

Retail Pricing Strategy Team

Ofgem

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Dear Retail Pricing Strategy Team,

Thank you for the opportunity to provide feedback on the consultation regarding Resetting the Energy Debt Landscape: The Case for a Debt Relief Scheme. We have carefully reviewed this consultation alongside Improving Debt Standards in the Domestic Retail Market, to which we have also submitted a response.

We support efforts to improve the energy market and recognise the potential benefits these changes could bring, particularly for those most in need. However, we would like to reiterate our concerns regarding the increasing number of RFIs, schemes, and regulatory initiatives that energy suppliers are required to comply with—some of which may not always be directed at the most relevant stakeholders.

We recognise the steps being taken to address the rising levels of household energy debt, which have now reached nearly £4 billion and present significant challenges across the industry. Debt recovery remains a complex issue, requiring a delicate balance between financial sustainability and the fair treatment of customers.

With the possible introduction of this scheme, we are concerned about the prospect of increased regulatory pressures and its impact on customer relationships and public perception. For this initiative to proceed, it is crucial to provide clarity on the source of funding, as this has not yet been clearly outlined.

As a longstanding market participant, we remain committed to working collaboratively with the regulator to improve the overall level of debt and share our insights. Strengthening the sector requires a collective effort, and we welcome further discussions to ensure that any new measures are both effective and equitable.

Below are our responses to the consultation questions. If you would like to explore any of them further, we would welcome the opportunity to continue the dialogue and engage in meaningful discussions.

Yours sincerely,

Antonis Lamaj, Energy Regulation & Compliance Manager

A handwritten signature in black ink, appearing to read 'Antonis Lamaj', with a stylized flourish at the end.

1. Do you agree with our case for change?

The intention behind the scheme is commendable, as it seeks to address both past and present challenges while offering a promising solution to urgent issues. However, we believe there are opportunities to refine the design and implementation process to ensure its full potential is realised.

The scheme is being introduced with urgency, which, while understandable, may result in insufficient consideration of key aspects. A more methodical approach to planning would have been beneficial, potentially mitigating the financial strain now experienced across the industry.

Despite these concerns, the core purpose of the scheme remains valuable. Should the proposals move forward, lessons learned from this process will help shape better practices for future initiatives. However, we must reiterate that regulatory pressure is already significant, and such schemes often add complexity rather than fostering a more flexible environment.

2. Should we intervene through the introduction of debt relief scheme?

In response to the question of whether Ofgem should intervene through the introduction of a debt relief scheme, we acknowledge the clear need for such an initiative. However, it is vital that any proposed scheme is carefully considered and well thought out to ensure it effectively addresses the underlying issues. The objective should not be to provide temporary relief but to offer sustainable, long-term solutions that address the root causes of debt and financial hardship.

The structure of the scheme must be designed with the broader economic landscape in mind, ensuring that it does not create additional challenges for suppliers', energy consumers, or other stakeholders. Specifically, it is crucial that the scheme does not impose further regulatory or financial strain on those of us already operating under significant pressure within an already complex regulatory environment.

As previously mentioned, we are raising concerns regarding the rushed introduction of the scheme. This approach carries potential risks and challenges that may not have been fully explored. We encourage Ofgem that these issues be carefully assessed to ensure that the scheme's implementation is as effective, fair, and beneficial as possible for all parties involved.

3. Do you agree with the proposed design principle for a debt relief scheme?

This question is closely related to Question 2 and can be addressed in a similar manner. As aforementioned above, we support Ofgem's intervention, however, we believe it is essential

for all aspects of the proposal to be thoroughly considered to ensure its effectiveness and fairness while minimizing the regulatory pressure on us.

It is also crucial to establish a transparent and sustainable mechanism for recovering the costs associated with the debt relief. This will help avoid placing additional strain on the industry and ensure the viability of the scheme. Furthermore, we encourage Ofgem to streamline the administrative processes to ensure the scheme operates efficiently and is communicated clearly to energy customers, so they are fully aware of the support available to them.

4. Do you agree with our key objectives for a scheme?

We acknowledge the importance of addressing the growing issue of debt, which has indeed increased over the years. It is clear that action is necessary to alleviate this burden.

We also agree that cooperation between all stakeholders in the industry—including government, Ofgem, and energy suppliers—is crucial for the success of the scheme. Collaborative efforts will ensure that the scheme is both effective and sustainable, with all parties working towards a common goal.

Furthermore, we propose involving DWP and recognizing the potential benefits of the data they hold and can share with us. By doing so, more consumers in need of support can be targeted, ensuring that assistance reaches those who are most vulnerable and in need of help. This data-sharing initiative will be an important tool in maximizing the impact of the scheme.

5. What are your views on how we could best reduce the lead time between our proposed policy decision on a scheme and introduction of a scheme, balancing this with robust audit and readiness assurance processes?

We believe that while there is a clear need for timely action, the proposed timelines may be too tight. These timelines leave insufficient time for industry participants to adequately prepare their systems, adjust relevant policies, and implement the necessary changes to meet the targets set by the scheme.

This rushed approach increases the risk that the policy may not achieve its overall objectives, or that certain aspects of the scheme may not be fully realised. This could result in some vulnerable consumers being left without the necessary support, which contradicts the principles of an effective policy. To avoid this, it is essential to allow sufficient time for thorough preparation, while also ensuring that robust audit and readiness assurance processes are in place to guarantee the successful and fair implementation of the scheme. Balancing urgency with comprehensive planning will be key to ensuring the scheme delivers on its intended outcomes without unintended consequences.

6. Do you agree our proposals in relation to a scheme time limits for a debt relief scheme?

We agree that intervention is necessary. However, we are not in a position to assess whether the proposed timeframe will be sufficient to effectively target and reduce the accumulated debt.

We believe that additional time and careful consideration may be required to develop a scheme that is more appropriate and capable of addressing the overall debt levels, ultimately bringing them to a manageable state for industry participants.

A one-time policy with a fixed timeframe is unlikely to achieve the desired outcomes. While it may provide temporary relief, previous evidence suggests it does not adequately address the long-term nature of the issue. Instead, a more sustainable and ongoing approach is needed to ensure that the root causes of the debt are properly tackled and reduced over time.

What will be achieved is merely a temporary resolution, without future consideration of the risks and challenges we will face.

7. What are your views on the type and level of support that could be provided by a debt relief scheme?

Our view is that the options outlined in the consultation are generally in line with our expectations. However, as we have highlighted in previous consultations, we strongly encourage Ofgem and government to consider the introduction of a social tariff for vulnerable customers who fall into debt, combined with repayment options. This would help provide a more tailored and fair solution for those in need.

The level of support should be proportionate to the individual's specific circumstances, with consideration given to factors such as income, vulnerability, and the extent of the debt. We recommend that the support be assessed on a case-by-case basis to ensure it is appropriately scaled. While this approach could add complexity to the process, we believe it is achievable with careful coordination across stakeholders and careful planning and minimized regulatory pressure.

8. Do you agree that a scheme should be implemented through supplier delivery with Ofgem oversight (Delivery option 1) or through an independent administrator appointed by Ofgem (Delivery option 2)?

Based on the consultation, we consider Delivery Option 2 less favourable in comparison to Delivery Option 1. However, as the details of Delivery Option 2 have not been made available to us, we are unable to provide a fully informed response. Consequently, we are left with no choice but to proceed with Delivery Option 1.

We believe that this approach does not fully support the principle of collaborative working with the industry to develop more effective and robust solutions. Additionally, the language used in the consultation appears somewhat ambiguous, which could lead to varying interpretations.

We would therefore encourage Ofgem to adopt clearer and more precise wording to facilitate a better understanding and ensure more effective engagement with stakeholders.

9. Do you have any views on the audit options presented?

We are supportive of efforts to improve the energy market and, in response to the audit options, we advocate for the most straightforward and efficient audit process. However, we note that both options involve increased administrative procedures. In general, we favour Option 1 and would appreciate clear expectations from Ofgem, outlining what is required of us with unambiguous and precise wording to avoid any potential for interpretation.

We are coming to the conclusion of a series of audits relating to EPG, EBRS & EBDS. While we appreciate that confidence that government money has been spent appropriately is paramount, it is clear to us that the government has spent significantly more on auditors than they have recovered through misallocated or misspent payments. Meanwhile the resource that has been consumed providing the auditors with the ever-changing information they require has been painful from the supplier end and has undoubtedly reduced the amount of resource that can be dedicated to customer facing services. We now seem to have a relatively stable supplier community without the numerous exits and entries that characterised the pre-energy crisis years. In our view there needs to be a level of trust between government and the companies they are asking to deliver policy for them and audit should be as light touch as possible.

10. Do you have any views on how the supplier funding claims process should work under audit option 2?

We suspect the process as described will be long winded. While this is unlikely to be an issue for suppliers, it may well cause distress for some impacted consumers.

The risk from Ofgem's perspective is obviously that they reward some suppliers for ineffective credit control, and so it is essential that support is only targeted towards those who warrant it.

11. Are there any other considerations for the delivery mechanism for a debt relief scheme we have not explored?

While the proposed delivery mechanism for the debt relief scheme addresses key aspects, we believe there are additional considerations that could enhance its overall effectiveness.

A critical area is the impact on vulnerable customers. It is essential that the scheme reaches and benefits those most in need, including individuals who may not be actively engaging with their suppliers or who may be overlooked due to limited data availability, lack of engagement with suppliers to discuss their situation, or general difficulty in identifying them. Ofgem appears to recognise this risk.

To ensure the most vulnerable consumers are properly targeted, one solution could be the collaboration and release of WHD data. This would help identify a broader group of eligible consumers, ensuring that assistance reaches those who may otherwise be overlooked. In doing so, we can improve support targeting and provide greater assurance that the scheme is effectively reaching those who need it most.

12. Are there any other financing or administrative considerations for your organisation that we have not considered as part of Chapter 4 or the initial Impact Assessment?

As we have already expressed in other consultations, the current overwhelming regulatory and compliance framework is diverting resources away from areas such as innovative tariffs, services, and other products that would benefit consumers and especially those in most need.

13. Do you have any views on the funding options presented, considering the balance between the temporary addition to customer bills against period of recovery?

We believe that a more permanent solution should be developed rather than a time-limited policy scheme, as proposed in the consultation. While there would be benefits if this scheme were to proceed, it would also present significant risks and challenges, both to us and to the industry as a whole.

14. Do you have any views on reducing supplier funding claims to account for historical debt write off that has been funded via the price cap and supplier contributions?

Regarding the proposal to reduce supplier funding claims to account for historical debt write-offs funded via the price cap and supplier contributions, we acknowledge the rationale behind this approach, though we have some reservations about its potential implications. The initial claims process seems reasonable, however, we feel that further

consideration is needed around the ongoing reconciliation, especially as debt write-offs could span a longer period. It will be important to have sufficient clarity on the process to minimise any potential risks.

While the suggestion to reduce claims based on prior compensation through cost allowances and voluntary contributions is understandable, we believe it is essential for the claims process to be clear and transparent to ensure fairness and consistency.

In conclusion, we recognise the importance of having a structured claims process in place, but we would encourage a balanced approach that carefully considers the administrative complexities involved, ensuring the system remains as straightforward and efficient as possible.

15. What are your views in relation to the approach which should be taken to account for debt which has already been provided for by historical price cap allowances or provisioned for, for a debt relief scheme's eligible customer?

In relation to accounting for debt already covered by historical price cap allowances or supplier provisions, it is essential to ensure that no debt is double funded. The approach should focus on fairness and practicality. Key considerations include establishing a clear methodology for identifying and quantifying historical debt, ensuring accurate data verification to avoid disputes, and minimizing any financial strain on us.

The process should also maintain a balance between accountability and the scheme's primary goal of supporting vulnerable customers, while ensuring operational efficiency.

16. Should debt matching be included in a debt relief scheme?

While we understand the potential benefits of debt matching in maximising available support, several challenges must be addressed beforehand. Some suppliers may struggle to match funding, which could result in disparities in the support available to customers. Additionally, implementing and monitoring a debt-matching framework would require robust oversight, data tracking, and reconciliation efforts.

Debt matching could be a viable mechanism if structured carefully, but it must strike a balance between fairness, feasibility, and financial sustainability for us, while ensuring maximum benefit for customers in need.

We believe that further analysis is necessary to assess the practical implementation challenges and any potential unintended consequences.

17. If debt matching is included, what are your views on how we could differentiate eligibility thresholds for debt matching and debt write-off and what would you consider is a reasonable ratio for suppliers to match support to customer payments?

As mentioned in question 16, we believe further analysis is needed to assess the practical implementation challenges and any potential unintended consequences. The scale and size of suppliers can vary significantly, and this should be taken into consideration.

18. Should networks pay approved debt relief scheme claims to suppliers in winter 2025/26, or only later when networks have received the funding via higher network charges?

We have no comments on this question.

19. Over how many years should networks recover the cost of a debt relief scheme – for example, 1, 3 or 5 years?

We have no comments on this question.

20. What are your views on the proposed primary eligibility criteria? We welcome views on our proposals for arm 1 and 2 of the eligibility criteria, considering the options for debt write-off and debt matching.

As discussed earlier, we strongly encourage Ofgem to involve DWP so the data they hold can be shared with us, allowing us to identify more eligible consumers, including vulnerable ones. This would enable us to provide earlier assistance, prevent financial difficulties from escalating, and more effectively target a greater number of eligible vulnerable consumers.

21. What are your views on proposals for arm 3 of the primary eligibility criteria (affordability assessment)? We would welcome views on both the feasibility of relying on each data proxy and the suitability of each data proxy to target consumers. We welcome views on eligibility criteria, considering the options for debt write-off and debt matching.

As this question is similar to Question 20, we would like to once again highlight the importance of Ofgem involving DWP in sharing relevant details about vulnerable customers. The DWP holds a significant amount of data that would greatly enhance our ability to provide timely and targeted assistance.

Access to this information would allow us to intervene at an earlier stage, helping to prevent financial difficulties from worsening. With this data, we would be better positioned to

support vulnerable consumers more effectively and ensure that assistance reaches those who need it most, ultimately reducing financial strain across eligible groups.

22. What are your views on the proposed application route for eligibility? We welcome views on our proposals for arm 1 and 2 of the eligibility criteria, considering the options for debt write-off and debt matching

Overall, in response to this question, as well as Questions 23 and 24, we believe a more straightforward approach is necessary, as the current proposal is likely to introduce significant complexities during the implementation and delivery phases. As previously highlighted in the consultation, there is a clear need for a simplified framework rather than the introduction of overly complex schemes with complicated eligibility criteria and processes.

23. What are your views on proposals for arm 3 of the application route for eligibility (affordability assessment through a CGC)? We welcome views on eligibility criteria, considering the options for debt write-off and debt matching.

As per question 22

24. Do you agree with our proposals for eligibility in relation to closed customer accounts? What administrative challenges may be faced with these proposals and how can these be overcome?

As per question 22.

25. What are your views in relation to the removal of arm 3 of the primary eligibility criteria or the use of indices of deprivation as the affordability assessment? Would you support debt write-off or debt matching for this group?

We believe it is essential to strike the right balance, ensuring that any changes are carefully considered and do not inadvertently create new challenges for us or consumers. Debt write-off or debt matching could be viable solutions, provided they are implemented thoughtfully with safeguards in place to prevent unintended consequences. Ultimately, it is crucial that any measures introduced are fair, sustainable, and effective in addressing genuine financial hardship, while also taking into account the wider operational context for us.

26. Should conditionality be built into the design of a debt relief scheme and, if so, which elements of conditionality should we include?

Overall, while we acknowledge the positive intentions behind the scheme and recognise the need for such an intervention, we believe additional time should be allocated to thoroughly consider the proposals, rather than expediting their implementation. Based on our experience, although this represents a positive development, we foresee several complexities during the delivery phase.

In response to the question, we appreciate the ongoing efforts, but we believe that further clarification or additional information would be required before we are in a position to offer a fully informed and comprehensive view.

27. Are there significant data sharing challenges which we should consider in the selection of design options?

It is important to recognise that if the DWP shares more data, it would enable us to better target a larger number of consumers, particularly those most in need. However, we are mindful of the risks and challenges associated with data sharing. Despite these complexities, we are keen to collaborate and are committed to finding solutions to overcome these obstacles. Our primary objective is to support energy consumers, with a particular focus on those who are most vulnerable. Our proposal aligns with the principle that the DWP should share the data it holds.