

Smell gas?

Call the National Gas Emergency Service
on 0800 111 999

Ofgem
FAO: Dan Norton
10, South Colonnade
Canary Wharf
London, E14 4PU
Email: DebtConsultations@ofgem.gov.uk

6th February 2025

Dear Mr Norton,

Re: Consultation on Resetting the energy debt landscape: the case for a debt relief scheme

Thank you for the opportunity to respond to Ofgem's consultation titled Resetting the Energy Debt Landscape: the case for a debt relief scheme. We note the proposals for introduction of a debt relief scheme (hereafter referred to as 'the scheme') set out therein. In addition to this response by Northern Gas Networks (NGN), a response has been submitted by the Future Energy Networks (FEN) which represents the views of FEN Members. NGN has been actively involved in the drafting of the FEN response and as a result, we support the points made by FEN members collectively.

This response represents NGN's company specific views and should be considered alongside, and in addition to, the FEN response.

We do not support the implementation of debt relief scheme. However, if Ofgem can provide strong evidence that such a scheme is necessary, a Supplier of Last Resort (SoLR) style approach could be utilised, and this is the basis on which we have compiled this response. We stress, however, that a further in-depth consultation and proper impact assessment of the likely unintended consequences should be undertaken by Ofgem in developing a scheme, which is consistent with the principles of regulatory best practice, before a decision is made.

We outline below the reasons why we oppose the introduction of a debt relief scheme:

- Addressing a problem in the gas retail market using gas networks risks unintended consequences, which have the potential to be damaging in the long term, for both consumers and the market. This includes undermining investor confidence in the sector, as well as transferring balance sheet exposure from suppliers to GNs. An in-depth impact assessment should be conducted by Ofgem to demonstrate the likely extent of contagion risk.
- We do not consider the network-funded approach to represent the most appropriate, targeted or proportionate solution.
- While we acknowledge the case for intervention, we urge Ofgem to consider the scheme within the broader context of changes and customer affordability. Domestic gas customers could face an

**we are
the network**

Northern Gas Networks Limited is registered in England and Wales, no. 5167070.
Registered office: 1100 Century Way, Thorpe Park Business Park, Colton, Leeds LS15 8TU



Part of your monthly gas bill goes towards keeping your gas supply flowing and providing a fast and efficient emergency response service if you smell gas.
To find out more visit: northerngasnetworks.co.uk/goodtoknow

For information on how we use your details please visit: northerngasnetworks.co.uk/legal-information

w northerngasnetworks.co.uk
t +44 (0) 113 397 0034
a 1100 Century Way, Thorpe Park Business
Park, Colton, Leeds LS15 8TU

additional bill increase of £19 – 24 p.a. (based on a £1b to £1.2b figure given in the consultation), on top of proposed policy changes made by Ofgem for RIIO-GD3 and increased costs across the sector. The consultation suggests a similar scheme for electricity customers and should be considered alongside overall cost of living pressures (see our response to Question 2 for more detail).

- We are mindful of the need to address this problem and would urge Ofgem to develop a longer-term solution, which is consistent with the principles of regulatory best practice, rather than a short term fix which does not adequately address root cause, and involves GNs undertaking a role that departs from their licensed activity and raises contagion and moral hazard¹ risks.

However, should the scheme be introduced, it must be done so in a manner which mirrors the SoLR style approach, ensuring cost neutrality within the regulatory year, to provide some protections to gas networks and customers. Other options are not commented upon as there is not enough detail provided to allow us to assess them.

We acknowledge receipt of the addendum issued to FEN on 4th February and will respond to this by 13th February as requested, should that be necessary.

We provide our answers to specific questions posed by Ofgem in **Appendix 1**. If you would like to engage further on this topic please do not hesitate to contact me.

Yours sincerely,



Greg Dodd
Regulation and Strategic Planning Director

¹ The term 'moral hazard' refers to when there is a lack of incentive to guard against risk when there is protection from the consequences. In the context of this particular scheme, despite Ofgem signalling that this would be one off-and time bound, we consider that there is a risk of expectations forming that similar interventions may occur in the future. This expectation alone can result in adverse behaviours occurring (such as poor debt management) where there is a belief that assistance could be granted by Ofgem. This is a relevant consideration for both consumers and suppliers.

Appendix 1 – NGN consultation questions and responses.

We have responded to questions where we have the necessary expertise and experience to do so. Our responses should be read in conjunction with, and in addition to, the FEN responses and so for ease of reference we have copied the FEN response below and provided any additional points which are specific to NGN.

Q1. Do you agree with our case for change?

We recognise that the energy industry has faced unprecedented challenges over the past few years, and the impact that this has on our customers must be acknowledged. Citizens Advice has estimated that millions of households are struggling with their energy bills, with energy problems the most common type of issue that Citizens Advice now assist with. These reached record levels in 2023².

FEN response:

We acknowledge that due to the energy crisis, some customers have built up unprecedented levels of energy debt due to being unable to pay due to their own circumstances. We agree there is a case for change, but the proposal of this short-term solution does not address the underlying causes, and risks unintended consequences. Work needs to be carried out to ensure there are long-term affordability solutions to address this and prevent the debt issue recurring in the future.

In addition to this, we would also reiterate that we do not consider that addressing a problem in the retail sector through the distribution and transmission sectors represents an appropriate solution. We would instead encourage a longer-term solution to be developed, that can address the problem in a targeted way, rather than a short-term fix which could bring unintended consequences for both consumers and the market.

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

No. We do not consider that the consultation has presented suitable evidence to support the view that Ofgem is the appropriate body to intervene with the introduction of a debt relief scheme in this way.

FEN response:

No. We recognise the hardship faced by energy consumers in recent years and understand the merits of industry intervention. However, the proposed one-off scheme is a short-term action not a long-term solution. There are also existing intervention options in place for suppliers, that are better targeted and more proportionate to support effective debt management. We encourage the use of long-term options to manage the current and future challenges to the affordability of energy in the sector and not a short-term fix.

If Ofgem progresses with the short-term intervention, more detailed consideration is required on how the principle of “management of risk” is going to be applied and controlled, to prevent the stability of the industry being impacted, and the risk of creating moral hazard both for customers in bad debt and for those suppliers who potentially take riskier business practices and may have weaker balance sheets.

Ofgem should consider the wholistic impact on consumers. While it is hard to gauge the customer impact without specific details from Ofgem, assuming a total cost of £1 to 1.2 billion (as per paragraph 5.3 of the consultation), we estimate an average NGN domestic consumer bill increase of £19 to £24 annually (£1.58 to £2 monthly). This cannot be viewed in isolation. Ofgem's 2024 Sector Specific Methodology Decision, likely results in upward pressure on bills. Figure 7.1 of our RIIO-GD3 Business Plan shows the estimated annual impact on NGN domestic customer bills between RIIO-GD2 and RIIO-GD3, indicating significant bill increases as we move into RIIO-GD3.

² Source: Page 27 [Consultation on our Draft Consumer Workplan for 2025-26 - Citizens Advice](#)

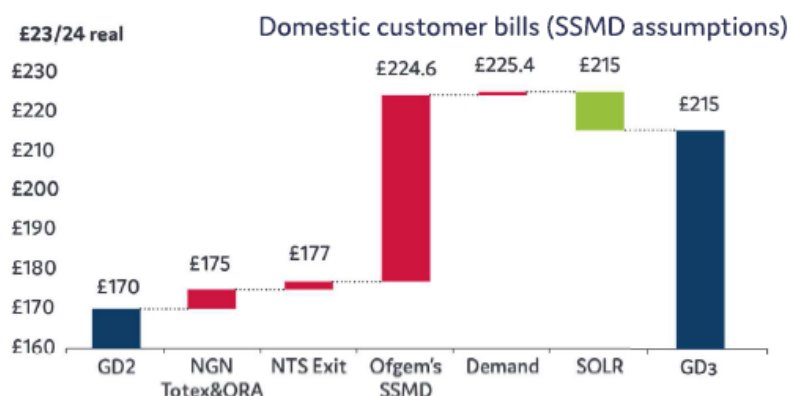


Figure 1 Domestic customer bills annual breakdown (SSMD assumptions)

This demonstrates the need to consider the cumulative impact of all changes on customer bills in the context of other potential and planned changes to the billing regime, such as the accelerated depreciation proposed in RIIO-GD3, rather than focusing solely on the impact of this debt relief scheme in isolation.

The numbers outlined above are applicable to the gas sector only and so it should also be considered that customers would face mirrored additional bill increases for the electricity sector where they are dual fuel customers (alongside other wider cost of living pressures).

We highlight the comments within the FEN response relating to the need for further consideration of the principle of 'management of risk' to prevent the stability of the industry being impacted. This also needs to include consideration of the risk of creating moral hazard both for customers in bad debt and for those suppliers who may take riskier business practices and may have weaker balance sheets.

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

We have a number of concerns with the proposed design principles of the scheme, as we discuss below:

FEN response:

We have raised concerns associated with the majority of these principles within the letter, should GNs be required to facilitate the scheme, and we summarise our position to each one below:

- Avoid perverse incentives – We have concerns that this scheme could result in incorrect signals being given to suppliers. If implemented, the scheme could result in further poor debt management in the future, due to the belief by some suppliers that support schemes will be offered again in the future. It is imperative that Ofgem publish robust and clear boundaries for this scheme and make it explicit that the extraordinary intervention is one off and time bound.*
- Fairness and consistency – Introducing a scheme which socialises the cost of debt relief could result in inequality between consumers which may not be perceived as fair.*
- Targeted – We agree that the scheme should be as targeted as possible.*
- Timely – Whilst we recognise the desire to support consumers as soon as possible, we believe the proposed timescales are too short and could increase the likelihood of inefficiencies, higher costs and sub-optimal implementation. The timescales also make the adoption of a “pay when paid” SoLR approach more difficult, which would be essential to mitigate risks associated with contagion and investor confidence, if the GN funded solution was the adopted option. If the scheme must start in October 2025, this would necessitate a mid-year price change to network charges. For a SoLR approach to be adopted, a new charge type would need to be created, requiring the relevant notice period to allow the correct system changes in central and downstream systems. These steps are necessary to ensure the right level of transparency in the accounting of the scheme. As you will appreciate, these steps will take time and demonstrate why the principle of timeliness needs to be considered holistically and not just treat the fastest approach as the best approach.*

- e. Management of risk – This principle is critical. Should Ofgem proceed with the scheme, the only way the GNs would be able to facilitate it to manage risks of contagion and impacts to financeability would be via a SoLR style approach.

Ofgem outlines in paragraph 3.4 of the Consultation that the final options should avoid perverse incentives. In addition to supporting the comments here and those made within the ‘intervention and signalling’³ within the FEN response we are particularly concerned that requiring gas networks to fund the debt relief scheme to resolve an issue that has occurred in the retail sector is not appropriate for the following reasons:

- Despite the intention to ensure that this is a one-off scheme, there is a risk that intervening in this way could send a signal to the market that poor debt management would be resolved by networks.
- This would create a risk of moral hazard entering into the retail market, which may result in perverse and risky behaviours.
- It distorts competition in the retail sector should a company receive funding where it has existing debt balances due to poor debt management rather than genuine customer inability to pay.
- It passes risk from the retail sector to the networks.

Additionally, please note our concerns around the consumer impact of the principles which we have detailed further in a collated response to Questions 20 to 26.

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

We agree with the FEN response in relation to this question.

FEN response:

Our opinions on the objectives are as follows:

- a. Reduce the level of domestic debt and arrears – We agree this objective is reasonable to make a real difference to the end consumer.
- b. Facilitate improvements in the culture of debt management – This objective is highly aspirational. In fact, there is a risk the proposed scheme could engender exactly the opposite behaviour in the consumer- supplier relationship. We expect Ofgem to have considered this and have evidence a scheme like the one proposed could be impactful and would not have unintended consequences or contagion risk.
- c. Provide a mechanism for debt to be cleared and d. Reduce or avoid an increase in future debt allowance – These objectives could result in the funds being transferred being lost in overall supplier funding. More detail and consideration of the specific mechanisms are required before we can comment on the merit of these objectives.

We would also expect that Ofgem evidences that this scheme would not result in both unintended consequences and contagion risk.

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 echo the FEN response in relation to this question.

FEN response:

The GNs recognise the desire to keep lead times on this scheme to a minimum. However, the proposal to pay the customer debt in October 2025 will be challenging with a SoLR style GN supported scheme due to the need for a mid-year price change. Ofgem must give sufficient time, following the relevant notice periods, to allow GNs to complete the necessary changes, calculations, and sign offs to allow the price change to take effect. Price changes must be published no later than the 31st July 2025 and making the amendments by this date is going to be a significant challenge should a SoLR style scheme be adopted involving the GNs. GNs funding the scheme would also require a license modification, giving rise to the need for an additional consultation, with the associated timelines for

consideration and response, together with Ofgem's review of them. This also adds time and will impact on the scheme's start date.

Assurance and audit are fundamental to every stage of the scheme to ensure that the right people are being supported with debt relief, that suppliers do not get subsidised twice by different relief and recovery schemes and that the scheme is only funding the debts from the energy crisis period. There is a risk that bringing a scheme into effect by October 2025 could result in ineffective controls and assurance procedures being in place meaning the scheme could be more costly than truly necessary.

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

We provide our general comments around the consumer impact of the scheme in our collated response to questions 20 to 26 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)?

We echo the FEN response in stating that Delivery Option 1 is most appropriate.

FEN response:

Delivery Option 1 is the most appropriate given Ofgem's experience from the SoLR process. The introduction of a third party would only increase administrative costs. It is critical that Ofgem verify the accuracy of and ensure supplier claims are reasonable, whilst preventing suppliers from receiving the price cap allowance and recovering funds through a scheme. Outsourcing this to an independent administrator builds in unnecessary risk to this process.

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

We would agree with the position set out in the FEN response:

FEN response:

We welcome the proposals to include audit of the scheme, our key requirement is that whichever audit approach is taken there must be robust and rigorous checks and controls in place to ensure the relief reaches the right people in a timely way.

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?

Should the scheme progress, it should be done so in a way which mirrors the SoLR process, and which also ensures that shippers and suppliers are afforded sufficient time to make the necessary amendments to their systems.

FEN response:

Should the scheme progress and the networks be required to fund the debt, then a scheme based on "pay when paid" i.e. match revenue received to the costs incurred must be adopted. This would at least enable GNs to ensure that they are only acting as an agent and not a bank mitigating retail market related cashflow risk.

In terms of administrative considerations, the Central Data Service Provider (Xoserve) will be required to introduce a new Charge Type and downstream parties will need to amend their own systems to accept this new Charge Type. The timelines for this process need to be built into the implementation timeline to ensure that networks receive funds in alignment with the paying of suppliers.

We note that an Initial Impact Assessment has been included in Appendix 2 to the consultation. However, we consider that that this does not adequately assess the full impacts of such a significant scheme introduction. We would have expected a much more in-depth impact assessment be carried out given the potential for wide ranging implications from this scheme. We also note the following:

- Paragraph A2.9 states that the policy can be understood to be cost neutral as the costs of the policy fall below the total level of support provided to customers in debt. We would have expected a SROI to be conducted, but in addition to this, we do not consider that the above statement constitutes cost neutrality for all impacted parties for the following reasons:
 - The impact assessment considers likely impacts on customers in debt, however, as we outlined in our response to Q20 through to Q26 below, the issues facing consumers is wider than energy debt, with almost 5 million people estimated to be living in negative budget, with a further 2.35 million only able to avoid a negative budget by cutting back on essential spending (such as energy).
 - Paragraph A2.42 states that Ofgem expects debt matching in particular to lead to changes in consumer behaviour. Whilst this may be true for some consumers, our own experience of working with vulnerable customers and partners through the VCMA shows that customers need to be provided with the tools which allow them to take ownership of their personal situation, encompassing all elements of their budget, not just their energy debt.
 - We remain concerned around the potential for moral hazard entering the retail market given GNs have been required to set up processes to fund the SoLR. Should networks fund the scheme this would constitute a second example of this type of scenario. Our concern surrounds both the potential message that this sends to the market regarding regulatory precedent, as well as the potential implications on future supplier behaviour. The impact assessment must consider the implications of this in detail.
 - Whilst the 'contagion risk' is referenced briefly in A2.79, we would expect a full impact assessment to be conducted as to the potential impact to undermine investor confidence of GNs being required to fund this scheme, which is not directly related to our licensed activity. This is important for financeability but also in the wider context of investability given potential consequences for cost of capital. This should consider the wider implications of transferring balance sheet risk from suppliers to GNs.

The aspiration of Ofgem to apply debt relief to customer accounts by October 2025 is a very short lead time for a measure with such potential financial impact on customers and networks and could result in unintended consequences.

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?

We do not consider that networks should fund the scheme since, in addition to points made by FEN, the contagion risk presented by this option could result in increases to the cost of capital for networks.

FEN response:

GNs are not best placed to fund the debt relief scheme. Should Ofgem progress with the proposal to fund through increased network charges, the GNs can only accept a SoLR style approach. This means that should the network charges funding option be adopted, payments to suppliers to reduce consumer debt must only be paid within the same regulatory year as the receipt of the equivalent sum of revenue through increased network charges. Any suggestion that payments can be made up front and then recovered in a later year would result in GNs acting as banks, and this is not viable because it puts the financeability of the companies at risk and would involve a contagion risk which could increase the cost of capital requirements and is also outside of GNs operating licenses.

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?

We support the FEN response in relation to this question.

FEN response:

We fully support this approach. Suppliers who have already received debt write off through price caps etc. should not be able to claim debt relief again through this scheme where it is in relation to the same customer, this is to avoid double counting.

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?

We do not agree that networks should be funding the scheme due to the comments below, as well as contagion risk. FEN response:

Should GNs be required to fund the debt relief scheme, the only viable option for this is a “pay when paid” approach i.e. payments would only be made to suppliers once network charges are in place to allow the revenue to be collected by GNs to match the costs of the debt to be covered within the same regulatory year. This was the case for the recent SoLR schemes, which worked well and is understood across the industry. This also ensures compliance with agency accounting and the associated taxation regime.

It is not appropriate for GNs to act as banks and make payments to suppliers before controls are in place to ensure money can be recovered in the same regulatory year. GNs must not operate as banks and the necessary changes to the companies to allow them to act in this way would be very complex and involve significant contagion risks.

In section 5 of the Consultation, one of the proposals being explored is for network companies to provide funds to suppliers to cover the debt relief, with the costs then subsequently recovered through increased network charges. Notwithstanding our view that this scheme is not the appropriate mechanism to address high debt levels in the retail sector, should Ofgem decide to proceed with it, then the only way that the networks could be involved is for it to mirror Supplier of Last Resort (SoLR) arrangements and operate on a ‘pay when paid’ principle.

For transparency, a new charge type would also need to be created which mirrors, but is separate to, SoLR. This would enable any charges on customer bills to be clearly identifiable. Please also refer to ‘funding and cost recovery’⁴ and ‘timescales’⁵ sections in the FEN response where we also outline practical issues resulting from the tight timescales proposed.

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

We agree with the FEN response in relation to this question.

FEN response:

Should a SoLR approach be adopted (which is the only viable GN-funded option), matching revenue to costs through a “pay when paid” approach with the necessary network charge increases being implemented, a one-year period would allow the revenue to reach the suppliers in a timely manner. Suppliers would be required to fund cash flow for any scheme which did not fit within a one year pay when paid approach.

Irrespective of cost recovery timeframes, we consider the scheme inoperable as:

- It requires the networks to perform the function of a bank, which is not how GNs currently operate.
- It could result in scheme costs being represented as a debt on network companies’ balance sheets adding retail market related cashflow risk to network companies; and
- It presents risks associated with cost of capital and network companies’ financeability which, as Ofgem’s consultation rightly acknowledges, could lead to contagion which affecting investor confidence and impact investment in the sector and economic growth more broadly.

The timescales proposed make it difficult to adopt a ‘pay when paid’ SoLR approach, which would be essential to mitigate risks associated with contagion and investor confidence if the network solution was the adopted option.

Q20 through to Q26⁶.

⁴ See page 4 of the FEN response

⁵ See page 7 of the FEN response

⁶ 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.

For ease we have provided a single response outlining our concerns surrounding the customer impact of the scheme proposals which covers a number of the topics raised in Question 7 and Questions 20 to 26. For clarity we have added relevant headings within this part of our response.

Households are struggling and many are facing negative budgets

The Joseph Rowntree Foundation reports that, *'in October 2024, 4 million low-income households (34%) held £9.6 billion of loans they originally took out to pay for food, housing or essential bills like council tax or energy.'* This demonstrates a slight increase from the previous year, when 32% of low-income households owed £9.2 billion for these essentials' loans. The charities' cost of living tracker for winter 2024 expresses concern that *'taking on debt to pay for essentials has not been enough to prevent hardship, with nearly 9 in 10 of these families going without essentials in October 2024 (88%) and 7 in 10 behind on their bills (71%)'*.

Citizens Advice estimates that almost 5 million people are in negative budget, which means that they have more outgoings than income. In addition, it is estimated that another 2.35 million can only escape a negative budget by cutting back on essential spending.⁷ Citizens Advice helps around 9 million people a year, meaning it has experience and understanding in what problems are facing UK households. It estimates that 1.1 million people could be lifted out of negative budgets, with millions more benefiting from reduced budget shortfall with the introduction of the following measures:

- Legislate to uprate working-age benefits using inflation data from the Household Costs Indices, so they better reflect the true cost of living for low-income households.
- Keep increasing the national minimum wage so more people in work can be lifted out of a negative budget.
- Improve energy bill support by expanding eligibility for the Warm Home Discount and increasing support for those with the greatest energy needs.
- Ensure affordable access to essential markets through social tariffs for water, broadband and motor insurance.
- Reform the Local Housing Allowance so it better supports people with high private rent costs.

There needs to be an acknowledgement of the fact that debt owed to gas suppliers is likely to be only one element of a consumer's (or household's) debt picture. Whilst clearing an energy debt balance would likely be welcome reprieve for customers receiving the benefit, the benefits are likely to be temporary at best. There is also an equity consideration, as there will be customers who have made incredibly difficult choices over the past few years (and may be continuing to do so) to ensure that their energy bills are paid (i.e. they could be part of the 2.35 million people that Citizens Advice estimate are cutting back on essentials just to keep afloat). These customers will not receive any benefit from this and the scheme yet may well be just as in need of assistance as a customer who is currently in arrears.

The key drivers for fuel poverty are poor energy efficiency, low household income and high fuel costs. The scheme will not help to address the ongoing impacts of fuel poverty and will likely do little to reduce the fuel poverty gap (reported as £417 in England in 2023)⁸. It also will not relieve the impacts of such for households that use other fuel types including solid fuel or oil for heating.

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.

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.

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.

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?

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?

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

⁷ Source: [The National Red Index: how to turn the tide on falling living standards - Citizens Advice](#)

⁸ Source: <https://assets.publishing.service.gov.uk/media/65cca78e13054900118679c1/fuel-poverty-factsheet-2024.pdf>

There are major equity concerns with funding debt relief schemes equally across all customers

We are concerned about the potential for disproportionately impacting upon vulnerable customers by funding the scheme across all customers. The Consultation states in paragraph 2.15 that *“Ofgem’s customer research also indicates that the cohort of customers in debt or arrears tends to have a lower level of income compared to the wider population of energy customers.”* Increases in relatively fixed elements of the bill such as network charges will disproportionately impact on these low-income customers, who could well be vulnerable and therefore fall into the category that Ofgem is trying to protect. Any price increase will represent a greater proportion of income for lower income customers, and applying a fixed charge may either limit this customer group’s ability to reduce consumption to limit their spending or alternatively may encourage customers to consume less gas to minimise the variable element of their bill that is within their control. This can lead to detrimental health impacts during cold weather periods as well as potentially impact on those individuals’ mental health.

People with a disability or health condition are likely to have a lower income but at the same time have higher costs associated with energy, food, and management of their health. As an example, a survey by Diabetes UK in 2022⁹ found that two thirds of respondents had cut back on essentials including food and energy or had gone without entirely. 3 in 4 people living with diabetes were worried about these costs and many risk worsened symptoms of their condition by resorting to these coping strategies related to excess the excess cost of living.

GDNs already partner with organisations to provide targeted support under the VCMA

GDNs have a Vulnerability and Carbon Monoxide Allowance (VCMA) which currently allows us to dedicate investment to target 4 key areas, with projects designed to reach those who need it the most:

- Fuel poverty and energy affordability
- Supporting priority customers
- Carbon monoxide awareness
- Services beyond the meter

The 2023/24 VCMA Report¹⁰ provides highlights of the positive benefits that projects supported by the VCMA bring to local communities. Since the beginning of RIIO-GD2, NGN has funded 82 company specific projects and 34 collaborative projects through the VCMA, with direct reach to over 137,000 households across our network. NGN has provided £568,900 in crisis fuel payments and invested £926,401 of our customer support fund, targeting projects towards customers who may be highest risk of living in a cold home. Our feedback also demonstrates that stakeholders are satisfied with the relationship that they have with NGN, with a 9.66/10 scoring.

Gas networks already have a longstanding relationship with organisations such as Citizens Advice. An example of the type of projects carried out under the VCMA include NGN’s the Income Maximisation Project in Bradford. NGN has partnered with Northern Powergrid to fund different areas of the support provided by Citizens Advice Bradford. This project was initiated to address a gap in service provision in an area with some of the highest levels of deprivation across our network and has allowed Citizens Advice to respond appropriately to meet the needs of customers. As well as specialist energy and debt advice, this organisation can also provide an outreach community service and distribute equipment such as carbon monoxide monitors. The service assists a high number of people from ethnic minority groups who may ordinarily face additional barriers to engaging with support services.

We ensure that our funding is targeted towards those that need it the most and must demonstrate a positive Social Return On Investment (SROI). The average SROI for NGN specific projects is £5.63 and for collaborative projects average SROI is £8.39¹¹. Where debt is concerned, we enable support for households in a carefully managed way, which considers their individual circumstances and seeks to understand the underlying causes of the debt. Our partners work with consumers, to empower them to take control and make positive changes moving forwards. Equipped with an increased knowledge of how to manage their household budget, they are less likely to avoid a recurring cycle of debt. Combining specialist debt advice

⁹ Available at: https://diabetes-resources-production.s3.eu-west-1.amazonaws.com/resources-s3/public/2023-05/DUK_Cost%20of%20Living%20Report_6_spreads_0.pdf

¹⁰ [NGN VCMA report 2024.pdf](#)

¹¹ Source: VCMA Report 2024

with energy advice ensures that consumers can explore options to address their full range of debts, not just those related to their energy use. NGN have supported services such as Citizens Advice Bradford to fund Debt Relief Order or Bankruptcy fees if this is deemed an appropriate solution.

The complexity of consumer debt and the resulting impacts on physical and mental health needs to be recognised in any debt relief scheme

Consumer debt is complex, and each debt situation will be unique to that individual or household. One of our primary concerns is that the scheme does not take this complexity into account and as a result, is attempting to address a problem without addressing the underlying root cause.

Appendix 2 provides an overview of one of the projects that NGN supports: the Noah's Ark Centre, which supports customers who are using local foodbanks and living in fuel poverty. Noah's Ark aims to reduce the number of people accessing food banks through a process of income maximisation, debt advice, financial capability training, temporary food support and mental health support. This real-life case study that is outlined in our 2023/24 VCMA report¹² clearly demonstrates the complexity that surrounds customer debt situations and the impact that it can have on a person's mental health.

As noted above, the estimated increase for an NGN domestic customer is between £19 and £24 per annum. This is in addition to other likely increases in RII0-GD3, on top of wider cost of living pressures. Another key concern is that the funding the scheme is not targeted and for the most vulnerable (i.e. those that we aim to assist through the VCMA) this has potential to have significant implications. For example, the 2025/26 Citizens Advice Consumer Workplan consultation states: *"Beyond the increase to the energy price cap in October 2024, consumers have faced significant increases in car insurance premiums over the past few years - while water bills are set to rise by an average of 21% over the next 5 years. Effective bill support schemes in essential markets are needed to keep low-income households reliably connected to the services they need without needing to borrow or get into debt to pay their bills."*¹³

A long-term solution which empowers consumers to make positive changes is needed if we want to make a real difference going forwards

To make a positive longer term change we consider that the following is required:

- Customer assistance is targeted towards those who need the help. This requires an acknowledgement that energy debt is only one part of the wider difficulties facing consumers.
- Customers need to be empowered to make positive changes going forwards, in a way which is specific to their personal circumstances.
- Customer debt in the gas market is the symptom of a complex problem and the solution needs to centre around how to ensure energy is affordable for all in the longer term.

We already partner with organisations that can help consumers make positive longer-term changes. For example, the Yorkshire Energy Doctor can help consumers make energy savings but also ensure they are on the energy tariff that best suits their circumstances. **Appendix 3** provides a real-life example of how this organisation was able to provide assistance to an elderly couple on a very low income who were struggling to understand their electricity tariff. Yorkshire Energy Doctor was able to move the household onto a more appropriate tariff and work with the energy supplier to backdate the tariff, which generated a saving of £3,447 for this particular household.

Citizens Advice also acknowledge the need for targeting support at consumers who are at risk of losing out significantly during the transition to Net Zero. For example, the 2025/26 Work Plan Consultation states: *"In 2025/26 we will continue to make the case for this type of support and demonstrate the role it can play in safeguarding consumers, supporting net zero, and enabling reform of standing charges and policy levies. We will develop our understanding of the measures needed to ensure that targeted support can be introduced by 2025/26, the impact this could have on households in need, and how this*

¹² See page 34-35 [NGN VCMA report 2024.pdf](#)

¹³ Page 27: [Consultation on our Draft Consumer Workplan for 2025-26 - Citizens Advice](#)

would work with reformed targeted support in other essential services. We will also work with Ofgem as they develop their next steps on debt and affordability, to ensure that they deliver the most benefit for households in need.¹⁴

One of the partners that we work with as part of our ongoing work with the VCMA requested that we provide their views as part of our response. We attach this in **Appendix 4** and would reaffirm that these are the views of Groundwork rather than NGN.

¹⁴ Source: Page 26 [Consultation on our Draft Consumer Workplan for 2025-26 - Citizens Advice](#)

Appendix 2 – Noah's Ark Case Study

Northern Gas Networks

Section 5: Our key themes

5.1.3 Noah's Ark - Breaking the Food Poverty Cycle. Building Emotional and Financial Resilience for Food Bank Users (project commenced February 2024)



Why we're working together

There is a nationwide agenda to tackle the problems associated with fuel and food poverty. The cost-of-living crisis is fuelling a huge surge in the number of people turning to charities to feed themselves and, in many cases, their children. Around 85% of Britons have noticed an increase in the price of groceries, and over 3,000 people in Calderdale are reliant on monthly food support.

The problems being addressed by this project include:

- Food Poverty
- Financial hardship, debt and low financial resilience
- Poor financial capability (budgeting)
- Mental health and low emotional resilience
- Unemployment
- Carbon Monoxide (CO) awareness

This project supports customers who are using local foodbanks and living in fuel poverty. Noah's Ark aims to reduce the number of people accessing food banks through a process of income maximisation, debt advice, financial capability training, temporary food support and mental health support.



P34

READ CASE STUDY >>>

CASE STUDY - Noah's Ark

Noah's Ark met Lisa* at a local foodbank in Brighouse and when they initially talked to her, she denied being in any kind of financial difficulty. At the time Lisa told them she had bi-polar and was also a full-time carer for her husband. She said she was not great at managing her money and could really do with a little help with budgeting. Lisa came on the first Budget Like A Boss!!!! (BLAB!!!!) course they did in Brighouse. Lisa broke down during the course and had to excuse herself. During the break she told them how she'd lied to them, how she was heavily in debt, and her husband didn't know that she was simply living on credit. Noah's Ark reassured Lisa and gave her a referral form to complete, so they could review her finances. She told them that she felt a little better because she was finally doing something to address the problems that she had.



As part of the advice process, Noah's Ark score clients' emotional wellbeing using a clinical outcome measuring tool called CORE-10. Lisa's score was in a deficit of 4.8 (very poor). She had 24 different debts totalling £26,524. Her budget was in a deficit of £296 per month, with most of her income going towards loan repayments. Part of the advice process is maximisation of income and minimisation of expenditure. The first thing they told Lisa was that she was insolvent, she couldn't pay her debts and had no assets she could sell to clear them. Lisa was advised to apply for a Debt Relief Order (DRO), to clear her debts and regain control of her finances.

The support they gave to Lisa included:

- Arranging a DRO for her to clear her debts
- Temporary food support
- Attending the BLAB!!!! and Boss the Cost-of-Living Crisis!!!! workshops
- Providing a Carbon Monoxide (CO) detector for her home
- Referral to the Green Doctor service for help with energy efficiency and support to reduce her energy consumption

On her evaluation Lisa wrote:

"I want to thank you so much. It has helped lift a weight off my mind. I feel almost like I can set new goals and be better at managing my money, and not having a shame shadow following me around. I have also started leaving my house to go out to visit others. I did not realise just how much my debt affected my anxiety and was the source of my paranoia. I have been through a deep learning curve and seen how much money has an effect on mental health and how debt causes you to withdraw and start feeling hopeless."

Project outcomes:

Number of CO awareness surveys completed	21
Direct beneficiaries	45
SROI	£7.20

P35

*Name changed to protect the individual's identity. Image posed by model.

Appendix 3 – Yorkshire Energy Doctor Case Study

Northern Gas Networks

Section 5: Our key themes

5.1.4 Yorkshire Energy Doctor – Energy Ambassadors



Why we're working together

One of the biggest barriers to engagement advice is distrust and apprehension around any support available that relates to energy.

This may have arisen through experiences of companies cold calling about switching energy supplier or offering 'free' boilers etc. As a result, many people are reluctant to make simple changes, which could result in them enduring the impacts of a cold home or high energy costs. This means that vulnerable households are potentially missing out on ways to:

- a) reduce their worries around energy bills; and
- b) be warmer, safer and more comfortable at home

This project aims to support vulnerable residents by using trusted social networks within communities, to cascade information. This will enable local action to apply for funding/grants and fuel switching, as well as providing important safety information around the dangers of CO.



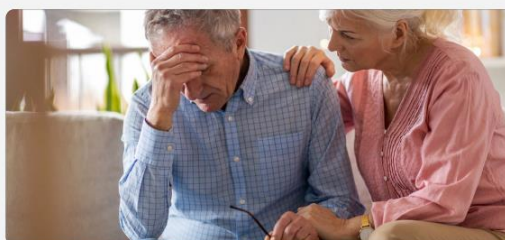
P36

READ CASE STUDY >>

CASE STUDY - Yorkshire Energy Doctor

This case study shows how the project has enabled us to support Energy Ambassador partner organisations with more complicated cases.

Yorkshire Energy Doctor received the following referral information as a result of one of their Energy Ambassador courses:



"I am hoping you can help with a complicated case. I have tried to unravel it so many times but just keep going in circles and in need of some very experienced eyes.

We live with my parents. A big, stone house that takes a lot of heating. To make matters worse the metering is very complex. We have two meters – both operating dual rates (economy 7) but it has never been clear what meter feeds which part of the system.

They are pensioners and we have very low income – so we are desperate to try and make sense of what we have, ensure we are getting all the payments, and the right tariff.

Help!"

Yorkshire Energy Doctor response:

This is one of two recent cases we had referred to us, both of which involved complex ('restricted') electricity meters.

These are older style set-ups where residents have off-peak electricity tariffs. However, in comparison to Economy 7 meters where there is just a day and nighttime reading, the complex metering set-ups have 4 readings, either all on one meter or across 2 meters. Ofgem reviewed these tariffs 3 years ago and, as a result, a lot of customers have been left worse off.

In the case above, we reviewed the bills and found that the tariff had been amended last year but for the wrong meters.

We managed to resolve this issue and ensured that the meter that supplies general household appliances was on a single rate tariff and the meter that was linked to the storage heaters was on Economy 7 rates.

The energy supplier backdated the tariffs and it generated a saving to the household of £3,447.

Project outcomes for year 3:

Number of people signed up to the PSR	267
Number of CO awareness surveys completed	266
Direct beneficiaries	4541
Customer savings	£56,152
SROI	£2.33

P37

*Case study has been anonymised to protect the individual's identity. Image posed by models.