match data with DWP.
- 3.50 In our policy consultation, we referred to these customers as the ‘WHD+’ group. However, we have since adopted the more general term ‘MTB recipients’ to clearly delineate the DRS from the WHD scheme.
- 3.51 Suppliers were generally in support of our use of MTBs as a proxy for income and expenditure assessments. One CGC did request the inclusion of disability benefits as part of the eligibility criteria, as well HMRC held income data to measure a customer’s ability to pay back their debt and arrears.
- 3.52 Our proposed changes to the gas and electricity supply licences introduce a requirement upon suppliers to share data with DWP to identify customers who may be in receipt of MTBs. We have designed this process to reflect closely the existing process for sharing WHD data. MTB eligible customers will be identified using two key data matches:
- The 2025/26 cohort of WHD-eligible customers. This covers those in receipt of a qualifying benefit for Core Groups 1 and 2 in England & Wales, and the Core Group in Scotland as of August 2025.
 - A bespoke data match conducted specifically for the DRS, which will identify the remaining set of MTB-eligible customers as of the date of the data matching exercise in Quarter 1 (Q1) 2026.
- 3.53 The application of these two mechanisms would avoid geographical inconsistencies and allow for all those in receipt of MTBs in England, Wales and Scotland at the point of data match to be identified as potentially eligible. Suppliers should not use data they hold on customers in Scotland who are part of the Broader Group component of WHD as a route to DRS eligibility, as the criteria for this group may be expanded beyond the scope of the DRS. Instead, these customers will be identified through the bespoke secondary data match.
- 3.54 Suppliers will also receive instructions to pay from DESNZ which will notify them of a customer’s MTB eligibility following the customer contacting the WHD

helpline. These instructions to pay can also be used by the supplier to confirm a customer's eligibility.

- 3.55 We are aware that the suppliers' use of MTB data for the purposes of the DRS is dependent on expected amendments to the Digital Economy Act 2017.¹⁰ We will notify suppliers when they may begin using customer data for this scheme.
- 3.56 Our accompanying Delivery Guidance sets out the actions that we will require suppliers to undertake for data matching activity.
- 3.57 We consider the data matching process will streamline the identification of eligible customers and remove the need for customers to submit evidence such as benefit letters or invoices. This will ensure that support only reaches customers who are eligible, and we consider will make the scheme as accessible as possible for customers. Customers who are not identified as being eligible for Phase 1 through data matching will have the opportunity to complete ability to pay assessments to potentially access the scheme during Phase 2.
- 3.58 This data-matching process will only identify those in receipt of MTBs who are named on the energy bill, consistent with the WHD process. While some suppliers have suggested expanding this to include all MTB customers, the DWP must be able to determine which supplier each customer is associated with. Currently, the only mechanism that enables this is being named on the energy bill, and it is beyond the scope of this one-off scheme to develop alternative methods.

¹⁰ "Expanding the information sharing powers in Part 5 (chapter one) of the Digital Economy Act 2017 to support passported benefits and reduce fuel poverty" at [Expanding the information sharing powers in Part 5 \(chapter one\) of the Digital Economy Act 2017 to support passported benefits and reduce fuel poverty - GOV.UK](#), retrieved November 2025

4. Supplier delivery and scheme oversight

This section outlines our proposals for supplier delivery of the DRS with Ofgem oversight building on the approach set out in our December 2024 policy consultation and August 2025 working paper. We confirm that suppliers will deliver the scheme and Ofgem will oversee delivery and set out the operational requirements on suppliers in delivering Phase 1. We also set out our updated proposals for overseeing supplier delivery.

Delivery approach

Recap of policy consultation delivery approaches

- 4.1 In our December 2024 policy consultation, we proposed 2 options for the administration and delivery of the DRS. Option 1, our preferred option, was for suppliers to deliver DRS with oversight of supplier delivery (administration) by Ofgem. Under Option 2, Ofgem would appoint a third party to collect funds and apply disbursements to customer accounts.

Stakeholder feedback

- 4.2 Most stakeholders who expressed a view preferred Option 1, including 7 out of the 10 supplier respondents and 7 CGCs. Stakeholders supporting Option 1 noted that supplier systems, processes, data, and knowledge of their own customers could be leveraged to deliver the scheme efficiently, at pace, and in a standardised form. One supplier respondent noted the Energy Price Guarantee (EPG) and the Energy Bill Support Scheme (EBSS) as recent examples of suppliers successfully delivering similar programmes. Another respondent argued that Option 1 was the simplest option, and this could have the benefit of clear responsibilities and accountability in delivery.
- 4.3 Three suppliers expressed a preference for Option 2, with 1 noting how other Ofgem initiatives had been successfully delivered at pace by third parties. Another respondent called for the DRS to be administered directly by government. One CGC respondent called for an independent body to administer the scheme in the interests of impartiality, while another felt that there was a trade-off between the speed of delivery from Option 1 and the quality of delivery from Option 2.
- 4.4 Having considered stakeholder feedback, supplier delivery with administration by Ofgem remains our preferred delivery approach. We consider suppliers are best placed to utilise their existing systems and processes to deliver the DRS quickly and efficiently, and that supplier delivery best facilitates our objective of the DRS driving engagement between customers and suppliers. We consider that appointing a third-party administrator would undermine this objective, as well as requiring additional resources and a longer lead-time for delivery than Option 1.

Recap of working paper delivery approach

- 4.5 In our August 2025 working paper, we provided an update on our preferred delivery approach. We proposed that all suppliers who were obligated to participate in scheme year 15 of the WHD would be obligated by SLCs to participate in the DRS. This would give almost 100% of customers with energy crisis debt access to the scheme; whilst ensuring all suppliers participating had the technical capacity to undertake data matching.
- 4.6 We set out that we expected suppliers to be ready to deliver Phase 1 in Q1 2026 as this could be delivered using suppliers' existing systems and processes, with minimal new system build required. We committed to consulting further on the design and implementation of Phase 2.

Stakeholder feedback to our working paper

- 4.7 Of the suppliers that responded to our working paper, several called for further clarity on the proposed scheme design, noting this was essential before they could confidently begin preparing for implementation. Two respondents called for a Delivery Guidance document to be published. Three suppliers expressed support for later delivery, with 1 respondent expressing concerns that suppliers may need to begin preparing for the scheme throughout the consultation period. One respondent suggested that our proposed timetable did not allow suppliers sufficient time to establish compliance with the scheme, while another respondent proposed that a longer lead-time was appropriate if it resulted in better outcomes.
- 4.8 One respondent agreed the DRS Phase 1 could largely be delivered using existing processes but noted supplier capacity is limited and preparing for the scheme would require additional resources.
- 4.9 Several respondents called for Ofgem to collaborate further with suppliers on our delivery approach, with 1 respondent recommending setting up an industry working group to sequentially work through any delivery issues.

Final proposal: delivery approach

- 4.10 Having considered stakeholder feedback, we recognise the need to provide suppliers with sufficient policy clarity and an appropriate lead-time to begin preparing for delivery. We have published our proposed licence changes and our Delivery Guidance document alongside this consultation, which set out the obligations we propose to place on suppliers in delivering the DRS Phase 1.
- 4.11 We remain of the view that Phase 1 will be largely deliverable using existing supplier processes, with minor system changes required and re-training of customer service agents to process scheme applications, and we have not received any feedback from suppliers to indicate that delivery of Phase 1 is not operationally feasible in Q1 2026. We remain of the view that our proposed

phased approach will help to manage the flow of the DRS applications to suppliers, reducing their administrative burden and operational requirements in delivering Phase 1. We are therefore confident that delivery in Q1 is an ambitious, but deliverable, timeline which best facilitates our objective of ensuring customers and suppliers can access the benefits of the scheme in a timely manner.

4.12 We therefore expect that, in Phase 1, suppliers will:

- Identify which customers have eligible debt prior to the launch of the scheme;
- Identify whether customers are in receipt of means-tested benefits using DWP data matching;
- Write-off eligible debt for customers who meet the scheme's eligibility criteria and engagement condition;
- Make proactive contact with potentially eligible customers to provide them with information regarding the scheme; and
- Offer a route for customers to engage in order to qualify for scheme support.

4.13 We also remain of the view that the DRS should run for a limited time-period, which gives customers sufficient time to engage with their suppliers to receive the benefits of the DRS. As set out in our working paper, we are proposing the scheme will close to applications on a set date in Q1 2027. There will then be a 'wind-up' period for suppliers to make final determinations on applications for the DRS support and suppliers to calculate their final incurred costs and submit reimbursement claims.

4.14 As discussed in the previous section, the DRS cannot go-live without the commencement of amendments to the Digital Economy Act 2017.¹¹ These changes have been consulted on, but the decision document has not yet been published and the amending regulations are subject to the will of parliament. As such, the proposed timeline below is ultimately subject to change if the amendments are passed later than the below expectation. We will communicate any proposed changes to the timeline to energy suppliers as required.

4.15 Table 1 below sets out our expected timeline for publication and delivery of the DRS Phase 1, noting that this timeline is contingent on a decision on DRS licence changes and commencement of amendments to the Digital Economy Act, and therefore may be subject to change.

¹¹ "Expanding the information sharing powers in Part 5 (chapter one) of the Digital Economy Act 2017 to support passported benefits and reduce fuel poverty" at [Expanding the information sharing powers in Part 5 \(chapter one\) of the Digital Economy Act 2017 to support passported benefits and reduce fuel poverty - GOV.UK](#)

Table 1 - Expected Publication and Delivery Timelines for DRS Phase 1

Milestone	Timeline
Publication of DRS Decision	January 2026
Communication of regulatory expectations (Supplier readiness – checkpoint one)	Q1 2026
DRS licence changes come into force	Q1 2026
Supplier self-assessment (Supplier readiness – checkpoint two)	Q1 2026
DWP Data Matching legislation comes into force (Digital Economy Act 2017), subject to Parliamentary approval.	Early 2026
DRS Phase 1 Launch - suppliers begin applying DRS adjustments to accounts	Early 2026, once licence changes come into force and passage of DWP data matching legislation, subject to Parliamentary approval
First Phase 1 Claim Submission Round	Q3/4 2026
DRS Phase 1 Closes to Applications	Q1 2027
Wind-up period	Early 2027-Mid 2027
First Phase 1 Claim Payment (from Networks to suppliers)	Q2 2027

Scheme oversight

4.16 In our December policy consultation, we proposed that the DRS would be underpinned by a robust compliance and assurance programme to ensure

suppliers demonstrate compliance with scheme licences and that the DRS support reaches customers who are eligible.

- 4.17 We proposed two options for assuring the DRS. Under Audit Option 1, Ofgem would carry out a pre-readiness audit on suppliers, monitor delivery progress throughout the life of the scheme, and conduct ex-post compliance checks and an audit. Audit Option 2 would include the above steps with the addition of an assessment of supplier funding claims before debt write-off is applied to customer accounts.

Stakeholder Feedback: scheme oversight

- 4.18 Seven out of 10 suppliers indicated a preference for Option 1, with some respondents noting Option 2 risked introducing additional complexities and delays in the distribution of the DRS support. Three suppliers called for proportionality, noting the audit and assurance requirements for the government's energy crisis support schemes were complex. Two suppliers indicated a preference for Option 2 on the basis that this was more proportionate to the requirements of the scheme. One supplier suggested that both options were administratively challenging and cautioned that, for smaller suppliers, administrative costs could outweigh the benefits of participating in the scheme.

Final proposal: scheme oversight

- 4.19 Having considered stakeholder feedback and further developed our scheme design, our preference is to proceed with the approach outlined in Option 1. We remain of the view that pre-readiness checks are necessary to ensure participating suppliers can deliver the scheme in a standardised format and demonstrate compliance with the new licence changes on the scheme launch date. We also remain of the view that regular reporting on delivery progress will enable Ofgem to intervene early to address areas of underperformance and rectify non-compliance with the DRS licence conditions.
- 4.20 However, we are minded not to proceed with an automatic requirement for participating suppliers to undertake an ex-post audit and compliance checks. We consider that a similar process to Supplier of Last Resort (SoLR) levy claims, whereby suppliers have their ex-post claims for costs incurred under the scheme independently assured to be more proportionate and we provide further details of this approach later in this section. We may still require suppliers to undertake additional audit or assurance work if we have concerns about their compliance with SLCS.
- 4.21 We therefore propose to proceed with the following approach to scheme oversight:
- A pre-scheme supplier readiness assessment;
 - Monthly scheme delivery reporting;

- A periodic sample-based assurance exercise to test compliance, as appropriate; and
- Independent assurance of reimbursement claims.

Supplier Readiness Assessment

4.22 We expect suppliers will be capable of delivering Phase 1 using their existing systems and processes, with minor changes. However, as outlined in our previous publications, we propose to conduct pre-scheme checks to ensure that all participating suppliers are operationally ready to deliver the DRS Phase 1 in a consistent and standardised manner by the launch date.

4.23 We note feedback from stakeholders that readiness assessments for previous schemes, such as the three-checkpoint programme for EBSS, were complex and labour intensive for suppliers to deliver. We also note that, in response to our working paper, 1 supplier questioned the requirement for any readiness assessment for the DRS as the scheme is not directly funded by taxpayers. One respondent also suggested that pre-scheme checks could require supplier resources which would be better used in preparing for delivery. One respondent called for Ofgem to ensure any readiness assessment was conducted on a pragmatic and flexible basis, while a further respondent called for a process by which Ofgem would demonstrate its readiness to administer the scheme.

4.24 While we do not consider it would be proportionate to replicate the EBSS readiness process for the DRS, we consider pre-readiness checks are proportionate to assure that:

- Suppliers are ready to comply with the scheme licence changes on the launch date;
- Suppliers have processes in place to monitor and prevent fraud from arising on the scheme; and
- Suppliers can maintain a comprehensive audit trail for the DRS credits applied to customer accounts.

4.25 We intend to implement a two-stage process to overseeing delivery readiness. We will write to suppliers shortly after making our final decision and set out our regulatory expectations for the DRS licence changes. We will ask all suppliers to respond and confirm they are mobilising towards operational readiness on the proposed launch date. If suppliers experience any issues while mobilising towards delivery, they should immediately notify Ofgem.

4.26 Suppliers will self-assess their readiness to deliver Phase 1 against an assessment framework set out by Ofgem. Suppliers will submit evidence of their business processes and rate themselves against the following criteria:

- Operational readiness;
- Mechanisms to identify and prevent fraud;
- Communications approach; and

- Audit trail and reporting capabilities.
- 4.27 Our proposed licence changes will obligate suppliers to have their responses to our readiness assessment verified by a named company director or another authorised person. This will give us assurance that a named individual with sufficient seniority is confident their response accurately reflects their organisation's ability to deliver the scheme.
- 4.28 Ofgem will assure supplier responses against our framework. We will work with suppliers to remedy cases of non-readiness, noting that non-readiness will be a breach of the licence changes and may be subject to Ofgem compliance or enforcement action. If we are concerned about a supplier's submission, we may request further evidence or proof of appropriate business processes.
- 4.29 In our working paper, we proposed that suppliers must pass a readiness assessment in order to be eligible to make a reimbursement claim from the scheme. Any supplier who fails to demonstrate compliance with the licence changes, including by failing to respond, will be ineligible to submit a claim and will not be reimbursed. One respondent to the working paper questioned this approach and argued this could hamper implementation efforts. However, we consider that this is a sufficient incentive for suppliers to mobilise for the launch date and demonstrate readiness.
- 4.30 We will use information gathered through supplier readiness assessment to direct suppliers whether to proceed with scheme payments ahead of launch date. This decision will also be informed by other factors, such as the passage of legislation enabling DWP data sharing. We set out more information on our expectations for supplier readiness in the Delivery Guidance that accompanies this statutory consultation.

Reporting

- 4.31 In our August 2025 working paper and workshops with suppliers, we set out our expectation that suppliers would submit regular reports to Ofgem for the purpose of monitoring delivery progress, identifying and mitigating any arising issues, and to check ongoing supplier compliance with the proposed Standard Licence Condition 24B. We set out our intention that, where possible, any new reporting requirements would not be labour intensive for suppliers and align with our recurring requests for information and social obligations reporting.
- 4.32 In response to our working paper, 2 suppliers noted that building relevant reporting would have an appropriate lead-time. One supplier welcomed our intention to align the DRS reporting with existing requests for information.
- 4.33 Having considered stakeholder feedback, we remain of the view that suppliers will be required to submit periodic progress reports after the scheme launch. The reporting process will continue throughout the scheme and the discretionary period following the close of the scheme to new customer applications.

- 4.34 We have set out a proposed reporting schedule, required data metrics, and data submission process in the Delivery Guidance document. We anticipate that suppliers will submit data using a standard response template which is also provided alongside the guidance and using a secure data transfer platform if agreed to be appropriate.

Compliance

- 4.35 We will use our existing compliance tools to assess suppliers' compliance with relevant licence conditions. This could include monitoring of supplier data, or conducting periodic 'deep dives' on samples of customer account data. We will expect suppliers to retain an audit trail for the DRS credit applied for customer accounts. We have set out further information regarding this process, the proposed reporting schedule, and data submission procedures in the Delivery Guidance accompanying this consultation.

- 4.36 For compliance reporting, the supplier should be able to provide, on request, evidence from their customer relations management system which demonstrates:

- The date and value of the DRS adjustment applied;
- The customer held eligible debt;
- The customer met the DRS eligibility criteria; and
- The customer met the DRS engagement condition.

Assurance of supplier claims

- 4.37 As suppliers will be submitting ex-post claims for costs incurred in delivering the DRS, we will not direct suppliers to undergo an ex-ante scheme audit.

- 4.38 Instead, we propose that suppliers should have reimbursement claims for costs incurred under the DRS independently assured. Suppliers should retain a comprehensive audit trail and records of any disbursements applied through the scheme to allow an independent auditor to review that credits were correctly applied.

- 4.39 We consider this process will follow a similar procedure to SoLR levy claims. The independent assurance must be rigorous, conducted to recognised professional standards, and cover the Agreed Upon Procedures (AUP) set out in the scheme Delivery Guidance. Unless otherwise advised, the completed AUP reports should be submitted alongside the DRS payment claim. We consider an independent audit to one conducted to the International Standard on Related Services 4400 or equivalent standards, and will accept audits by an internal audit function provided they can demonstrate sufficient operating independence from the business unit delivering the scheme.

- 4.40 We will only request an external, independent audit if we have serious concerns about any parts of a DRS payment claim. We consider that an external audit, if

requested by Ofgem, is an avoidable cost and will not be considered an efficiently incurred administration cost to be included within the DRS payment claims.

- 4.41 We expand further on the on the adjustment process associated with supplier claims in Section 6, and the timelines for claim submission in Section 7.

5. Financing approach

This section sets out our decision on how the DRS will be financed, building on earlier work in our policy consultation and working papers.

Approaches set out in December 2024 Consultation

- 5.1 In our December 2024 Consultation we set out 2 options for financing the costs of the scheme:
- Recovery of the costs through network charges; or
 - Funding provided through suppliers, supported by a price cap allowance.
- 5.2 We discussed how, under the network charges recovery option, the approved claim would be paid by networks and recovered through higher network charges. Any DRS costs recovered through network charges would be reflected in the price cap, and other tariffs, and ultimately be paid by energy customers in Great Britain.
- 5.3 We set out how networks could pay approved DRS claims to suppliers before networks recover the costs through higher network charges and, alternatively, how payments to suppliers could be delayed until networks begin to recover their costs through higher network charges. We discussed how this latter option has established precedent as the approach adopted for SoLR levy claims payments and would likely reduce any concerns networks may have around financeability and/or adding retail market related cashflow risk to the network companies' balance sheets. We also discussed the possibility of third parties funding the scheme and recovering their costs through higher network charges. Each option has advantages and disadvantages. The third-party financing approach would avoid the need for suppliers or networks to provide finance, whilst also potentially allowing a longer recovery period, but the associated financing cost and value for money aspect was uncertain.
- 5.4 We discussed the second broad option of introducing a new price cap allowance to fund the costs of a DRS, supported by a reconciliation mechanism if required to balance payments across suppliers.
- 5.5 We considered that using network charges to fund the DRS could be beneficial because it allows consideration of customer bill impacts, with costs potentially recovered over a longer time period. This could increase customer acceptability by lowering the yearly impact on customer bills. In addition, network charges provide a mechanism to balance claims across suppliers, which means that a separate reconciliation mechanism would not be required under this option, lowering associated administrative costs.

Stakeholder feedback to our working paper

- 5.6 Several suppliers suggested that His Majesty's Government (HMG) could provide a social tariff or financial support to the DRS. If the DRS costs were to be recovered from the energy sector, several suppliers expressed a preference for networks to pay suppliers quickly before receipt of higher network revenue, whilst others expressed a case for the SoLR levy claims approach to be applied to the DRS.
- 5.7 Networks expressed a strong preference for the non-network charging approach, with several networks suggesting that the DRS should be funded by HMG. If the DRS costs were to be recovered from the energy sector, networks strongly preferred a supplier allowance approach, rather than a network charging approach.
- 5.8 If cost recovery was through network charges, they expressed a strong preference for the timing of payments to suppliers to match the timing of network revenue recovery, as per the approach applied for Supplier of Last Resort payments.
- 5.9 Networks considered that DRS cost recovery through network charges might introduce contagion risk and were concerned it might lead to increases in networks' cost of capital. Electricity networks also argued that the recovery through network charges proposal could contravene Article 18 of the EU Regulation 2019/943.¹²
- 5.10 The electricity networks were of the opinion that the DRS costs were unrelated policy costs and therefore were outside the scope of electricity network charges under Article 18.

August 2025 working paper

- 5.11 After considering extensive feedback on the scheme's funding approach and given the expected magnitude of the scheme, we set out in our working papers how we consider that using network distribution charges to collect and distribute funds for a one-off DRS would be the most appropriate approach. This allows differential payments to suppliers. This means that a separate reconciliation mechanism would not be required under this option, lowering the associated administrative costs of the scheme. The network charging option more easily facilitates suppliers being able to access short-term funding from banks (third party finance).
- 5.12 We set out our proposal that supplier claims would be paid out on a "pay when paid" basis, as per the SoLR levy claims approach. In other words, network companies would collect the funds for the DRS under network charges but would only distribute funds to suppliers once that money had been collected. Suppliers

¹² Regulation [\(EU\) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity](#).

would be able to assign their approved claim to a third party and receive finance earlier than waiting for the payments from networks.

- 5.13 We proposed that suppliers would invoice networks from April 2027, after Ofgem has approved the supplier DRS claims and issued directions, in a similar way to how SoLR levy claims are approved and paid. Any scheme costs recovered through network charges would be reflected in the price cap and other tariffs, and ultimately be paid for by domestic customers.
- 5.14 We considered a longer recovery period (such as 2-3 years) but we were minded to proceed with a 1-year payment and recovery period, given the expected magnitude of the scheme and the extra financing costs associated with deferred payments to suppliers.
- 5.15 As per SOLR levy claims cost recovery, we proposed to recover the DRS costs from domestic customers, and through Standing Charges for electricity customers and volume charges for gas customers. We discussed how gas and electricity code modifications would be necessary to recover DRS costs, and requested that relevant parties begin work on code modifications to support implementation.

Working paper feedback

- 5.16 Networks were supportive of the Pay-When-Paid approach, compared with the Pay-Promptly approach. Networks questioned the rationale for why the funding approach through network charges was preferable to the Supplier allowance approach.
- 5.17 Suppliers were generally supportive of the Pay-When-Paid approach, but one supplier expressed support for the Pay-Promptly Approach.
- 5.18 Two suppliers were supportive of Pay-When-Paid only if third party assignment was allowed. Conversely two networks were not supportive of third party finance, considering it to be unnecessary, costly or too complex.
- 5.19 Networks repeated an argument that was made in response to our December 2024 policy consultation, that the recovery through network charges proposal could contravene Article 18 of the EU Regulation 2019/943.¹³
- 5.20 Some of the networks contended that DRS payments could represent “unrelated policy costs”.

Proposal

- 5.21 We propose to continue with the broad approach set out in the August 2025 working paper, that networks would pay supplier claims on a “pay when paid”

¹³ Regulation [\(EU\) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity](#).

basis, as per the SOLR levy claims approach, and that payments would commence at the start of the 2027/2028 charging year.¹⁴

- 5.22 Each approved claim will be paid over a 12-month charging year, and we propose to have a cut-off date of 30 November each year for the approval of claims. Any claims approved by 30 November 2026 would be paid in 2027/28, subject to a cap as detailed below, any claims approved between 1 December 2026 and 30 November 2027 would be paid in 2028/29, and any claims approved after 1 December 2027 would be paid in 2029/30. Suppliers would be able to assign their approved claim to a third party and receive finance earlier than waiting for the payments from networks.
- 5.23 As per our August 2025 working paper and as per the approach for SoLR levy claims cost recovery, we propose to recover the DRS costs from domestic customers, and through Standing Charges for electricity customers and volume charges for gas customers.
- 5.24 Some stakeholders have expressed concerns that proposals to fund the DRS through network charges are contrary to Article 18 of EU Regulation 2019/943. The Secretary of State for Energy Security and Net Zero is supportive of Ofgem consulting further on the Debt Relief Scheme and is content to make a Direction under section 22 of the Energy Prices Act 2022 subject to the outcome of this consultation. This Direction to network companies (gas transporters and electricity distributors) would be to include Debt Relief Scheme Payments in their respective charging statements as required by the Debt Relief Scheme. The draft Directions have been published as an Appendix to this document and any comments provided to Ofgem in relation to this Direction will be shared with the Department for Energy Security and Net Zero.
- 5.25 Ofgem welcomes the progress being made by the gas industry in bringing forward the Uniform Network Code (UNC) modifications required to recover DRS costs from shippers supplying domestic customers.¹⁵
- 5.26 Ofgem will work with industry to develop and implement the Distribution Connection and Use of System Code (DCUSA) modifications required for electricity distribution networks to reflect DRS costs in network use of system charges.¹⁶
- 5.27 The situation in the electricity distribution sector is more complex than it is other sectors, as electricity distribution network charges are normally published 15 months ahead of the charging year. Electricity distribution network charges for

¹⁴ Suppliers pay distribution charges one month in arrears, and hence distribution networks receive use of system payments related to April 2027 from suppliers in May 2027. The first DRS payments from networks to suppliers would occur in May 2027.

¹⁵ [DRS Payments \(DRSP\)s | Joint Office of Gas Transporters - Gas Governance](#).

¹⁶ Distribution Connection and Use Of System Code governs how customers are charged for the use of electricity distribution system.

2027/28 are due to be published in December 2025, but this publication date is before the expected commencement of the DRS. Our preferred approach is for electricity distribution networks to revise their 2027/28 published tariffs in 2026, when there is more certainty of the magnitude of DRS costs. Ofgem continues to explore this approach and other options with electricity distribution networks. Ofgem proposes to set a cap to DRS payments by electricity networks in 2027/28 at the DRS amount recovered by the revised tariffs. The electricity distribution tariffs for 2028/29 would reflect any claims approved in 2026 above this capped amount.

- 5.28 The Licence modifications Notices are published alongside this document. We expect licence modifications to become effective from April 2026 in both the gas distribution and electricity distribution sectors.

6. Supplier reimbursement methodology

In this section, we outline our preferred methodology to reimburse suppliers for debt written off under the DRS.

Determining a reimbursement methodology

- 6.1 The DRS introduces a requirement for suppliers to write-off debt on a customer account in defined circumstances. We consider that it is therefore necessary to reimburse suppliers for the market value of any assets disposed under the scheme.
- 6.2 Determining the market value of assets disposed under the scheme is challenging. Suppliers have recognised the market value of the DRS eligible debt is lower than the face value because a significant portion of this debt is unrecoverable, and this is reflected in the bad debt provision applied to the debt recorded in the suppliers' published accounts. As the DRS is limited to aged, historic debt, Ofgem expects that suppliers will have already provisioned for a portion of this debt, and will have already recovered some of these costs through the debt related cost allowance within the price cap. For these reasons, we consider that basing the DRS reimbursement on the face value of debt would overvalue the asset and not represent value for money for billpayers.
- 6.3 The issue is further complicated by the complexity and variation we have observed in supplier provisioning methodologies, with some suppliers adopting different provisioning methodologies and rates for different customer payment types. Bad debt provisioning is the accounting practice in which a company creates an accounting entry to reduce the value of receivables on their balance sheet, reflecting their expectation of the likelihood of these receivables being paid. Under international accounting standards (International Financial Reporting Standards or UK Generally Accepted Accounting Practice), provisioning rates represent a best estimate of a company's expected credit losses.

Recap of our policy consultation and working paper positions

- 6.4 In our policy consultation, we set out our position that suppliers would make reduced funding claims from the scheme to account for where they had previously been compensated through price cap allowances. We referred to this as the 'overlap' and projected that suppliers had recovered approximately £1.8 billion through the price cap allowance during the eligible debt period. We considered that suppliers would 'net-off' their claims to prevent being reimbursed twice – through the price cap allowances and the DRS – for the costs of writing-off the same customer debt. We also recognised that some suppliers may have recovered above or below cap allowances based on their customer portfolio within the eligible period.

- 6.5 In our August 2025 working paper, we set out our view that the DRS should instead seek to reimburse suppliers for the market value of the debt written off under the scheme; while any short-fall or over recovery of debt related cost allowances in the price cap should be considered by a separate bad debt true-up process.
- 6.6 We considered that separating these issues had the advantage of simplifying the DRS reimbursement, and ensuring any DRS reimbursement was directly linked to the loss of asset value under suppliers' licence obligations.
- 6.7 As an alternative to the 'overlap', we consulted on 3 potential methodologies which linked supplier reimbursement to published provisioning rates. These approaches are summarised below:

Table 2 - Summary of proposed reimbursement models

Model	Basis for reimbursement	Illustrative effective reimbursement rate	Key Features
Option One: Notional Supplier	Industry weighted average provisioning rate	~20% for every supplier on average overall	Simple, standardised approach aligned with price cap methodology which reflects average market conditions
Option Two: Supplier-by-supplier	Individual supplier's audited provisioning rate	Varies by supplier dependent on expected revenue collection	Directly ties reimbursement to suppliers' own commercial valuations and expected revenue collection
Option Three: Hybrid	Individual supplier's audited provisioning rate, with minimum threshold	Varies by supplier, with a maximum of ~38%	Directly ties reimbursement to suppliers' own commercial valuations but maintains fairness by capping the reimbursement rate to avoid outliers

- 6.8 We set out our initial view that Option Three, the hybrid approach, was the most appropriate reimbursement methodology for the scheme. We considered this had the benefit of directly linking reimbursement to suppliers' own commercial valuation of their debt, and their expected revenue collection. We considered a hybrid approach was preferable to the supplier-by-supplier model because it would filter out some of the outliers we have observed in suppliers' provisioning rates.

Stakeholder responses to working paper

- 6.9 In response to our August 2025 working paper, 4 suppliers indicated a preference towards a notional supplier model. Respondents who favoured this option argued this best addressed the observed variations in provisioning rates by establishing an industry average and was most representative of established precedent under the price cap. Two respondents argued the notional approach was not appropriate and could result in under-recovery. One respondent highlighted the issue of selection bias in scheme design as those who would receive the DRS support would be engaged customers – some suppliers could therefore expect a higher recovery rate from DRS customers than under a notional model. Another respondent recognised that a notional approach was the simplest approach and easiest to administer but considered it could result in writing off debt at a loss.
- 6.10 Three suppliers expressed a preference for a supplier-by supplier model, with these respondents considering a supplier-by-supplier method was a better estimate of actual recoverability of their debts. One respondent expressed concern this option would represent a shift away from price cap principles. A further respondent suggested this approach could result in competitive distortions, if suppliers were reimbursed differently for the same type of debt due to different provisioning approaches. The respondent also expressed concern about potential gaming as suppliers received an incentive to maximise their claim rates.
- 6.11 Two suppliers indicated a preference for a hybrid approach. Another respondent considered that, while there was merit to this approach, they lacked enough information on the proposed floor to comment. One respondent also called for the inclusion of a cap in the hybrid approach. One supplier considered a supplier-by-supplier approach was preferable as the floor could result in them under-recovering against their expected debt recovery.
- 6.12 Respondents also offered broader feedback on the use of provisioning rates in inform reimbursement, with 1 supplier calling on Ofgem to return to the previous ‘overlap’ methodology. One respondent emphasised that provisioning rates are a series of accounting judgments and are not designed to reflect real-term commercial value. A further respondent considered that any debt provisioned at less than 50% should not be considered for inclusion under the DRS, and that it would be a perverse outcome to write-off debt where the supplier believes recovery was more likely than not.

Our response to stakeholder feedback

- 6.13 Having considered stakeholder feedback, we consider that the price cap methodology and the DRS reimbursement methodology seek to achieve different objectives. The price cap sets forward-looking allowances and seeks to incentivise suppliers to be efficient in discharging their future license obligations. The DRS is retrospective and is being introduced through a time-limited licence

condition, rather than as an adjunct to the price cap. Rather than incentivising supplier efficiency, we are seeking to provide suppliers with reimbursement equivalent to what they would have recovered against the asset. It is therefore our view that we are not obligated by precedent to adopt a notional supplier approach to the DRS reimbursement, nor that adopting a supplier-by-supplier approach marks a departure from regulatory precedent.

- 6.14 Furthermore, we remain of the view that the DRS should not seek to reconcile supplier over or under-recovery through the price cap debt related cost allowances against their actual performance. We will be able to consider aggregate performance relative to allowances through any future true-up within the price cap. Following stakeholder feedback, we do not consider returning to an ‘overlap’ based methodology would be appropriate as there would be considerable challenges demonstrating a relationship between outstanding debt, 2 to 4 years after this debt was accrued, and when revenue was received for this debt through the debt related cost allowance. These allowances in the cap do not relate to a specific time period of costs.
- 6.15 As stated above, we consider there is a basis to apply suppliers’ provisioning rates as a starting point when determining the value of their debt to be written-off under the DRS as this is closest proxy we have to the market value of the debt. We recognise that there are valid, material reasons for the variations in supplier provisioning rates, such as the nature of suppliers’ portfolios, and that these are, to an extent, outside of the suppliers’ control. We therefore recognise that different suppliers will hold different recovery expectations towards the debt and arrears of the same face value and that this does not necessarily reflect inefficient debt management or underperforming debt collection or the supplier’s behalf. Similarly, we accept that suppliers with higher debt recovery expectations do not necessarily have an aggressive or unreasonable approach to debt collection.
- 6.16 As such, we recognise that provisioning rates can be influenced by many business factors and represent a best estimate rather than a precise ‘market value’ of the company’s debt book. Nonetheless, we consider that published provisioning rates – having been signed-off by an auditor – represent a useful starting point when in determining the market value of the historic debt suppliers expect to recover.
- 6.17 However, we recognise that there are limitations to this approach. Reimbursement is based on bad debt provisioning rates that reflect only the age of the debt, account type, and payment method that may not match the characteristics of the customers who are eligible for the DRS, nor for the characteristics of consumers who take up the DRS where additional engagement is required. This simplification may lead to under-reimbursement, as the actual recovery expectations from these customers and the recovery timeframe could differ from the aggregated provisioning rates suppliers report to Ofgem.

Final proposal

- 6.18 Having reflected on stakeholder feedback, we are minded-to proceed with a revised version of the hybrid approach set out in the August 2025 working paper.
- 6.19 We still consider a version of the hybrid approach is the most appropriate reimbursement methodology for the scheme, by taking suppliers' expected revenue into consideration and including a mechanism to address observed outliers. However, we recognise stakeholder feedback relating to setting the floor under a hybrid model and recognise that provisioning rates may oversimplify the expected recovery.
- 6.20 We therefore propose to remove the floor, and instead to include an adjustment mechanism to capture differences between a supplier's aggregate provisioning rate and the market value of written-off debt under DRS. Where suppliers consider the standard provisioning approach does not fully reflect the market value of their debt and arrears, they will be able to submit evidence to support a revised valuation. If a supplier chooses not to offer evidence to support a revision, we will use their audited provisioning rate except in outlier cases where we may seek further evidence from suppliers to reconcile their provisioning methodology against expected recovery. This latter process could result in reimbursement rates lower than those implied by the provisioning rate in some cases.
- 6.21 We require that any evidence submitted for the adjustment mechanism be reviewed and supported by the professional opinion of a suitably qualified person. Ofgem would then consider this evidence and make a decision, potentially revising reimbursement rates upwards or downwards.
- 6.22 The adjustment process will involve the following steps, which will be completed before the first supplier claims window. A supplier's claims will be assessed against data set out in a supplier's submission to the adjustment process.
- **Initial RFI:** Prior to scheme launch, suppliers will make an initial data submission detailing their provisioning rates for eligible debt reconciled back to their latest audited annual accounts, disaggregated by payment method and account type (closed or live account). This will form the baseline for DRS reimbursement rates.
 - **Adjustment:** Ofgem may request further information to verify or adjust the reimbursement of outlier cases. Should a supplier disagree with their baseline reimbursement rates, they will submit further evidence to Ofgem demonstrating their expected revenue recovery on eligible debt and arrears, and explaining why this differs materially from their bad debt provisioning. Where the basis for supplier provisioning is more complex than just by payment type and age of debt, they will also set out their customer categorisation. Ofgem may also request further information to verify or

adjust the reimbursement of outlier cases. We will require any evidence to have been approved by an appropriate individual at the supplier.

- **Decision:** Ofgem will consider the evidence against a decision-making framework and apply a reimbursement rate to each relevant customer category. This could include revising the reimbursement rate upwards or downwards. We would seek to make final decisions prior to the scheme launch to provide all suppliers with confidence when projecting their potential reimbursement from the DRS.

6.23 Following Ofgem’s decision, suppliers will submit their DRS Payment Claims segmented by the agreed customer categories – with customers being allocated to a category based on their status when the debt write-off was applied. The supplier will apply the latest notified reimbursement rates to the values written off in each category. The process for submitting, assessing and paying claims will be explored in the next section.

6.24 To ensure that any additional administrative burden placed upon suppliers is proportionate, we will apply a materiality threshold for use of an adjustment mechanism, where the administrative costs involved in this may outweigh the potential benefits for suppliers and billpayers.

6.25 We also do not consider it would be appropriate for suppliers to claim back administrative costs involved in submitting an adjustment to their baseline reimbursement rates, and we are therefore minded to exclude the recovery of these costs through scheme claims.

6.26 Whilst we recognise that this adjustment mechanism adds an additional administrative process and will need to be delivered at pace, we consider that it is important to ensure that suppliers’ assets reflect their market value and that the scheme delivers value for billpayers. We will engage with suppliers and use supplier guidance to develop and seek feedback on a framework to deliver the adjustment mechanism.

Customer contributions

6.27 In our August 2025 working paper, we outlined our intention to deduct customer contributions as part of any reimbursement calculation and set this, provisionally, at 5%.

6.28 Respondents strongly rejected the inclusion of a customer contribution figure within the reimbursement methodology, with feedback predominantly questioning whether a 5% contribution rate was viable given that many customers accessing the scheme would be in negative budgets. Respondents expressed concerns that uncertainty around the eventual level of customer contributions, and any 5% contribution would push them into under-recovering against debt written off under the scheme.

- 6.29 We recognise that there may still be some potential over recovery through debt related cost allowances, but this will be addressed in a separate true up exercise.
- 6.30 Following stakeholder feedback, we recognise these arguments, and we are now minded-to remove the customer contribution clause. We will consider what role customer contributions should play for Phase 2 customers, and whether this can drive behavioural change and value for money incentives in our Phase 2 consultation.

Supplier reimbursement for time value of money

- 6.31 The DRS reimbursement mechanism closely follows the SoLR levy claims process. As we are proposing to adopt a pay when paid approach, there will be a time-lag between when suppliers begin writing off debt (Q1 2026), submit scheme claims (from Q2 2026) and begin receiving payment from networks (Q2 2027). Whilst we note the view of some supplier respondents that inflation may have a material impact on the value of larger claims, on balance we are not minded to allow claims to be inflated at the point of payment to reflect a difference in the time value of money between write-off and payment. Our reasoning for this is that the DRS claims are for a debt asset which has already been incurred, and writing-off of the debt through the DRS means that the supplier will benefit from certainty that the debt will be repaid. We will further engage with suppliers on this issue and on administrative expenses as we develop guidance on our claims approach.

7. Supplier claims process

In this section, we provide a high-level overview of our process for receiving and approving supplier claims.

The proposed DRS claims process

- 7.1 In our policy consultation, we outlined a claims process which would allow suppliers to be reimbursed for costs spent on the DRS. We laid out our expectations for how many claims there would be, as well as the need for these claims to account for debt already compensated for via the price cap.
- 7.2 The August 2025 working paper presented our updated view that the DRS claims process should be informed by the SoLR levy claims process, given supplier familiarity with this process.

Stakeholder feedback: claims process

- 7.3 Of the supplier responses to the working paper, 3 provided substantive feedback to the claims process, while another 3 referred to claims solely in the context of the supplier reimbursement methodology.
- 7.4 One supplier proposed a third claim window in Q1 2027, should approved claims fall below the forecasted recovery amount for 2027/28.
- 7.5 Another supplier requested the inclusion of debt write-offs incurred prior to the scheme's go-live date, provided they meet the eligibility criteria. While we support suppliers in assisting customers beyond the scheme's scope, only DRS-specific debt write-offs will qualify. This approach ensures the appropriate use of government funds by safeguarding their consistent application and protects against fraud and customer exploitation.
- 7.6 Another supplier argued that debt should only be written off following claim approval to mitigate perceived financial risk. However, we maintain that claims must reflect costs already incurred. Introducing a pre-approval process would significantly alter scheme cash flows compared to SoLR levy claims and could shift tax and spending across financial years. Requiring claims to follow write-offs allows us to manage expenditure across financial and charging years and maintain financial viability.
- 7.7 Of the 10 networks and representatives who responded, the majority supported a claims process modelled on SoLR levy claims, recognising its reliability. However, 4 respondents opposed the inclusion of third-party financing, citing concerns about increased customer costs and unnecessary complexity.

Final Proposal: supplier claims process

7.8 Our proposed Gas and Electricity SLCs (SLC 24B.20 to SLC 24B.28) allow eligible suppliers to claim for payments made under the DRS. Our proposed claims reflect the process used for SoLR levy claims.

7.9 We propose the following structure for the claims process:

- **The supplier submits a claim to Ofgem.** We will provide a supplier claims template within our Delivery Guidance in a subsequent version.
- **Ofgem assesses the claim.** We will seek to determine whether the claim is fair and reasonable. We will aim to complete this process as efficiently as possible. In some cases, we may request further information to support the claim.
- **Ofgem communicates the outcome and issues a claim letter.** We will provide an outcome to the claim as soon as possible.
- **The supplier provides the network with the approved letter.** The approved claim letter will set out the amount to be claimed from each network. Any claims not submitted by the required time will have to wait until the next charging year.
- **Payment.** Networks will begin monthly payments from May 2027.

7.10 Where appropriate, we will assess supplier claims using evidence provided by suppliers as part of the reimbursement adjustment process, as set out in the previous chapter.

7.11 As is the case for SoLR levy claims, there will be a single annual window for processing claims. Suppliers will be able to access third-party financing, enabling them to receive payment prior to the repayment period.

7.12 We intend to publish a further guidance document on the claims process, including timings and allowable expenses. Our expectation is that some administration costs will be included at the point of claim, and that this will be reflected in a flat administration cost applied for each customer claimed for. We consider that this approach will fairly reimburse suppliers whilst encouraging administrative efficiency. We will ensure publication occurs well in advance of the scheme's go-live date and that suppliers have the opportunity to input into the final claims process.

Conclusions and next steps

It remains our view that the DRS, operating as part of a coordinated programme of regulatory measures designed to improve credit management and debt recovery practices within the energy sector, will play a valuable role in reducing debt for affected customers and in the long term. Successful delivery of the DRS will play a partial but significant role in reducing energy crisis period debt, which will benefit not only all customers, but also industry stakeholders.

This statutory consultation creates a mechanism for supplier delivery of the Phase 1 of the DRS, and obligates suppliers to deliver based on that mechanism. We remain of the view that the first phase of DRS can be delivered by suppliers without significant changes to their systems, whilst noting that there will still be a resource impact on those suppliers. However, we encourage suppliers to take action now to enable its delivery. We have published Delivery Guidance setting out the detail of how we expect suppliers to deliver the Phase 1 of the DRS and will continue to develop this with industry. We encourage all suppliers to consider this Delivery Guidance and start to work towards delivery.

As set out earlier in the document, supplier delivery of Phase 1 is dependent on the use of MTB data to identify eligible customers. Suppliers' use of this data for the purposes of a Debt Relief Scheme will be enabled by amendments to legislation which is currently under development by our colleagues in the Department for Science, Innovation and Technology. The date at which suppliers are able to offer DRS support to their customers will depend on the passage of this legislation. We will continue to engage with suppliers and to keep them apprised of its progress, so that they can be clear about when we expect them to deliver their obligations.

It is our intention that the first phase of DRS should be followed by a second phase, which will target those customers who may be eligible to receive support but who are not identified as being in receipt of MTBs. This second phase will overlap with our work with stakeholders to develop an improved income and expenditure assessment process. We expect that the first and second phases will run sequentially, and that DRS will not 'close down' in between phases. With this in mind, we will set out a date for the closure of DRS in subsequent publications.

Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

Appendix 1. Draft Directions

A. Debt Relief Scheme Direction for Electricity Distribution Licensees in Great Britain

This Direction is made under Section 22(1)(a) and (2) of the Energy Prices Act 2022¹⁷

1. Citation, commencement, interpretation and extent

1.1. This Direction may be cited as the ‘Debt Relief Scheme Direction for Electricity Distribution Licensees in Great Britain’.

1.2. This Direction has effect from [insert date].

1.3. In this Direction:

(a) **“Debt Relief Scheme”** means the scheme established by the Gas and Electricity Markets Authority (“GEMA”) to reduce domestic consumer energy debt accrued during the energy crisis, as provided for in standard licence condition (“SLC”) SLC 24B of the Electricity Supply Licence and SLC 38D of the Electricity Distribution Licence published by the GEMA on [insert date];

(b) **“licensee”** means the holder of a distribution licence for the purposes of section 6(1)(c) of the Electricity Act 1989¹⁸ and listed in Schedule 1.

(c) **“Debt Relief Scheme Payment”** has the same meaning given under SLC 38D of the Electricity Distribution Licence.

(d) **“Use of System Charging Statement”** has the same meaning given under SLC 14.1 of the Electricity Distribution Licence.

1.4. This Direction extends to England and Wales and Scotland.

¹⁷ 2022 c.44.

¹⁸ 1989 c. 29.

2. Debt Relief Scheme Payment

Each licensee must include Debt Relief Scheme Payment in their respective Use of System Charging Statement as required by the Debt Relief Scheme.

Ed Miliband

Secretary of State

Department for Energy Security and Net Zero

[Date]

Schedule 1

Relevant Electricity Distribution Licence holders:

Electricity North West Limited

Northern Powergrid (Northeast) plc

Northern Powergrid (Yorkshire) plc

Scottish Hydro Electric Power Distribution plc

Southern Electric Power Distribution plc

SP Distribution plc

SP Manweb plc

Eastern Power Networks plc

London Power Networks plc

South Eastern Power Networks plc

National Grid Electricity Distribution (East Midlands) plc

National Grid Electricity Distribution (South Wales) plc

National Grid Electricity Distribution (South West) plc

National Grid Electricity Distribution (West Midlands) plc

B. Debt Relief Scheme Direction for Gas Transporter Licensees in Great Britain

This Direction is made under Section 22(1)(a) and (2) of the Energy Prices Act 2022¹⁹

1. Citation, commencement, interpretation and extent

1.1. This Direction may be cited as the ‘Debt Relief Scheme Direction for Gas Transporter Licensees in Great Britain’.

1.2. This Direction has effect from [insert date].

1.3. In this Direction:

(a) **“Debt Relief Scheme”** means the scheme established by the Gas and Electricity Markets Authority (“GEMA”) to reduce domestic consumer energy debt accrued during the energy crisis, as provided for in standard licence condition (“SLC”) SLC 24B of the Gas Supply Licence and Standard Special Licence Condition (“SSC”) A58 of the Gas Transporter Licence published by the GEMA on [insert date];

(b) **“licensee”** means the holder of a gas transporter licence for the purposes of section 7(1) of the Gas Act 1986²⁰ and listed in Schedule 1.

(c) **“Debt Relief Scheme Payment”** has the same meaning given under SSCA58 of the Gas Transporter Licence.

(d) **“Statement of charges”** has the same meaning given under SLC 4 of the Gas Transporter Licence.

1.4. This Direction extends to England and Wales and Scotland

¹⁹ 2022 c.44.

²⁰ 1986 c. 44.

2. Debt Relief Scheme Payment

Each licensee must include Debt Relief Scheme Payment in their respective statement of charges as required by the Debt Relief Scheme.

Ed Miliband

Secretary of State

Department for Energy Security and Net Zero

[Date]

Schedule 1

Relevant Gas Transporter Licence holders:

Cadent Gas Limited

Northern Gas Networks Ltd

Scotland Gas Networks plc

Southern Gas Networks plc

Wales & West Utilities Limited

Appendix 2. Privacy Policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We are not intending to share your personal data with other organisations.

We are intending to publish non-confidential consultation responses, including any personal data that may be contained within them.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for up to twelve months after the programme has closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services

- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, click on the link to our “[ofgem privacy promise](#)”.