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Ofgem
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Dear Price Protection Team,

We are responding to Ofgem's consultation on resetting the energy debt landscape through a debt relief scheme.

Key points:

- We support the aims, objectives and urgency of this work to help customers on low incomes with their energy debt achieve a meaningful reset. However, the efficacy and deliverability are paramount to realising a positive benefits case.
- To ensure there is a deliverable scheme that will provide a meaningful debt reset, most of our members agree the scheme needs to be set at a sufficient scale, with most support provided through the automated route to limit complexity, and it should be easily communicable to customers.
- We think resetting debt also requires prompt action from the Government on a more proportionate bill support mechanism and on effective tools for suppliers to recover debt from able to pay customers to minimise the costs for those in energy debt and fuel poverty.
- Ofgem should consider phasing parts of the scheme to promptly deliver support to those in greatest need, backed up by more complex identification routes and support mechanisms, such as debt matching and referral.
- The scheme should not be paid for by energy suppliers who are continuing to support customers after several exceptionally tough winters on the expectation of more sustainable affordability for consumers.

Scale of support

It is right and fair that, if there is a workable mechanism, socialised debt costs reduce customer-specific bills. This would be alongside the continuation of the additional bad debt allowance with an incentive for suppliers to recover all other debt.

Any one-off mechanism to reset the debt landscape and tackle debt standards is ultimately a sticking plaster without further government intervention to address bill affordability and provide targeted holistic support to those that need it. The lack of

clarity over the government's current approach should encourage Ofgem to set the scheme at a scale that would provide a meaningful reset for overall sector customer affordability.

Eligibility and support types

It is vital that the eligibility criteria and the types of support available are simple and systematically operable. They also need to be transparent with messaging relating to these elements of the scheme being clear and avoiding incentives for customers to not pay off their debt.

The scheme should be coupled with the Government implementing meaningful targeted affordability support for customers and routes for suppliers to effectively recover debt from customers who can afford to pay but choose not to. This will make the reset more impactful.

Energy UK supports a standardised debt matching option to help those who might not be eligible for debt write-off but still require assistance to pay down their debts. The eligibility criteria for the scheme needs to be standardised and clear, with distinct differences in criteria to receive either a debt write-off or a debt matching offer. However, there should be a degree of flexibility to ensure the scale of an effective scheme can be delivered and a lack of data alignment across the sector does not mean that cohorts of customers miss out unfairly.

The decision between offering a flat rate of support or support based on the level of debt and arrears must consider the balance of confidence in data and feasibility, especially in the context of aiming to launch the scheme this year and other scheme complexities, such as the application/referral route.

The scheme presents an opportunity to provide enduring benefit from wider and more positive customer engagement with energy suppliers. Debt matching – which some suppliers already offer - for a broader group of customers presents a key opportunity for the sector and the enduring benefit of this type of support should not be lost due to the time sensitivity of the reset.

If this element of the scheme delivers on its promise, it should encourage better customer experiences and increased debt recovery over time with more customers able to pay on a more sustainable footing. However, consideration must be made that if the scheme achieves its aim of facilitating indebted customers who have struggled to pay to engage more with their energy supplier, it would increase core operating costs.

Timing

The scheme should be implemented as soon as practicably possible to minimise the negative impacts on consumers living in energy debt.

The timing of this work is very ambitious. Ofgem's approach to working with suppliers and DESNZ through decision and implementation needs to be open and collaborative to encourage raising concerns and issues to improve precision and shared understanding of the scheme.

There appear to be limited benefits to appointing a third-party administrator if it is feasible for Ofgem to administer. It would be challenging to establish or commission a new body in time for the planned scheme launch. The scheme deadlines and liabilities need to be clear from the outset.

The considerations around the debt matching and referral parts of the scheme add significant complexity and operational risk but do provide a wider net of benefiting customers that is fairer and more inclusive. Phasing in of this element might be needed if it proves unfeasible to design and implement it in the proposed timeframe, particularly if it risks placing overwhelming pressures on consumer groups and charities in their role.

Ofgem should also encourage the Department for Business and Trade to bring forward its decision in support of the Citizens Advice Consumer Energy Debt Advice proposal to support effective scheme delivery.

Funding

The scheme should not be paid for by suppliers. As Ofgem referred to in the consultation, energy suppliers pledged £500m to support customers this winter. It should be noted that a significant proportion of this was repayable support. Energy suppliers have been playing their part in supporting customers through several exceptionally tough winters on the expectation of more sustainable affordability for consumers, including greater targeted support from the Government. They do not have the financial capacity to fund this scheme.

If you have any questions or considerations that it would be helpful to discuss then we would welcome the opportunity to discuss further.

Kind regards

Ed Rees

Head of Retail Policy, Energy UK