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Sent to: DebtConsultations@ofgem.gov.uk
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Ref: Resetting of the debt landscape, the case for a debt relief scheme

Dear Colleagues,

We welcome the opportunity to provide input into the resetting of the debt landscape consultation.

Ecotricity was the world's first green energy company when we were established in 1995 and we now have over 175k domestic and non-domestic supply accounts, alongside over 100MW of self-developed renewable generation capacity.

We continue to invest in new sources of renewable generation that has recently led to the commissioning of two new solar parks and our first energy storage facility. We support policy ambitions that enable the UK to accelerate its drive towards a net zero energy system, whilst ensuring a security of supply that is cost efficient for consumers.

We support the principle of helping those most in need through addressing the debt landscape, however based on the current proposals outlined by Ofgem we struggle to agree with the mechanics of how this could be delivered. The administration of a debt relief scheme via energy suppliers will only serve to increase the energy cost landscape and risks a duplication of data that may already be available from other sectors, such as DWP, who would be much better placed to administer a scheme such as this. We would also highlight the need to address the wider energy landscape challenges, such as wholesale market price setting, in order to build out a long-term viable strategy to reduce consumer costs and in turn lessen the burden of debt.

Please find our answers detailed below in relation to the questions posed within the consultation. We would welcome the opportunity to engage in further dialogue with Ofgem on this subject.

Case for Change

Q1. Do you agree with our case for change?

We agree that debt from household utilities and credit card bills are some of the biggest pressures on household finances. A scheme to help clear some of this debt accrued in the past few years could help households and reduce the pressure on the energy system.

We are, however, concerned that the proposed scheme may not deliver a lasting impact for consumers (and thereby help improve engagement between consumers and suppliers). Ultimately the only way to improve engagement is through the long-term reduction of energy prices, which remain high due to a number of factors, such as:

- Wholesale market prices.
- The inclusion of social and environmental support schemes on energy bills.
- High network costs due to a lack of network reform in the past decade to get ready for a changing energy system.

- A high regulatory burden that is adding cost into the energy system and, in turn, reducing suppliers' ability to develop and offer innovative and competitive tariffs.

This means that in a challenging economic dynamic, with limited growth and a squeeze on household incomes, consumers risk continuing to build up debt and as such, will be less likely to engage.

In our view, the measures that suppliers have taken to date to support customers in managing their debt have had some success. This work is ongoing, but it is certainly the case that a well-designed and consistent approach, led by government or Ofgem, would help provide greater support for struggling consumers.

The mechanism to deliver any proposed debt relief scheme will be crucial to its success; we are concerned that under the proposals put forward, whereby energy suppliers are required to implement and administer the scheme, that it will further increase costs on the energy sector. A particular concern is that these costs would have a disproportionate impact on smaller suppliers by:

- (i) taking away senior management time from the company's core operational focus,
- (ii) requiring the supplier to divert a relatively large proportion of their smaller resource base from core operational tasks, with consequent risks to wider customer service levels, and
- (iii) adding fixed costs which are disproportionately higher per customer for smaller suppliers, putting smaller suppliers at a disadvantage when trying to develop competitive tariffs.

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

Suppliers already offer customers a number of debt support options. We are already managing customer debt and arrears through established processes, including tailored repayment plans and discretionary debt write-offs.

In our view, a debt relief scheme that requires a complex assessment of customer eligibility cannot and should not be administered through the energy supply system. We believe this would be better managed through the social security and/or taxation systems, which are better tailored, and in many cases would already have the necessary information available to identify and support vulnerable people in society. The costs of debt relief should be met through general taxation to stop the further compounding of higher energy prices to recover both the direct costs of debt relief, and the administration costs of such a scheme.

The wider concern here is that utilising this scheme as a one off does not offer a long-term solution to the debt challenges that households are currently facing. The wholesale market, in its current guise, whereby the marginal fuel (often gas) sets the market price effectively creates a theoretical floor for consumer energy rates, which forecasts point to not materially changing for the foreseeable future. The debt relief scheme, therefore, needs to properly tackle the more enduring policy challenges in the energy system. In our view, this will be best achieved by:

1. Reforming network charges to make them fit for the future energy system and enabling cheaper green generation to connect to the energy grid at speed.

2. Moving environmental and social costs from energy bills into general taxation.
3. Reforming the wholesale energy market so that gas ceases to be the price setting commodity in the energy system. This would reduce the cost of energy in the longer term for consumers.
4. Developing a social tariff that supports those people who are most financially challenged in our society. This would stop the price capped tariff acting as a brake on innovation in tariffs and competition.

Considerations and Objectives

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

We agree that any debt relief scheme should (i) avoid perverse incentives, (ii) be fair and consistent, and (iii) be targeted.

We do not believe that the scheme being proposed will deliver those outcomes:

1. Avoid perverse incentives: We believe that making energy companies administer a debt relief scheme will reduce the motivation of customers to pay in the longer term and make them more likely to expect higher levels of support from suppliers. We have seen from our own current debt relief processes that elements of the customer base learn how to game the system to take advantage of reliefs that are offered. We believe the proposed scheme risks compounding the energy debt problem in the longer term.
2. Fairness: We do not believe that energy companies are best place to ensure consistency in delivery. Delegating responsibility for assessment to a diverse array of energy suppliers with different systems and processes appears more likely to get inconsistent outcomes across the market. It would be far better for the government's own social security services to assess consumer eligibility to ensure a more consistent outcome.
3. Targeted: We don't believe suppliers have all the information to make this sort of assessment. It would be far easier for government to make these sorts of assessments given they have more information on individuals' and households' financial circumstances through the tax and benefit systems.
4. Timely: We think that trying to get many organisations to deliver a scheme like this at the pace which has been proposed is challenging. We are concerned that the current scheme design cannot be delivered to the necessary quality by energy supply companies, and the scheme is certainly too complex to be delivered by the end of 2025. To deliver at pace we would recommend either using the government's own apparatus (tax and social security systems) or simplifying the eligibility and broadening the targeted base of customers (see response to question 11).

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

We think that the objectives are all valid on an individual basis. However, we believe that: (i) some of the objectives set out collectively are contradictory and that this may mean that scheme will become too complex, unwieldy to manage and difficult to deliver. We also believe some objectives will not be met through the current scheme proposal.

We don't think that reducing customer debt balances for the most in need and proportionately reducing supplier's debt portfolios can be achieved at the same time. Suppliers will have different demographics in their supply base. Therefore, it is likely that if the scheme targets the most vulnerable it will not support suppliers proportionately.

We are concerned that the scheme will not achieve the desired increase in customers' engagement and instead it could incentivise further non-payment of bills by consumers expecting similar future initiatives.

We also believe that if scheme costs are not recovered through energy bills, it will increase the cost of energy in the medium term through the need to recover additional costs placed on the system.

Finally, the scheme appears to penalise those who want to pay but can only pay small amounts, against those who could pay more but actively chose not to. This goes against the principle of optimising support for genuinely vulnerable customers. This places even greater emphasis on ensuring that the system is able to correctly target those who genuinely need support, some of whom may have a limited debt profile.

Debt Relief Scheme Administration and Delivery Options

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?

We believe that the way to increase the speed of implementing the scheme is to use the existing mechanisms the government has for delivering support to vulnerable people. This could be done either through the social security apparatus or taxation system (or both), which already distribute benefits and tax credits, which require identifying consumers who are in need of support and quantifying the appropriate level of such support. Both systems could, we believe, be extended to distribute funds to either to individual consumers or directly to suppliers to address vulnerable consumers' debt appropriately.

Using suppliers as the vehicle for implementation will slow down the speed at which the scheme can be delivered. Suppliers do not have the systems, infrastructure, or data to assess consumers eligibility for schemes. The range of suppliers' different systems and process landscapes also increases the risk that the scheme will be implemented differently for each supplier leading to inefficiency and a lack of uniform outcomes for consumers.

In the event the decision is that the proposed scheme should be implemented, scheme rules and procedures should be documented in detail prior to beginning implementation. Some delay to implementation is preferable to the scheme being implemented at pace but without a rigorous analysis and design, leading to inefficiency, unnecessary cost and complexity. Suppliers will need to recruit and train additional personnel required to implement, manage and administer a scheme and the time and costs to do this should be factored into the payments to suppliers.

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

We believe that the scheme should be carefully considered and designed in detail. Any scheme that is designed should be time limited to minimise the cost of administration that would ultimately be incurred by the end consumer.

Should the scheme be designed as currently proposed, with energy companies responsible for its implementation, we also believe a scheme should be short in nature to avoid resources and management attention being diverted from our core activities which could impact services levels that are seen as a key priority by Ofgem.

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

If the decision is that the scheme should be administered by energy suppliers, we would prefer that a flat rate scheme was used, with simplified eligibility requirements, similar to the 'Energy Bill Support Scheme'. This would reduce the complexity and make the scheme more efficient to run.

We would highlight that this would mean the scheme is less targeted but would minimise the risk of inconsistency. We believe that this trade-off is necessary if you want energy companies to run the scheme at the pace being proposed.

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)?

We favour a third party administering the scheme. We believe that government has the apparatus available to administer such a scheme through the social security and taxation systems. It is better to use systems and apparatus already available to implement a scheme (from both a time and cost perspective) than develop a new administrator or get suppliers to develop their own administration mechanism to deliver support.

We disagree that option 1 is the quickest solution. Requiring a number of suppliers to provide a standard approach across a diverse landscape of systems and processes will make it more complex. Suppliers would have to resource further to undertake this work and appreciable lead time would be required to prepare. Without sufficient lead time it is likely the scheme will not be as effective as hoped or delivered to the necessary standards of efficiency.

We do not believe the proposed timeline to start delivering the scheme (summer 2025) post decision on the consultation is sufficient time for (i) suppliers to resource up and implement the scheme, and (ii) the detailed design work to be completed to give suppliers the right level of guidance to implement a scheme of this complexity efficiently.

We are concerned that delivering the scheme through suppliers could lead to a talent and knowledge exodus from the industry, due to the pace at which this is due to be implemented against the backdrop of business as usual activity. Over the past couple of years, suppliers have implemented and administered a number of schemes (e.g. Energy Price Guarantee scheme, Energy Business Support Scheme, Energy Bill Relief Scheme etc) at pace, with limited guidance and no support for the investment in the infrastructure needed to run them efficiently and effectively.

As a smaller supplier, we have seen an increase in colleague stress across teams in the organisation who had to support these schemes. We are concerned that if this scheme is not given the time required to develop it properly, we will see this negatively impacting colleagues' wellbeing and also make it harder for us to retain and attract talent and knowledge into the industry.

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

We see both audit options presenting challenges.

Netting off claims with provisioning is not the right financial process to use when assessing the amount to net off. Provisioning is an accounting process and not a mechanism for partly funding the write off of customer balances. Suppliers continue to support customers to manage their debt balance well after they will have provisioned for their debt. These processes are distinct; companies do not make a note on a customer's account that it has a provision against the debt. Your proposal would require energy companies to change their systems to link together provision data and customer debt balances. Suppliers may face difficulties in accurately reconciling historical provisions with current claims. This is due to provisions changing over time, dependent upon the movement in the debt book. This process could result in resource-intensive adjustments and increase the risk of errors or disputes during audits.

Pre-readiness checks, ongoing progress assessments, and ex-post compliance audits would demand substantial administrative effort and financial investment.

This would be exacerbated if the scheme also mandated detailed assessment of claims and additional reconciliation which would require extensive documentation and thus colleague time to deliver this. As an example, we estimate that the Energy Price Guarantee scheme has taken approximately 350 days of colleague time to administer; this does not include the operational team time required to deliver the scheme.

For smaller suppliers, the cost of implementing the necessary processes and controls to meet these requirements may outweigh the benefits of participating in the scheme.

These challenges highlight the importance of ensuring that any audit approach is proportionate and does not impose an undue burden on suppliers, especially those with less capacity to absorb additional costs.

The complexity explained in this section of the consultation document explains why using suppliers to deliver a scheme of this sort is not fit for purpose and a more suitable solution would be to use the tax and social security systems.

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

We think that this proposal will be complicated, burdensome for the suppliers, administrator and consumer group and charities (CGC), and will not deliver a timely outcome. We think such a process will likely disengage consumers, not improve engagement.

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

We believe that to deliver a scheme that is timely, fair and targeted:

1. The government's tax and/or social security system should act as the body used to assess customer eligibility. The social security system could pay suppliers assessed debt relief amounts, with customer account references enabling the funds to be applied to individual customers' accounts.
2. The scheme should be funded through general taxation. Alternatively, if charges are to be added to energy bills, Ofgem could administer the scheme and ensure that money is recovered via a levy on customer bills. This could also aggregate supplier and (potentially) government costs to ensure these are recovered through the levy.
3. The scheme could be promoted through the energy companies and CGC communication to consumers.

If energy companies were to be obliged to run the scheme, we would argue that it should be more universal, with minimal eligibility rules and look something like the EBSS scheme:

1. Simpler eligibility criteria (e.g. all households eligible who have debt balances that are a prescribed number of days old at a date in time).
2. Fixed amount applied to eligible customer's bills.
3. To reduce the financial burden on suppliers the sum of support payments could be passed on to distribution networks as an asset to recover the amount from suppliers over a period (to be defined).
4. Ofgem could act as administrator ensuring it is cost neutral administering the levy that is applied to customer bills and used by distributors to recover the cost of the scheme.

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?

As a supplier, we would need clear guidance on exactly which administrative costs can be claimed under the debt relief scheme. The implementation of the scheme will likely require significant resources, including additional staffing, system updates, compliance processes, and ongoing reporting. Without clarity on what constitutes eligible administrative costs, there is a risk of inconsistent interpretations and potential disputes during the claims process.

Providing a detailed framework for allowable administrative costs—such as costs for eligibility assessments, evidence preparation, compliance audits, and system adjustments—would ensure that suppliers can effectively plan for and recover these expenses. This clarity is especially crucial for smaller suppliers, who may already operate with limited resources and need confidence that their legitimate operational costs will be reimbursed. Clear definitions and consistent guidance would help streamline the process and maintain supplier engagement with the scheme.

Funding Options

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

Socialisation of the debt relief scheme would require a mechanism to include a levy across all consumers' tariffs. Not including a reconciliation mechanism would reduce the stability of energy suppliers by not giving them the means to recover the cost of the scheme. This option would:

1. Reduce the market's competitiveness by favouring larger suppliers who have the financial strength to absorb additional costs, and handicap smaller suppliers.
2. Reduce the incentive for customers to switch to non-price capped tariffs because supplier would be forced to recover costs through these tariffs.
3. It assumes that supplier's customer books are broadly similar in makeup. Suppliers with more eligible customers would be end up paying out more costs on the scheme and have greater recovery pressures.

We would highlight that we think the cost of implementing and administering this scheme for suppliers will be large. We have estimated that the annual cost of the scheme to Ecotricity would be £0.5-£1m. We believe that the cost of the scheme would be incurred up until the final reconciliation and payments to suppliers are made. This reflects the need to continue to administer the scheme, audit the scheme and deal with the scheme administrator's queries during that multi-year period.

This estimate includes (i) cost of setting up a new customer team to manage customer applications, deal with queries, and assess claims; (ii) customer tracing; (iii) additional finance team members to administer the financial side of the scheme – reconciliations, managing cash flow, dealing with queries from the auditor and scheme administrator, (iv) audit costs, (v) compliance team costs to review the company's implementation of the scheme, and (vi) investment in systems infrastructure to deal with additional billing requirements. Our estimate is based on our experience of managing schemes during the energy crisis.

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?

Reducing supplier funding claims to account for historical debt write-offs is a well-intentioned proposal but would require extensive analysis of historical debt records and contributions from customer's tariffs; significant administrative resources to ensure accuracy and compliance; and clear guidance from regulators to maintain fairness and transparency. A simpler or standardised approach may be necessary to balance the intended benefits with the practicality of implementation as we have outlined in the response to question 11.

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?

Per our answer to question 9, provisioning is a financial accounting process. We do not believe it has a place in netting off against the cost to suppliers of writing off customer's debt.

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

Debt matching could be a valuable component of a debt relief scheme, as it encourages customers to adopt positive payment behaviours while providing financial support. By requiring customers to contribute a portion of their outstanding debt to qualify for matching, the scheme incentivises them to take an active role in managing and reducing their debt. This fosters a sense of responsibility and ownership over their financial situation. Therefore, combining debt matching with debt relief enhances the long-term success of the scheme by addressing both immediate financial barriers and underlying behavioural issues related to debt repayment.

It is essential that customers who are wanting to pay and attempting to pay what they can afford, even when this is a small amount, are not penalised by debt matching. The scheme may risk benefiting customers who had the means to pay but didn't and then benefit from a debt matching approach.

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 a reasonable ratio for suppliers to match support to customer payments?

Eligibility thresholds for debt matching should prioritise customers most in need, for example they must be in fuel poverty (e.g. warm home discount could be used as a basis for eligibility), have received debt advice and have agreed to repaying the debt in full. Matching ratios should be consistent across all suppliers, so that customers are not impacted by which supplier supplies their energy – for simplicity this could be a 1:1 match (e.g. customer pays £100, and supplier/ funding body pays £100).

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?

Networks should reimburse suppliers immediately to avoid cash flow issues. Delayed payments could strain working capital and increase financial risk, especially for small suppliers.

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

The scheme should have a minimum recovery period of 3 years. Longer schemes have higher costs to consumers and impact the overall cost of energy bills in the long term.

Eligibility and Conditionality Options

Q20. What are your views on the proposed primary eligibility criteria?

There is a clear balancing act to ensuring that any scheme both treats customers fairly, whilst targeting those where the challenges are greatest. If considering the case of treating customers fairly, it could be challenged that there should be no minimum value eligibility placed on the debt amount, with the principle behind this being the basis that a customer who owes less than another, may not be in a position to repay it. However, looking at the other side of the coin, you could put a case forward for a minimum balance because of the cost to administer this scheme.

We agree that we should not differentiate between debt and arrears.

It seems logical to put a time period on the debt build up. However, we need to be aware of unintended consequences, as this could set a precedent for future, with customers thinking if they don't pay (as we're in a cost-of-living crisis) that this debt will be written off in the future, which wouldn't be a sustainable practice.

Q21. What are your views on proposals for arm 3 of the primary eligibility criteria (affordability assessment)?

Arm 3 around affordability needs some careful consideration. To ensure fairness of the scheme, there will need to be consistency across all suppliers on how they determine the customer is eligible for the scheme, i.e. what constitutes lack of affordability. This will need to be decided as soon as possible to meet the proposed ambitious timelines and should include all customer types.

There are lead times to consider, such as setting up relationships and onboarding credit reference agencies and solutions to verifying information when completing an income assessment. Plus, costs, including the additional resource required to manage this.

We do not agree with using DNI PPM or council tax bandings. Neither factors provide any indication of a customer's financial situation or affordability.

Eligibility should be by a means tested methodology currently held and used by DWP or a consistent approach to assess a customer's affordability over a designated timescale. For example, WHD eligibility could be an option to get the scheme up as a first phase and running quicker than some of the other alternatives mentioned under arm 3.

Q22. What are your views on the proposed application route for eligibility?

Without robust DWP data, the proposed route for eligibility will be costly to suppliers, to stand up teams, processes and systems to ensure that this meets the required standards, we do not support this being administered by suppliers and feel that DWP are best placed to be able to assess eligibility and should support and administer the application process.

We do not agree that there should be a process for applications as this is costly to administer and stand up and many customers would be disappointed if not approved which damages the relationship. We strongly believe the process should not be managed by suppliers.

Charities/organisations are already snowed under with the volume of customers they are supporting. There would be a major risk that an increased demand off the back of this scheme, would cause detriment to other consumers they are already supporting.

Q23. What are your views on proposals for arm 3 of the application route for eligibility (affordability assessment through a CGC)?

We are not supportive of this approach as this will be costly and challenging to stand up quickly, and we have no true way to validate this data. It would be far better from a scheme perspective to use means tested benefits from DWP, and/or a consistent approach to assess a customer's affordability over a designated timescale.

Without this, suppliers could make the wrong decision or decline customers, and this would lead to a negative interaction and views of the supplier and energy sector.

We do not support the approach for appeal as this is onerous, costly and challenging to deliver, and impacts the service delivery an energy company can provide under the performance framework without employing a new team to administer and run this for customers.

Whilst this may sound like a sensible solution, we would have to have new data sharing agreements in place so involving the cost of legal work, and currently the proposal does not show if we would need to have new integrated system with the chosen CGC and the response times.

There is a risk of DPA breaches without new secure systems being set up and we have concerns about the CGC's ability to deliver this in a timely and effective manner.

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?

We are supportive of the proposal, however, to include suppliers needing to engage and share further information with each other to assess the eligibility will require minimum levels of service and KPI's to be in place to avoid delays, backlogs and new data sharing agreements and secure systems to be able to share this information – this does not feel achievable in the proposed timescales.

We are unclear where this would fall under GDPR without new data sharing agreements being in place and would require a further dedicated team to handle this outgoing and incoming requests – we go back to our earlier point that this is very challenging to navigate and DWP data should be used to means test.

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?

To benefit those customers who are most vulnerable, there needs to be some qualifying criteria based on affordability, for both debt write off and debt matching.

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

In principle there could be benefits to setting conditions, such as “incentivising” customer behaviour. However, as you mentioned this could also create barriers for some which could create some negativity. It also adds another layer of complexity to the scheme too.

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

It’s integral that suppliers only share data in line with a legitimate GDPR reason with other suppliers. Data sharing agreements will be required to be stood up for this purpose only and agreement by all suppliers to implement these voluntarily.

The format of the data would need to be standardised with only relevant information presented. All data would need to be sent securely through SFTP’s to ensure security.

This response is not deemed to be sensitive.

Should you require any further information, please let me know.

Many thanks

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Sent on behalf of Ecotricity