

Ofgem
Retail Pricing Strategy team
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Email to: DebtConsultations@ofgem.gov.uk

6 February 2025

Dear Dan,

Resetting the energy debt landscape: the case for a debt relief scheme

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewables, including onshore and offshore wind and solar generation, as well as energy storage. With over five and a half million electricity and gas customer accounts, including residential and business users, EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

EDF welcomes the opportunity to provide comments on Ofgem's proposals relating to the design for a Debt Relief Scheme (DRS). EDF is committed to supporting all of our customers to save cash and save carbon. It is why we recently completed a successful migration to the Kraken platform, and why this winter (2024/25) we are providing an additional £29m of support to help our customers most in need in response to the ongoing Cost of Living crisis. This commitment to our customers is reflected in our Trustpilot score recently increasing to 4.7 out of 5.

EDF supports Ofgem implementing a DRS. The energy crisis has left consumers and suppliers facing an unprecedented level of debt and arrears. We welcome Ofgem addressing this issue, both in the interests of consumers, and the financial sustainability of suppliers in the market.

A scheme to address the unprecedented historical debt accrued during the energy crisis will be beneficial for customers and suppliers. However, the impact of the scheme will only be effective, and the benefit retained in the longer term, if it is coupled with meaningful targeted affordability support for customers, and suppliers are enabled to effectively recover debt, particularly from customers who can afford to pay, but choose not to. The need for this multi-pronged approach was accepted during discussions with Government ministers and Ofgem where the proposed DRS was initially raised. It was agreed that progress on the introduction of ongoing targeted support with affordability was required, and suppliers, including EDF, highlighted the need for effective tools to recover outstanding debt and

arrears on an ongoing basis. It is unfair for paying consumers, particularly those who are vulnerable or on a low income, to bear the additional costs of bill avoidance, especially from those who are financially able to pay their fair costs, but do not.

Ofgem's aim for a scheme implemented at scale next winter (2025/26) is incredibly ambitious and this must be recognised in all aspects of the scheme design. Therefore, Ofgem must accept some overarching scheme principles to allow for this. If these principles are not followed and a detailed scheme cannot be achieved within the proposed timetable, Ofgem must adjust its plans to ensure scheme development can be completed robustly, and all participants are clear on, and prepared to comply with, their detailed obligations.

These principles are:

1. **Fairness:** As this scheme will ultimately be customer funded, it is essential that positive outcomes are maximised and that all customers contribute to the costs.
2. **Simplicity:** Ofgem must ensure that it does not try to cater for every possible scenario, but rather focus on the key aspects that will impact delivery, to bring benefits to the greatest proportion of eligible customers.
3. **Clarity:** To ensure that suppliers can deliver the scheme and to avoid customer confusion around issues, such as eligibility, Ofgem must ensure all scheme requirements are finalised and confirmed in good time prior to the commencement of the scheme.
4. **Follow Precedents:** Where possible this scheme should build upon existing industry practices and processes to reduce the need for new industry architecture to be agreed and built.

These four principles will be mutually supportive if fully embedded in all decision making and considerations relating to this scheme. If applied effectively they will ensure that suppliers have certainty as to their responsibilities under the scheme, how funding will be claimed and repaid, and how all the administrator's activities will be conducted. This is essential to minimise claim errors and attendant costs, administrative and system development costs, and resource burden. This will also ensure that customers have clarity on who is or could be eligible for the scheme and mitigate the risk of adverse impacts on customer behaviour, such as increased non-payment of energy bills.

SCHEME DESIGN

Ofgem must learn from the experience gained through the design and implementation of the Government energy support schemes launched during the energy crisis. The significantly compressed, albeit necessary, implementation timescales required suppliers to undertake significant development at risk, and resulted in waste, regret spend, and considerable rework

as a result of protracted and inefficient audit processes. Ofgem cannot adopt this 'development at risk' approach for the DRS for the sake of a winter launch, considering the target is addressing the burden of historical debt accrued from 2022, rather than the more immediate emergency presented at the time of the energy crisis.

To alleviate the potential risk posed by the truncated timescale to delivery of the complexities of the scheme, and adopting the principles above, EDF recommends a staggered implementation approach. This is key to ensuring that simplicity is the foremost consideration for the initial phase of the scheme to be launched later this year, and fairness is delivered by ambitious phases to follow, to maximise the beneficial scheme outcomes. This would be as follows:

Phase 1 – Direct write-off based on prescriptive eligibility criteria.

- A short supplier-led write-off only phase focused on indebted customers who meet Arm 1 and Arm 2 criteria for debt accrued in 2022/23, and met Warm Home Discount (WHD) criteria for 2022 and/or 2023 (potentially including customers in receipt of relevant benefits, but who did not meet the high energy cost threshold, or 'WHD plus').
- If Ofgem can clearly identify any additional customer groups (either because suppliers have the data, or it can be shared in a manner similar to WHD in the required timeframe) then they could also be included.
- Write-offs would be set to a maximum level, e.g. up to £500, above which a customer could remain eligible for further support in Phases 2 and 3.
- Provided the relevant criteria are set down clearly and easily applied by suppliers using existing data it would be feasible to meet the October launch criteria for this Phase 1.

Phase 2 – Debt-matching with affordability criteria.

- Using Arms 1 and 2 eligibility criteria consistent with Phase 1, Ofgem would amend the requirements to Arm 3 to include new criteria, such as ongoing payments towards debt, and/or an affordability assessment, by which a customer could qualify for debt-matching by their supplier.
- Including debt-matching in the DRS would better support Ofgem's desired customer behavioural changes by encouraging customer engagement with suppliers on debt, while also contributing to reducing the overall debt burden.
- This phase would be conducted over a longer period than Phase 1, given the need for consumer engagement, potential CGC engagement, and the greater complexity of Arm 3.

- A key requirement would be that customers must be billed to date with a current actual meter reading to crystallise the outstanding debt amount.

Phase 3 – Final mop-up.

- Using Arms 1 and 2 eligibility criteria consistent with Phase 1, and amending Arm 3 criteria as required, Phase 3 would include a limited automated repeat of Phase 1 write-off, and could consider harder-to-reach customers and additional or changed criteria as required to ensure any remaining budget is used appropriately.
- This could include greater CGC involvement in the selection of eligible customers, with any customers who cannot be clearly supported via Phase 1 or Phase 2 able to be reviewed as part of this Phase.
- This phase would be designed based on learnings from Phases 1 and 2, and as such this would take place after the conclusion of the initial phases.

Phases 1 and 2 would require a separate claims process prior to the implementation of Phase 3 to lessen the financial impact on suppliers and ensure funding allocation is not delayed. This would also alleviate some cash flow consideration if the scheme is financed via a price cap adjustment (see below).

Ofgem must ensure any communications, either directly with consumers or via media are clear and set down eligibility criteria sufficiently to manage customer expectations appropriately. This is to both avoid confusion and ensure the scheme does not create a perverse incentive for customers to avoid paying. Ofgem and industry must work together on a public communication campaign to make it clear – prior to scheme launch – that the totality of the scheme will only address historic debt accrued in a limited and defined period and not any new debt created after this period. This is why EDF recommends WHD eligibility is used for Phase 1. This will make it very clear who will be eligible for debt write off next winter. The more complex Phase 2 would then follow in the Spring, after the busy winter period.

EDF would be pleased to assist Ofgem with an appropriate trial to understand potential customer behaviours. This could provide supporting evidence prior the finalisation of Phase 2 requirements.

OVERLAP

EDF does not agree with the approach set out by Ofgem for netting off all of the bad debt allowance received via the price cap against write-offs on individual customer accounts. This would not meet the principle of fairness as it would result in supplier under-recovery. We recognise that where previous debt is removed via a scheme this will have an immediate impact on reducing the total level of domestic customer debt that suppliers must manage.

However, this will only result in a sustainable and longer-term reduction in debt levels where this results in customers being able to afford their consumption costs moving forward. Where customers simply cannot afford their consumption costs, this scheme will result in a reduction in their historic debt, but will do nothing to reduce the risk of future debt increasing without significant action to support such customers in making their energy costs affordable, through a mechanism such as a social tariff. If this is not taken into account by Ofgem this would result in suppliers being impacted twice by any action on 'overlap' (retrospectively and ongoing).

Therefore, in considering its approach to 'overlap' Ofgem must recognise that whilst some of the debt reduction will be sustainable (as customers are able to manage their ongoing consumption costs resulting in lower levels of debt ongoing), much of it will not, and so customer debt will increase again over time if customers are not able to afford their consumption on an ongoing basis. However, this could increase faster than would be the case without this scheme, and therefore result in the debt allowance being set lower than is required for suppliers to recover their efficient costs, at least until the debt allowance is further updated.

Ofgem should only consider a methodology that considers the overlap level for the notional supplier with this applied to all suppliers equally, taking account of their market share. From the methodologies that Ofgem shared at a recent industry workshop this means that Methodology One meets the policy objectives most closely and taken forward and further refined.

The key consideration under the Default Tariff Cap (DTC) is whether the notional supplier's estimated debt costs are reflected correctly in the debt allowance, especially where Ofgem is only considering the impact on those who would be eligible for support under this scheme. It should not, and does not, reflect individual suppliers' commercial position. Ofgem should not treat suppliers differently in relation to any consideration of 'overlap'. If it did do so Ofgem would not be able to consider the DTC impacts accurately, but rather the commercial decisions suppliers took for the period in question. However, such commercial decisions can be subjective or driven by wider company objectives in relation to a suppliers accounting position. This could reflect their costs, practises and debt levels of customers as compared to the notional supplier, but would not provide a fair view of the impact of debt on each individual supplier on a comparable basis. However, as it would be expected that suppliers would have different levels of eligible customers and debt, it is correct that different suppliers would see their customers benefit from payments from this scheme to varying levels. But it would not be if they were subject to differing levels of overlap reductions to levy payments.

COST RECOVERY

In the context of the four principles outlined above, EDF does not support either networks or third-party financing being incorporated into the scheme design as our preferred option.

Both options would involve a greater level of complexity due to dealing with such parties which would be challenging in the time period Ofgem is currently considering.

Third party financing has been explored in the past for other industry initiatives and, as Ofgem recognise, this has been rejected due to the increased cost this will bring. As the scheme will ultimately be paid for by all customers, including those on low incomes, then keeping such costs to a minimum must be a priority.

If networks are utilised for cost recovery this will require the involvement of an additional sector of the industry and, as our experience of utilising the SoLR levy has evidenced, this is not without complexity. If these costs are recovered via normal industry practices there is also a risk that suppliers could under-recover, especially from fixed customers as the price cap methodology mitigates some of these issues, if demand is lower than expected in the coming winters, especially for gas. In addition, we expect that Ofgem would likely not consider it appropriate to recover these costs on standing charges given the concerns the regulator has previously expressed. To overcome all, or even some, of these issues would require Ofgem to instigate industry code modifications which can be complex and time consuming (and can lead to uncertain outcomes).

Instead, EDF recommends that Ofgem follow the precedent of the additional temporary debt allowance under the DTC, which is how additional debt costs have been recovered by the industry to date. As the implementation of this scheme should result in the debt allowance being lower than the counterfactual, then this would be offset somewhat in the short term, and would allow for the costs of the scheme to be recovered simply and in a manner that all market participants are accustomed to.

All customers should equally contribute to the scheme. Ofgem should set cost recovery on a per-customer basis, with suppliers retaining commercial flexibility in how they recover these costs from their fixed tariff domestic customer base. By adopting a phased approach, as EDF suggests, Ofgem could set this recovery to work over a slightly longer period, as the cashflow challenge for suppliers would not all be immediately incurred. Therefore, a period of potentially three years could be adopted to limit the short-term impacts on customers and the level of the debt allowance.

Under this approach all suppliers would recover their market share contribution towards the scheme. However, it is expected that suppliers could benefit to a lower or greater amount than their market share from the scheme. This will therefore require a reconciliation process to ensure all suppliers are fairly recompensed. By calculating a per customer contribution to the scheme this would allow a simple approach to be adopted for reconciliation.

As per our approach to scheme design and overlap, the key principles adopted here are fairness, simplicity, clarity, and following precedents by utilising existing industry processes wherever possible. Diverging from this approach would result in additional complexity and

potential confusion. If Ofgem chooses to proceed on a different basis, then it must reassess and produce a realistic timetable for delivery.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Mark Hatton or myself.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Mason", enclosed within a thin black rectangular border.

John Mason
Senior Manager - Senior Manager (Price Regulation and Market Dynamics)

Attachment

Resetting the energy debt landscape: the case for a debt relief scheme

EDF's response to your questions

Q1. Do you agree with our case for change?

Yes. EDF agrees a scheme to address the unprecedented historical debt accrued during the energy crisis will be beneficial for customers and suppliers. However, the impact of the scheme will only be effective, and the benefit retained, in the longer term if it is coupled with meaningful targeted affordability support for customers, and suppliers are enabled to effectively recover debt in the future, particularly from customers who can afford to pay, but choose not to.

This was accepted at preceding discussions with Government ministers and Ofgem, with regards to the development of the Debt Relief Scheme (DRS), and agreed that meaningful progress on the introduction of ongoing targeted support for struggling customers was required.

Q2. Should we intervene through the introduction of a debt relief scheme?

Yes. However, EDF notes that preceding discussions with Ofgem and Government with regards to the development of the DRS also identified additional key dependencies, i.e. meaningful progress on the introduction of ongoing targeted support for struggling customers. Additionally, suppliers set out the fundamental market necessity of enabling suppliers to effectively recover outstanding debt and arrears.

Ofgem's aim to have a scheme implemented at scale this winter is incredibly ambitious, and this must be recognised in all aspects of the scheme design. Therefore, Ofgem must accept some over-riding scheme principles to allow this. If this cannot be achieved within the timetable set down by Ofgem in this consultation, Ofgem must adjust that timetable to ensure the scheme development can be completed robustly, and all participants are clear on, and prepared to comply with, their detailed obligations.

These principles are:

1. **Fairness:** As this scheme will ultimately be customer funded, it is essential that positive outcomes are maximised and that all customers contribute to the costs.
2. **Simplicity:** Ofgem must ensure that it does not try to cater for every possible scenario, but rather focus on the key aspects that will impact delivery to bring benefits to the greatest proportion on eligible customers.
3. **Clarity:** To ensure that suppliers can deliver the scheme and to avoid customer confusion around issues, such as eligibility, Ofgem must ensure all scheme

requirements are finalised and confirmed in good time prior to the commencement of the scheme.

- 4. Follow Precedents:** Where possible this scheme should build upon existing industry practices and processes to reduce the need for new industry architecture to be agreed and built.

These four principles will be mutually supportive if fully embedded in all decision making and considerations relating to this scheme. If utilised effectively, they will ensure that suppliers have certainty as to their responsibilities under the scheme, how funding will be claimed and repaid, and how all the administrator's activities will be conducted. This is essential to minimise claim errors and attendant costs, administrative and system development costs, and resource burden. This will also ensure that customers have clarity on who is or could be eligible for the scheme and minimise the risk of adverse impacts on customer behaviour, such as increased non-payment of energy bills.

EDF recognises the urgency in providing customers with debt relief. However, this must be balanced with ensuring Ofgem's longer term goals for this scheme are delivered. Therefore, EDF proposes separating the key scheme deliverables, write-off and debt-matching into two initial phases (as per cover letter), followed by a third mop up phase if any unallocated budget remains following Phase 2.

In addition to the very ambitious delivery timetable proposed by Ofgem, there are risks to starting this scheme in Winter where customer demand for supplier support peaks. Launching a complex DRS in a peak time of stress would likely create unmanageable demand, and cause widespread delays in response and customer confusion. Ofgem must ensure any communications, either directly with consumers or via media are clear and set down eligibility criteria sufficiently to manage customer expectations appropriately, both to avoid confusion, and ensure the scheme does not create a perverse incentive to avoid paying. It must be clear that the totality of the scheme will only address historic debt. To support this clarity, EDF recommends WHD eligibility is used for the first phase of the scheme, and a potentially more complex, customer engagement in Phase 2, following in the Spring.

As we set out in the cover letter, Phase 1 eligibility criteria should be based on systematically applicable data, and avoid additional processing or complexity. Phase 2 can take greater account of affordability, provided this is assessed on the basis of non-subjective criteria and can be consistently applied across customers, and could include consideration to the levels of energy payments required, and customers' ability to pay for their ongoing consumption.

Q3. Do you agree with the proposed design principles for a debt relief scheme?

Yes, EDF agrees with the design principles proposed, but we suggest our own additional overarching principles which are required to support the implementation of an effective scheme within Ofgem's preferred timetable.

These principles are:

1. **Fairness:** As this scheme will ultimately be customer funded, it is essential that positive outcomes are maximised and that all customers contribute to the costs.
2. **Simplicity:** Ofgem must ensure that it does not try to cater for every possible scenario, but rather focus on the key aspects that will impact delivery to bring benefits to the greatest proportion on eligible customers.
3. **Clarity:** To ensure that suppliers can deliver the scheme and to avoid customer confusion around issues such as eligibility, Ofgem must ensure all scheme requirements are finalised and confirmed in good time prior to the commencement of the scheme.
4. **Follow Precedents:** Where possible this scheme should build upon existing industry practices and processes to reduce the need for new industry architecture to be agreed and built.

These four principles will be mutually supportive if fully embedded in all decision making and considerations relating to this scheme.

Additionally, Ofgem should consider supplier and Consumer Groups/Charities (CGC)' operability and resource capacity in these design principles. Ofgem must ensure that the requirements recognise existing constraints, e.g. the availability of necessary data, any dependency on consumer engagement, potential impact on resources (especially in combination with pre-existing timebound obligations), etc.

Given the ambitious timescale for the implementation of this scheme, it is crucial that Ofgem remains closely engaged with suppliers throughout this development, is pragmatic, and aims to be proportionate, in its consideration of potential challenges outside suppliers' control.

Q4. Do you agree with our key objectives for a scheme?

Yes, with the inclusion of the additional principles we have outlined above.

Q5. 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?

Ofgem must aim to maximise the time available for the development and deployment of systematic solutions by suppliers to answer scheme requirements. This is best enabled by timely ongoing engagement between Ofgem and suppliers throughout the design process. Ofgem must ensure it keeps suppliers fully informed of its considerations and minded-to positions, and is agile in accessing supplier support to anticipate potential obstacles and determine appropriate, pragmatic solutions. We note that throughout the development of the various government support schemes (e.g. Energy Bills Support Scheme, Energy Price Guarantee, etc) DESNZ engaged with suppliers via regular workshops and ad hoc sessions,

working collaboratively with the industry to achieve effective outcomes. We encourage Ofgem to adopt a similar approach for the development of the DRS.

Ofgem must ensure all scheme requirements are finalised and confirmed in good time prior to the commencement of the scheme. Suppliers must have certainty as to their responsibilities under the scheme, how funding will be claimed and repaid, and how all the administrator's activities will be conducted. This is essential to minimise claim errors and attendant costs, administrative and system development costs, and resource burden. If this cannot be achieved within the timetable set down by Ofgem in this consultation, Ofgem must adjust that timetable to ensure the scheme development can be completed robustly, and all participants are clear on, and prepared to comply with, their detailed obligations.

We note this has not been the case with some of the Government energy support schemes launched during the energy crisis (due to significantly compressed, if necessary, implementation timescales), which has required suppliers to undertake significant development at risk, and resulted in waste, regret spend, and considerable rework as a result of protracted and inefficient audit processes. Ofgem cannot adopt this 'development at risk' approach for the DRS for the sake of a winter launch, considering the target is alleviating the burden of historical debt accrued from 2022, rather than seeking to address the more immediate emergency presented by high energy bills.

For the phased approach we propose in our cover letter, we expect **Phase 1 – Direct write-off based on prescriptive eligibility criteria** could be launched by October, followed by **Phase 2 – Debt-matching with affordability criteria in Spring 2026**, and concluded by **Phase 3 – Final mop-up**, after any necessary refinements based on learnings from the preceding phases, and accounting for remaining budget. Phases 1 and 2 would require a separate claims process prior to the implementation of Phase 3 to lessen the financial impact on suppliers cashflow and ensure funding allocation is not delayed.

Ofgem must ensure communications, either directly with consumers or via media are clear and set down eligibility criteria sufficiently to manage customer expectations appropriately in advance, both to avoid confusion, and ensure the scheme does not create a perverse incentive to avoid paying. It must be clear that the totality of the scheme will only address historic debt.

EDF would be pleased to assist Ofgem with an appropriate trial to understand potential customer behaviours. This could provide supporting evidence prior to the finalisation of Phase 2 requirements.

Ofgem should include a supplier readiness assessment prior to the commencement of the scheme to ensure it can be delivered correctly. It would be beneficial for some suppliers to start earlier, rather than delay the scheme, prolonging customer detriment, if some suppliers are unable to demonstrate they can meet the requirements.

Q6. Do you agree our proposals in relation to a scheme time limits for a debt relief scheme?

Yes. EDF broadly agrees with the proposed scheme period, given the high-level detail available in this consultation. With regard to any additional time afforded to assess more complex cases (as noted in consultation para 4.3), Ofgem must ensure suppliers are provided sufficient clarity on the duration of such an additional period in advance, and certainty as to the requirements for the treatment of these customers, and how this will impact claims, funding and recovery processes. Ofgem must ensure any timetable it sets down for operation of the scheme is strictly applied to all suppliers and consumers, and will not be subject to later extensions or changes. This could be carried out with more confidence if a supplier readiness assessment prior to the commencement of the scheme is implemented.

As we set down in our cover letter, to alleviate the potential risk posed by the truncated timescale available to deliver the complexities of the scheme, EDF recommends Ofgem employs a staggered implementation approach, delivering different elements of the proposed actions in distinct phases, beginning with the least complicated.

Phase 1 - Direct write-off based on prescriptive eligibility criteria could be launched by October and conducted over a short period. Followed by **Phase 2 - Debt-matching with affordability criteria** from Spring 2026, over a longer period, given the CGC and customer engagement required, with a defined end date to ensure clarity (e.g. after 6-12 months), and concluded by **Phase 3 - Final mop-up**. Phase 3 could be predominantly delivered by CGCs, in terms of affordability and eligibility assessment, with suppliers applying the determined outcomes to consumer accounts.

Q7. What are your views on the type and level of support that could be provided by a debt relief scheme?

As we set out in our cover letter, EDF proposes a staggered implementation approach, delivering different elements of the proposed actions in distinct phases, beginning with the least complicated.

To alleviate the potential risk posed by the truncated timescale to the delivery of the scheme, by adopting the principles above, EDF recommends a staggered implementation approach. This would deliver different elements of the proposed actions in distinct phases, beginning with the least complicated.

Phase 1 - Direct write-off based on prescriptive eligibility criteria.

- A short supplier-led write-off only phase focused on indebted customers who meet Arm 1 and Arm 2 criteria debt accrued in 2022/23, and met Warm Home Discount (WHD) criteria for 2022 and/or 2023 (potentially including customers in receipt of

relevant benefits, but who did not meet the high energy cost threshold, or 'WHD plus').

- If Ofgem can clearly identify any additional customer groups (either because suppliers have the data, or it can be shared in a manner similar to WHD in the required timeframe) then they could also be included.
- Write-offs would be set to a maximum level, e.g. up to £500, above which a customer could remain eligible for further support in Phases 2 and 3.
- Provided the relevant criteria are set down clearly and easily applied by suppliers using existing data it would be feasible to meet the October launch criteria for this Phase 1.

Phase 2 – Debt-matching with affordability criteria.

- Using Arms 1 and 2 eligibility criteria consistent with Phase 1, Ofgem would choose to amend the requirements to Arm 3 to include new criteria, such as ongoing payments towards debt, and/or an affordability assessment, by which a customer could qualify for debt-matching by their supplier.
- Including debt-matching in the DRS would better support Ofgem's desired customer behavioural changes by encouraging customer engagement with suppliers on debt, while also contributing to reducing the overall debt burden.
- This phase would be conducted over a longer period than Phase 1, given the need for consumer engagement, CGC engagement, and the greater complexity of Arm 3.
- A key requirement would be that customers must be billed to date with a current actual meter reading to crystallise the outstanding debt amount.

Phase 3 – Final mop-up.

- Using Arms 1 and 2 eligibility criteria consistent with Phase 1, and amending Arm 3 criteria as required, Phase 3 would include a limited automated repeat of Phase 1 write-off, and could consider harder-to-reach customers and additional or changed criteria as required to ensure any remaining budget is used appropriately.
- This could include greater CGC involvement in the selection of eligible customers, with any customers who cannot be clearly supported via Phase 1 or Phase 2 able to be reviewed as part of this Phase.
- This phase would be designed based on learnings from Phases 1 and 2, and as such this would take place after the conclusion of the initial phases.

Phases 1 and 2 would require a separate claims process prior to the implementation of Phase 3 to lessen the financial impact on suppliers and ensure funding allocation is not delayed. This would also alleviate some cash flow consideration if the scheme is financed via a price cap adjustment (see below).

Q8. 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)?

EDF agrees with Ofgem's preference for Delivery Option 1 – Ofgem administration of the scheme. This is most aligned with our principles of simplicity, clarity and following precedents. We note Ofgem will be better able than an independent body to exploit its understanding of the market and data, leverage existing supplier relationships, and arrange the legal framework.

Deploying an alternative body to undertake administration of the scheme would significantly impact the development and implementation timetable, and would make Ofgem's target launch later this year unachievable.

Q9. Do you have any views on the audit options presented?

EDF agrees with Ofgem that a robust audit process is necessary to ensure the scheme is consistently and accurately implemented. This is achievable by Audit Option 1, provided the requirements of the scheme are clear and precise, and ex-post audit parameters are clearly set out prior to the commencement of the scheme.

We support the inclusion of a supplier readiness assessment prior to the commencement of the scheme to ensure it can be delivered correctly. It would be beneficial for some suppliers to start earlier, rather than delay the scheme, if some suppliers are unable to demonstrate they can meet the requirements.

Ofgem must ensure all audit requirements are finalised and confirmed in good time prior to the commencement of the scheme and any readiness assessment. Suppliers must have certainty as to their responsibilities under the scheme and how, and to what extent, any audit activities will be conducted. This is essential to minimise claim errors, administrative and system development costs, and resource burden. We note this was not the case with some of the Government bill support schemes launched during the energy crisis (due to significantly compressed, if necessary, implementation timescales), which has required suppliers to undertake significant development at risk, and resulted in regret spend, protracted, inefficient audit processes, and considerable rework.

As part of the numerous energy support schemes implemented at pace in 2022/23, suppliers have undertaken extremely rigorous audit processes, with DESNZ, Ofgem and independent auditors. This experience, and the delivery of these varying complex financial support schemes, has had a significant impact on suppliers' capacity and expertise, and have provided valuable learnings which will translate to the delivery of DRS (without prejudice to the negative impacts of this approach we highlight in our response to Question 5).

Q10. Do you have any views on how the supplier funding claims process should work under audit option 2?

In the context of the four principles outlined above, EDF does not support either networks or third-party financing as our preferred option. This would create a greater level of complexity

due to dealing with such parties, which would be challenging in the time period Ofgem is currently considering.

Third party financing has been explored in the past for other industry initiatives and, as Ofgem recognise, this has been rejected due to the increased cost this will bring. As the scheme will ultimately be paid for by all customers, including those on low incomes, keeping such costs to a minimum must be a priority.

If networks are utilised for cost recovery this will require the involvement of an additional sector of the industry and, as our experience of utilising the SoLR levy has evidenced, this is not without complexity. If these costs are recovered via normal industry practices there is also a risk that suppliers could under-recover, especially from fixed customers as the price cap methodology mitigates some of these issues, if demand is lower than expected in the coming winters, especially for gas. In addition, we expect that Ofgem would likely not consider it appropriate to recover these costs on standing charges given the concerns the regulator has previously expressed. To overcome all, or even some, of these issues would require Ofgem to instigate industry code modifications which can be complex and time consuming (and can lead to uncertain outcomes).

Instead, EDF recommends that Ofgem follows the precedent of the additional temporary debt allowance under the DTC, which is how additional debt costs have been recovered by the industry to date. As the implementation of this scheme should result in the debt allowance being lower than the counterfactual, this would be offset somewhat in the short term, but would allow for the costs of the scheme to be recovered simply and in a manner that all market participants are accustomed with.

All customers should equally contribute to the scheme. Ofgem should set cost recovery on a per-customer basis, with suppliers having commercial flexibility in how they recover these costs from their fixed tariff domestic customer base. By adopting a phased approach, as EDF suggests, Ofgem could allow this recovery to work over a slightly longer period, as the cashflow challenge for suppliers would not all be immediately incurred. Therefore, a period of potentially three years could be adopted to limit the short-term impacts on customers and the level of the debt allowance.

Under this approach all suppliers would recover their market share contribution towards the scheme. However, it is expected that suppliers could benefit to a lower or greater amount than their market share from the scheme. This will therefore require a reconciliation process to ensure all suppliers are fairly recompensed. By calculating a per customer contribution to the scheme this would allow a simple approach to be adopted for reconciliation.

As per our approach to scheme design and overlap, the key principles adopted here are fairness, simplicity, clarity, and following precedents by utilising existing industry processes wherever possible. Diverging from this approach would result in additional complexity and

potential confusion. If Ofgem chooses to proceed on a different basis, then it must reassess and produce a realistic timetable for delivery.

This would then allow for a simple approach to auditing to take place. For the DTC payments Ofgem's BAU processes would suffice. For fixed term customers, Ofgem would only need to set the amount a supplier must recover from each customer, but as commercial flexibility is allowed for how this is done, no other change is required. For reconciliation it is a simple calculation if based on a simple per customer amount, Ofgem would only need to compare a supplier's domestic customer market share vs the market share of payments under the scheme they have required. The difference can then be reallocated between suppliers on a straightforward basis.

Q11. Are there any other considerations for the delivery mechanism for a debt relief scheme we have not explored?

All of our considerations are outlined in our cover letter and our responses to other questions.

Q12. 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?

None that we have not considered and fed back on in our cover letter or in response to other questions. However, such considerations will become clearer when there is more clarity on Ofgem's preferred scheme design.

Q13. Do you have any views on the funding options presented, considering the balance between the temporary addition to customer bills against period of recovery?

EDF recognises that this is a difficult balance between a temporary addition to customer bills vs the benefit that debt alleviation will bring to those who have unaffordable debt caused by the energy crisis.

Our balanced view is costs should be recovered on a per customer basis (so all contribute equally) from all domestic customers over a three-year period strikes the correct balance. This should be included within the DTC utilising a debt allowance approach with suppliers having commercial freedom as to how this is included in the bills of fixed term tariff customers.

From the options presented at the Ofgem industry workshop on 31st January, our approach would align most closely with Option 2 (New allowance with reconciliation). In relation to Ofgem's consideration for the key design features for cost recovery, it is essential that Ofgem adopts and replicates industry precedent by utilising the debt allowance methodology under the DTC rather than reconsidering all aspects of how this impacts on bills, such as: recovery between recovery by fuel type, unit rate/standing charge, recovery over payment types and recovery over single-rate and multi-register electricity meters. These issues have been

considered in great detail over a number of years in separate price cap consultations. Ofgem has made a number of determinations in relation to these and the DTC methodology. It would not be proportionate or economic to now re-open all such areas of discussion for this time-limited scheme when a simple precedent can be followed (utilising the debt allowance methodology).

Q14. 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?

EDF does not agree with the approach set out by Ofgem for netting off all of the bad debt allowance received via the price cap against write-offs on individual customer accounts as this would not meet the principle of fairness as it would result in supplier under-recovery.

We recognise that where previous debt is removed via a scheme this will have an immediate impact on reducing the total level of domestic customer debt that suppliers must manage. However, this will only result in a sustainable and longer-term reduction in debt levels where this results in customer being able to afford their consumption costs moving forward. Where customers simply cannot afford their consumption costs then this scheme will result in a reduction in their historic debt but will do nothing to reduce the risk of future debt increasing without significant action to support such customers in making their energy costs affordable, through a mechanism such as a social tariff.

If this is not taken into account by Ofgem, suppliers would be impacted twice by any action on 'overlap' (retrospectively and ongoing), as we expect Ofgem will continue to carry out debt RFIs and adjust the debt allowance accordingly based on actual data. This will reflect whether the baseline allowance is appropriate and ensure that suppliers are only able to recover their efficient costs and will take account of any impact from DRS payments. In the short term this would result in a reduction in the level of debt allowance as RFI evidence would evidence that there are lower levels of debt. However, in the medium term due to the affordability risk of the group of customers expected to be eligible for support from the scheme, this would gradually increase. This is due to wider economic conditions which will impact debt on an ongoing basis and the uncertainty of future levels of supplier debt.

Therefore, in considering its approach to 'overlap' Ofgem must recognise that whilst some of the debt reduction will be sustainable (as customers are able to manage their ongoing consumption costs resulting in lower levels of debt ongoing), much of it will not, and so customer debt will increase again over time if customers are not able to afford their consumption on an ongoing basis. However, this will increase faster than would be the case without this scheme, and therefore result in the debt allowance being set lower than is required for suppliers to recover their efficient costs, at least until the debt allowance is further updated.

Ofgem must recognise how provisioning works in practice when exploring such solutions. All debt attracts a proportion of provisioning applied at portfolio level, in recognition that some amount of the debt will eventually be written off. Bad debt provisioning will be based on historical payment levels as influenced by supplier collection and prevention activities, measured against certain customer characteristics. Performance and provisions can therefore vary from supplier to supplier. This mechanism will generally be revised on an annual basis. This can either be done via special provisions or by amending underlying provisioning methodology. However, this will always embed a time lag which will require an adjustment to reflect lower payment levels than previously estimated. The time taken to pass through amendments to the bad debt allowance in the DTC to account for the notional supplier bases further compound this lag.

if customers are not able to afford their consumption on an ongoing basis. However, this will increase faster than would be the case without this scheme, and therefore result in the debt allowance being set lower than is required for suppliers to recover their efficient costs, at least until the debt allowance is further updated.

The key consideration under the DTC is whether the notional suppliers estimated debt costs are reflected correctly in the debt allowance, especially where Ofgem is only considering the impact on those who would be eligible for support under this scheme. It should not and does not reflect individual suppliers' commercial position. Ofgem should not treat suppliers differently in relation to any consideration of 'overlap'. If it did do so, Ofgem would not be able to consider the DTC impacts accurately, but rather the commercial decisions suppliers took for the period in question. However, such commercial decisions can be subjective or driven by wider company objectives in relation to a suppliers accounting position. This could reflect their costs, practices and debt levels of customers as compared to the notional supplier, but would not provide a fair view of the impact of debt on each individual supplier on a comparable basis. However, as it would be expected that suppliers would have different levels of eligible customers and debt it is correct that different suppliers would see their customers benefit from payments from this scheme to varying levels. This is correct but it would not be if they were subject to differing levels of overlap reductions to levy payments.

For these reasons we do not recommend that Ofgem consider a supplier-specific approach as has been considered under Methodology 2 and 3. Methodology 2 also seems counterintuitive by allowing greater recovery where the cost of bad debt was lower historically. Methodology 3 applies the proportion of cap allowance revenue by supplier to a total industry cost, but the industry cost is lower than the total cap allowance which makes it unclear what "Total Industry Bad Debt Provisions" is referring to (as you would assume it is the same cost that drove the industry allowance). If you could apply the percentage of industry allowance to a value of remaining debt and previously written off debt then that would seem more logical, but you face the same challenges at an industry level that you do at a supplier level.

For the reasons above Ofgem should only consider a methodology that considers the overlap level for the notional supplier with this applied to all suppliers equally, taking account of their

market share. From the methodologies that Ofgem shared at a recent industry workshop this mean that Methodology One is the approach that meets the policy objectives most closely and should be further refined and taken forward with the following two adjustments.

Firstly, whilst the cap allowance would cover unpaid debt rather than paid debt, it also covers debt that has already been written off. This means that if Ofgem utilise the allowance suppliers have been paid and allocate it based on unpaid debt this will result in an over allocation of the allowance to that debt (due to it excluding write offs already made) and lead to supplier under recovery of the cost.

Secondly, debt balances on customers' accounts do not directly relate to billing, particularly for Direct Debit customers who pay a fixed amount each month, this has the result that an account balance total cannot be accurately traced back consumption for a particular period. Moreover, if you took the view that you could use age of debt at a moment in time as a proxy for the period of consumptions it covers then you could not consistently apply that ageing assumption if suppliers bill over varying periods. For example a supplier who bills six monthly then a customer who joins in January will be issued a bill that has January consumption showing as 1 month old in July. If that customer was billed monthly, then January consumption would show as being 6 months old at the same snapshot date. This issue then also applies to trying to adjust the first point for write offs.

Q15. 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 customers?

Please see our response to Question 14.

Q16. Should debt matching be included in a debt relief scheme?

Yes. EDF supports the inclusion of debt-matching in the DRS, in line with our proposed phased approach, as set out in the cover letter and response to Question 7. This would ensure that the principle of Fairness, and maximising the positive outcomes for a scheme to which all domestic customers contribute, are achieved.

To reiterate, Phase 2 would commence in Spring 2026 and as follows:

- Using Arms 1 and 2 eligibility criteria consistent with Phase 1 (debt accrued in 2022/23), Ofgem would choose to amend the requirements to Arm 3 to include new criteria, such as ongoing payments towards debt, and/or an affordability assessment, by which a customer could qualify for debt-matching by their supplier.
- Including debt-matching in the DRS would better support Ofgem's desired customer behavioural changes by encouraging customer engagement with suppliers on debt, while also contributing to reducing the overall debt burden.
- This phase would be conducted over a longer period than Phase 1, given the need for consumer engagement, CGC engagement, and the greater complexity of Arm 3.

- A key requirement would be that customers must be billed to date with a current actual meter reading to crystallise the outstanding debt amount.

Q17. 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?

Please see our phased approach proposal, in our cover letter, and referenced in our answer to Questions 7 and 16 above.

Q18. 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?

If networks are utilised for cost recovery this will require the involvement of an additional sector of the industry and, as our experience of utilising the SoLR levy has evidenced, this is not without complexity. In addition, it would not be appropriate to recover these costs on standing charges given the concerns the regulator has previously expressed. To overcome these issues would require Ofgem to instigate industry code modifications which can be complex and time consuming (and which can lead to uncertain outcomes).

Q19. Over how many years should networks recover the cost of a debt relief scheme – for example, 1, 3 or 5 years?

This should be finalised when there is more clarity on scheme design. However, EDF's overall view is that a three-year period balances speed and limits the immediate impact of cost recovery on consumer bills, whichever approach is utilised.

Q20. 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.

EDF agrees with Ofgem's contention that eligibility criteria should be prescriptive. This is essential to ensure the scheme is applied to consumers' accounts consistently across suppliers, and to support both supplier and CGC certainty, and consumer confidence.

As Ofgem acknowledges in para 6.5, timely and accurate delivery by suppliers is dependent on the eligibility criteria being based on data accessible to suppliers and amenable to systematic application against a customer (i.e. not requiring manual matching or assessment). Given the potential volumes of consumers who could be eligible for support under this scheme, it is crucial that the criteria can be applied with minimal additional processing.

In the context of Arms 1 and 2, it will be necessary for suppliers to identify when a debt (or arrears) has accrued based on the contemporary consumption, accounting, and potentially

adjusting, for different billing cycle frequencies. Ofgem must ensure the methodology for measuring these criteria is transparent, and appropriate for different billing approaches, while maintaining consistent outcomes in consumer eligibility.

We expect it may be necessary to include a de minimis debt value, below which the allocation of write-off or debt-matching would not be pragmatic and would cause greater work than value delivered. This de minimis threshold must be made clear in advance, along with other scheme eligibility criteria, to avoid creating confusion which will drive consumer contacts to suppliers, or a perverse incentive to stop paying. EDF would be pleased to assist Ofgem with a potential trial to understand potential customer behaviours.

Please see the phased approach proposal in our cover letter.

Q21. 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 we set out in our answer to Question 20, it is essential that data supporting the ARM 3 criterion is accessible to suppliers (and CGCs, insofar as required) and subject to minimal processing.

While we acknowledge it may be necessary to import external data to answer Ofgem's affordability proxy aim for this criterion, this data must be simple for suppliers to identify and apply to a specific customer in a systematic manner (i.e. not requiring manual matching or assessment). We expect this data must apply to and identify an individual customer, rather than just a premises, to ensure that Ofgem's aim is answered, and suppliers are able to identify common instances where a consumer's residency has terminated at a premises without notification.

Ofgem must consider any potential issues for specific data proxies which could impact the ability of a supplier to assess eligibility where the potentially eligible customer has a closed account (which carries the relevant debt). Given the proposed time period for debt accrual extends as far back as Q2 2022, there is the potential for a significant volume of customers to have left the relevant supplier at any time from that point. As such, the longer a supplier does not supply that customer, the less available, reliable, and accurate, the data is likely to be.

Please see the phased approach proposal in our cover letter.

Q22. 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.

Please see our answer to Questions 7 and 20, and the phased approach proposal in our cover letter.

Q23. 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.

Please see the phased approach proposal in our cover letter, and in response to Question 7.

As we set out in our answer to Questions 20 and 21, it is essential that data supporting the ARM 3 criterion is accessible to suppliers and CGCs, and subject to minimal processing. While we acknowledge it may be necessary to import external data to answer Ofgem's affordability proxy aim for this criterion, this data must be simple for suppliers and CGCs to identify and apply to a specific customer in a systematic manner (i.e. not requiring manual matching or assessment). An approach dependent on manual steps to assess individual consumers will naturally confer a greater resource burden upon suppliers and CGCs, which will significantly exacerbate costs and the feasibility of delivering the scheme in the timetable set down in this consultation, and completing within the period proposed for scheme operation, will render cost neutrality unachievable, defeating one of Ofgem's main aims for this scheme.

An application route should not allow for appeal against eligibility assessed against Arms 1 and 2 and should be retained for circumstances where Arm 1 and Arm 2 have been met, and the Arm 3 information is insufficient or unavailable. Ofgem must ensure all criteria upon which a consumer's application will be judged are considered as part of the consultation process and made clear prior to the commencement of the scheme. It is critical that scheme delivery participants, like suppliers and CGCs, have certainty as to all requirements in good time.

We acknowledge that some level of manual intervention will likely be required for the debt-matching part of this scheme. As above, it will be essential that suppliers have certainty as to the requirements for this process and that, insofar as possible, unnecessary complexity is avoided.

Q24. 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?

Where a customer has a closed account with a supplier, either by merit of a switch, or having moved out of a property, it can become a challenge for that 'old' supplier to further engage with the customer beyond normal account finalisation. In our experience, where a customer has left with an outstanding debt, it becomes significantly more difficult to recover that balance, given the absence of levers such as the ability to install a prepayment meter, or in many cases, the lack of a forwarding address.

Ofgem must consider any potential issues for specific data proxies which could impact the ability of a supplier to assess eligibility where the potentially eligible customer has a closed account (which carries the relevant debt). Given the proposed time period for debt accrual extends as far back as Q2 2022, there is the potential for a significant volume of customers to have left the relevant supplier at any time from that point. As such, the longer a supplier does not supply that customer, the less available, reliable, and accurate, the data is likely to be.

Where an eligible customer has relevant debt on a closed account, this debt should not qualify for the DRS Phases 1 and 2, as we set out in our cover letter phased approach proposal. Closed account debt could be considered for inclusion in Phase 3 Final mop up.

We have provided views on the specific scenarios identified by Ofgem below:

A consumer accumulated debt with one supplier and then left that supplier.

As above, where a debt is held on a closed account, it should not qualify for DRS support under Phases 1 and 2 (as we have proposed). But it could potentially be included in Phase 3 Final mop up.

(Assuming no minimum level of debt is required for eligibility) a consumer accumulated debt with one supplier and then moved suppliers and continued to accumulate debt with their new supplier(s)

As above, where a debt is held on a closed account, it should not qualify for DRS support under Phases 1 and 2 (as we have proposed). But it could potentially be included in Phase 3 Final mop up.

(Assuming minimum level of debt is required for eligibility) a consumer accumulated a small amount of debt, insufficient to meet the eligibility criteria, with one supplier and then moved suppliers and continued to accumulate debt with their new supplier(s).

We do not agree with the proposed solution for this scenario.

Consolidating debt between suppliers across a switch would be extremely complex, onerous, and would potentially be difficult to achieve securely under current existing data-protection rules, particularly given the very limited time available to develop this scheme. We note that under the proposed eligibility criteria, this customer would be deemed ineligible under the first Arm. Neither supplier would be aware of the accrual of debt outside its own period of supply. This would mean suppliers would need to refer all indebted customers under the minimum level of debt (failing Arm 1) to the application route. The likely volume of customers captured in this scenario could significantly challenge the capacity of CGCs to cross-reference potential debts across different suppliers prior to performing affordability assessments.

A consumer accumulated debt and moved properties (new supplier(s), if any, not known) and the supplier has continued to chase the debt.

As above, where a debt is held on a closed account, it should not qualify for DRS support under Phases 1 and 2 (as we have proposed). But it could potentially be included in Phase 3 Final mop up. We note that the Arm 3 assessment must identify a specific customer, and should not be applied at premises level, to appropriately reflect individual affordability circumstances.

A consumer accumulated debt and moved properties without notifying the original supplier (new supplier(s), if any, not known), and the supplier has been unable to chase the debt due to the property move.

We expect that where a supplier has not been notified of a move out, and the customer of record remains named on a live account, they could still be regarded as eligible under the first two Arms, from the perspective of the supplier. Theoretically, under some of the data proxies suggested by Ofgem for Arm 3, this customer could also be eligible under the affordability metric, where this is not dependent on a live address check. This could significantly complicate accurate assessment of the eligible debt where a proportion sits outside the revised period of residency for that customer.

Where a supplier does not hold a customer name, and the account is an owner/occupier account, the debt could feasibly qualify under the first two Arms, but there would be insufficient information to apply Arm 3. We note it would likely be a significant challenge to undertake trace activity to establish a customer's identity under these circumstances. If suppliers are obliged to notify these customers by way of correspondence (to enter the application route), this could potentially stimulate engagement by the customer to the relevant CGCs, which could then verify the correct customer's data and period of residency back to the supplier when confirming eligibility for write-off. We note this would create additional work for the CGC applying the assessment.

Q25. 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?

Removal or abrogation of Arm 3 as a criterion should only be considered in circumstances where Arm 1 and Arm 2 have been met, and Arm 3 information is insufficient or unavailable, and will be subject to assessment by a CGC as part of the application route. We note this will create a potential additional resource burden on CGCs, so should only be open to very limited numbers of consumers. Ofgem must ensure all criteria upon which a consumer's application will be judged are considered as part of the consultation process of this scheme, and made

clear prior to the commencement of the scheme. It is critical that scheme delivery participants, like suppliers and CGCs, have certainty as to all requirements in good time.

Q26. Should conditionality be built into the design of a debt relief scheme and, if so, which elements of conditionality should we include?

EDF proposes a phased approach to delivering the DRS, as outlined in our response to Question 7. Conditionality must not be included in Phase 1, but could be included in Phase 2 for debt-matching, in particular: making ongoing payments and being billed to a recent actual meter reading.

Otherwise, conditionality should only be applied to the application element of the scheme, and any debt-matching process. The main automatic write-off process should only be subject to the three eligibility criteria, without further qualification required. Otherwise the scheme risks becoming unduly complex, and the effectiveness of the scheme in addressing the holistic debt problem, and benefit to consumers, will be significantly compromised.

Please see our comments on the specific options identified by Ofgem below:

6.58 ...consumers to have paid towards their ongoing consumption in the six months leading up to the start of a debt relief scheme.

As above, this should not be a requirement for eligibility for the automatic write-off part of the proposed scheme (i.e. Phase 1, as proposed by EDF).

This condition could be relevant for debt-matching, where affordability becomes a relevant assessment of support matched to future payments. Particularly if access to debt-matching is a potential outcome from the application process. But, Ofgem must take care not to exclude customers who are struggling financially and may be disengaged from addressing their debt/arrears, there may be factors beyond 'willingness' which drive customers to cease payment.

6.59 ...complete an income and expenditure assessment with a qualified debt adviser to assess eligibility and level of need.

This should only be considered for the application process and debt-matching (i.e. Phase 2). As above, this would be unmanageable for the central automatic write-off element of the scheme.

...Be required to accept a smart meter...

Acceptance of a smart meter by a customer should only be considered for phases 2 and 3, of the phased approach we propose above.

Phase 1 - Direct write-off based on prescriptive eligibility criteria, is proposed to answer Ofgem's goal that write-off will be applied by suppliers on an automatic basis, and will not require engagement from eligible customers. To include additional conditionality to this phase would run contrary to the principle of simplicity we have recommended above for consideration in scheme design, and would likely create a barrier to customer uptake, and will subsequently be detrimental to the effectiveness of the scheme.

There is an opportunity to integrate this kind of additionality to Phase 2, and potentially Phase 3, where there is likely to be a greater dependency on consumer engagement to facilitate affordability assessments and debt-matching outcomes.

6.60 ...supplier access to funds contingent on complying with Standard Licence Conditions on debt management.

This measure should not be included. Suppliers should already act in compliance with SLC obligations, otherwise they should be subject to enforcement.

We support Ofgem in carrying out its responsibility to ensure suppliers are compliant, and consumers receive the support they are entitled to. But, for the purposes on this scheme, suppliers should not be subject to further targeted compliance monitoring en masse for conduct not directly relevant to the scheme's requirements. Ofgem should not seek to interpolate pre-existing compliance requirements into the scheme, or its audit and compliance functions. The audit functions proposed should focus on ensuring suppliers are compliant with the scheme.

If Ofgem has reasons to suspect a supplier of not adhering to broader SLC obligations, this should be investigated separately by normal enforcement procedure. Otherwise Ofgem risks creating a de facto Market Compliance Review alongside the delivery of the scheme itself, which would severely inflate the administrative impact and costs of the scheme, which are ultimately passed through to consumers.

...Suppliers could also be required to provide debt advice and energy efficiency measures (via ECO).

This measure should not be included. Suppliers are already required to signpost customers to assistance and advice under SLC 31G. As above, this scheme should not seek to interpolate pre-existing compliance requirements into the scheme, or its audit and compliance functions. Nor should this scheme mandate promotion of access to other schemes, such as the Energy Company Obligation (ECO), which already has clearly applied criteria to which suppliers are already committed. Suppliers will already be attentive to existing signals to promote ECO and other schemes and potentially beneficial options to customers, so will do this in line with the requirements of these schemes and other drivers.

Q27. Are there significant data sharing challenges which we should consider in the selection of design options?

As we set out in proposed phased approach in our cover letter, Phase 1 would be dependent on debt data held by suppliers, and Warm Home Discount data from the period of debt accrual, and potentially to date (there is a question of whether to accept new WHD eligibility post-crisis, as this may still be indicative of affordability challenges for the customer, albeit not contemporary to the period the debt was accrued). If Ofgem chooses to proceed with the WHD plus option, this would require DWP to provide the extended dataset to suppliers. Other data-sharing, i.e. between suppliers, CGCs or other relevant stakeholders would require specific arrangements.

Ofgem will need to address any potential data-protection requirements when establishing the scheme, particularly where it may seek to repurpose existing data collection for new purposes (e.g. Warm Home Discount). It is essential that suppliers and CGCs are able to apply an appropriate lawful basis under the regulation for processing and sharing consumers' personal data.

We note it will likely be necessary for suppliers and CGCs to ensure secure data transfer resources are available to facilitate the application route of the scheme, depending on the level of relevant data required. This presents a significant challenge given the limited time available to develop and implement this scheme, and the short period afforded between Ofgem's final decision and the proposed start of the scheme.

EDF
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