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Dear Dan

RESETTING THE ENERGY DEBT LANDSCAPE: THE CASE FOR A DEBT RELIEF SCHEME

We welcome the opportunity to respond to Ofgem's consultation on the design and business case for a debt relief scheme. We recognise the significant challenges faced by consumers during the energy crisis and we support the development of measures aimed at alleviating the burden of debt on households in vulnerable situations.

Our answers to the consultation questions are in Annex 1, however, we would highlight the following key considerations to ensure the scheme's effectiveness:

1. **Supporting effective competition is vital:** Whichever funding route is adopted it is essential that funds are appropriately distributed between suppliers with different levels of exposure due to customer bases with different debt propensities and levels of debt. In the case of a network levy, this can be administered by network companies as with SoLR payments. In the case of a price cap allowance, this will need to be done through a reconciliation mechanism. This is both to ensure the scheme is as cost effective as possible and to reduce competitive distortions between suppliers. It is vital that the scheme allows suppliers to make claims to write off customer debt in line with the need driven by their customer portfolios, and recover costs in line with this.
2. **Funding/financing model:** Although network financing may be superficially attractive, Ofgem is right to be wary of 'contagion risk' whereby Ofgem's actions increase the perceived risk and cost of capital for network companies. Supplier financing may therefore be the most appropriate solution to avoid this risk, though it will be necessary for costs to be recovered over reasonably short timescales (ideally no more than a year) so that suppliers' cashflow is not impacted for too long. It will also be vital for the future stream of payments to suppliers to be contractually guaranteed from an early stage so that this can be recognised as an asset on suppliers' balance sheets. We are still considering the merits of recovering costs via

a price cap levy or a levy on network charges and will respond further in light of Ofgem's working paper.

3. **We agree that payments to suppliers should be adjusted for revenues received from price cap bad debt allowances:** This should be done in a way that is fair between individual suppliers and also between suppliers and customers in aggregate. The options that Ofgem has outlined (at its 16 January workshop) may result in unfair outcomes and so we have proposed two alternative methods for reducing supplier funding claims to account for historical debt write off that has been funded via the price cap. We believe these options achieve fairness between suppliers, in the sense that a supplier which is over-weight in debt-prone customers and has under-recovered through price cap allowances will receive a larger payment than a supplier which is under-weight in debt-prone customers and has over-recovered through price cap allowances. They also achieve fairness to customers since the aggregate amount deducted from supplier claims reflects total bad debt provisions in the period in respect of the debt that has been written off.
4. **Debt matching should be reconsidered:** those customers who would benefit from debt matching include those who can afford to repay their debts and therefore represent the greatest risk of 'deadweight' costs. Debt matching would substantially increase the costs of the scheme to other consumers, including those in vulnerable circumstances, for arguably smaller welfare benefit. Debt matching will also bring significant extra complexity to the scheme design, making it challenging to implement within Ofgem's time frame.
5. **Delivery at pace:** Ofgem should aim to do the automatic write off based on data matching before next winter. We consider these timelines are much more ambitious for the more complex application process, which may need to have longer timescales for both delivery of the benefit to customers and the reconciliation to suppliers – this should be designed to minimise complexity where possible.
6. **The debt relief scheme is a one-off intervention and should not be seen as a substitute for 'Phase 2' levelisation of debt costs between Standard Credit and Direct Debit payment methods.** As a one-off, backwards-looking debt relief scheme, this proposal will not deliver similar benefits to levelisation and does not obviate the need to address the underlying issues with the functioning of the price cap. In fact, depending on the reconciliation mechanism, this may have a negative impact relative to the goals that levelisation/reconciliation seeks to achieve

We welcome further engagement as the proposed debt relief scheme is developed. Given the need to work at pace to implement the scheme for winter 2025/26, we appreciate that early engagement with suppliers may be beneficial, including on licence condition drafting to allow more than one cycle of feedback before the statutory consultation. This will help to manage the risks of unintended consequences from the design of the debt relief scheme.

Yours sincerely,



Richard Sweet
Director of Regulatory Policy

**RESETTING THE ENERGY DEBT LANDSCAPE: THE CASE FOR
A DEBT RELIEF SCHEME – SCOTTISHPOWER RESPONSE**

Q1. Do you agree with our case for change?

We agree that a debt relief scheme could provide overall benefits for consumers. However, we are concerned that many details of the scheme require clarification and so there is associated uncertainty and risk. We are hopeful that the final design of the scheme will ensure that delivery can be simple, straightforward and fair.

Designing the customer facing side of the scheme to be straightforward would allow greater confidence with regard to the costs and benefits of the scheme as well as making it easy for eligible customers to understand. This should be considered as a potential additional design criterion.

Fairness means that the scheme should be a fair reflection of each supplier's customer base in terms of the eligibility criteria and the funding that is allocated. In our view, fairness also means that eligibility should not be limited to those customers who benefit from the WHD scheme but also cover different types of credit reference agency indicators for vulnerability.

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

We agree with Ofgem's proposal to intervene through the introduction of a debt relief scheme. The scheme should be designed to maximise the overall net benefits for GB consumers. This means the debt relief scheme should be designed in a way that minimises 'deadweight cost', ie the debt written off by suppliers under the scheme that would ultimately have been repaid by consumers if it hadn't been written off. This implies that the relevant debt write off should be targeted at the most financially stretched customers. The design of the scheme should also aim to reduce existing competitive distortions to enable wider benefits for consumers by improving competition and innovation in retail markets.

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

The following design principles reflect what Ofgem seeks to achieve with the final design:¹

- Avoid perverse incentives
- Fairness and consistency
- Targeted
- Timely
- Management of risk

We agree with these principles but would suggest that the following should also be included as design principles:

- **Efficiency:** as far as possible, the scheme should avoid writing off debt for able-to-pay customers that would otherwise have been repaid (previously referred to by Ofgem as 'deadweight loss'), since the cost will be borne by other billpayers/taxpayers.

¹ As set out in paragraph 3.4

- **Level playing field:** the scheme should treat suppliers fairly, recognising that debt-related costs can vary widely between suppliers as a consequence of customer mix.
- **Supplier financeability:** in combination with price cap adjustments, the debt pool should make suppliers whole (but not over-compensate) for efficiently incurred bad debt costs.
- **Simplicity:** There is a risk that the scheme becomes unduly complex, pushing up costs of administration and extending timelines.

We also need more clarity on how trade-offs will be managed. There is wide variation between suppliers in the financial vulnerability of, and mix of payment methods adopted by, their customer bases. The current smearing of standard credit costs onto the direct debit allowance creates a competitive advantage for suppliers with a higher proportion of direct debit customers. The debt relief scheme will provide additional benefits to consumers if it is designed to unwind this distortion to support effective competition. Note that Ofgem states in its recent consultation on Energy Price Cap Operating Cost and Debt Allowance that payment method is the only available cap proxy for materially varying debt costs per customer, with suppliers having different customer portfolios.²

The debt relief scheme is not an alternative approach to the much needed levelisation of the debt related costs across standard credit and direct debit payment methods. While we agree with Ofgem that the debt relief scheme may initially reduce the cost of energy related to debt for many of the customers who are most vulnerable to debt;³ the proposed debt relief scheme is focused on the one time effects of the energy crisis on increasing debt levels, while the distortions caused by the default tariff cap “one size fits all” approach are ongoing. We are concerned that Ofgem considers that if this debt relief scheme is implemented, it would deliver some similar benefits to levelisation across payment methods.⁴ We consider that these would be different proposals, achieving different outcomes.

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

Ofgem’s key objectives for the debt relief scheme are:

- To reduce the levels of domestic debt and arrears in the energy sector and have this shown directly on customer accounts
- To facilitate improvements in the culture of debt management and provide an opportunity to build relationships between consumers and their suppliers
- To provide a mechanism by which consumer debt accumulated during the energy crisis can be cleared in proportion to the debt levels in suppliers’ consumer portfolios
- To reduce, or avoid an increase in, the future debt allowance as compared to the baseline of not intervening, and by doing so reduce the differential between standard credit and direct debit rates in the price cap.

We are supportive of these objectives. We particularly welcome Ofgem’s recognition that the scheme must provide a mechanism such that consumer debt accumulated during the energy crisis is cleared in proportion to the debt levels in suppliers’ consumer portfolios.

² Ibid para 2.25

³ Para 2.9 [*Resetting the energy debt landscape: the case for a debt relief scheme](#)

⁴ As acknowledged in para 2.55: [*Energy price cap operating cost and debt allowances consultation: overview](#)

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?

The lead time could best be reduced by ensuring the scheme is designed to be simple and straightforward to implement, and potentially by phasing the scheme so that the more straightforward elements can be delivered earlier.

It is possible that the critical path will depend on timelines for introducing changes to network charges. If so, it may be worth looking at cost recovery via electricity transmission network charges rather than electricity distribution network charges. The shorter lead time may reduce the need for code modifications to facilitate recovery in the near term.

Another relevant consideration is the extent to which FTC customers can be brought within scope of any levy, which is likely to be desirable on fairness grounds. This should be straightforward for new fixed term contracts entered into after the scheme design has been confirmed (and notice given of network charge changes). However, it will be harder, but not necessarily impossible, to include existing FTC customers. This could potentially be achieved if Ofgem were to issue a direction requiring suppliers to increase their charges (on the basis that most suppliers' FTC contracts will contain a provision which allows the supplier to increase prices if required to do so by a regulator) combined with a direction under SLC 22C.10 permitting suppliers not to comply with SLC 22C.9 (which prohibits suppliers from increasing FTC prices).

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

Ofgem proposes to define this period as 1 April 2022 to 31 March of 2024. Consistent with the design principles, in our view the window of eligibility could be wider to more fully capture customers affected by the energy crisis. We would suggest that the scheme time limits should cover the debt balance on 1 October 2024 minus debt balance on 1 April 2022. This would cover the time from which the energy crisis began to affect customers under the price cap and would capture much of the lag between the price shocks and the associated increase in debt.

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

Eligible consumers could receive a flat rate of support, or it could be proportionate to their level of debt or arrears. However, as the average level of customer debt and arrears varies across suppliers, only the latter would meet Ofgem's objective of clearing debt accumulated during the energy crisis in proportion to the debt levels in suppliers' consumer portfolios.

We consider that support should be limited to those with demonstrable financial vulnerability, through either the eligibility criteria, or in exceptional circumstances via the alternative application route.

There may be benefits from tailoring the level of support to individual or household circumstances, however this should be weighed against the resourcing costs for both suppliers and CGRs to ensure that the aggregate costs to consumers do not outweigh the benefits to those who qualify.

As outlined in our response to Question 26, provision of support should ideally be linked to measures to prevent customers who benefit from the scheme building up further unsustainable debt, but this should not be done at the cost of too much additional complexity.

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 understand Ofgem's preference for acting as administrator rather than appointing a third party, as this would potentially shorten the timescales to implementation. However, we think it is more important to get the right scheme design, and if that means involving a third party administrator (such as RECCo), Ofgem should be willing to build that into its timeline. Ofgem has acknowledged that RECCo developed and launched reconciliation processes for levelisation phase 1 at a fast pace and in a cost-efficient manner.⁵

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

Ofgem's initial view is that both audit options would include assurance of suppliers netting-off funding claims to reflect either the level of debt they had previously provisioned for, or the amount accounted for under the cap.

Careful consideration must be given to the methodology for determining the amount that is netted off from supplier claims. Suppliers with a relatively wealthy customer base have tended to disproportionately benefit from price cap allowances, and a new debt relief scheme provides both a risk to further exacerbating distortions and an opportunity to promote a more level playing field.

Ofgem are considering two options on the level of audit:

- Audit option 1: The administrator would carry out pre-readiness checks on suppliers to assess the processes and controls. The administrator would also monitor supplier progress during a scheme and conduct ex-post compliance checks and audit.
- Audit option 2: this would be similar to option 1, with the addition of a detailed assessment of supplier funding claims before debt write-off is applied to eligible customers, with additional reconciliation processes during and after scheme closure.

Under option 2, detailed assessment of supplier funding claims before debt write-off is applied and additional reconciliation processes during and after scheme closure would be costly to deliver. Ofgem acknowledges that this process would be resource intensive to implement, and could result in longer lead times to customers receiving debt relief through a scheme (paragraph 4.19). We consider that this should effectively rule out option 2, given the timelines in which Ofgem is aiming to deliver the debt relief scheme.

The auditing process could be highly labour intensive, both due to internal resource costs and potentially external auditors. One of the challenges is ensuring uniformity in the application process. The process will benefit from clear specification documents outlining requirements to avoid any ambiguity. Ofgem should use intelligence gathered from when auditing has been

⁵ [Your guide to Prepayment Levelisation - Retail Energy Code Company](#)

used for previous schemes such as the Energy Price Guarantee⁶ and the associated costs as part of the impact assessment for a debt relief scheme.

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

Ofgem has outlined the supplier funding claims process under audit option 2 as follows (with steps shown in bold also taking place under audit option 1):

- 1. Scheme administrator issues guidance and carries out pre-readiness check**
- 2. Administrator assesses supplier progress during the scheme**
3. Administrator assessment of supplier funding claims before support is issued
4. Initial reconciliation process of claims after support issued
- 5. Administrator conducts ex post compliance checks and audit**
6. Final reconciliation process

As noted in our response to Question 9, we consider that audit option 2 should be ruled out in the interests of delivery at pace to allow support to be provided between late 2025 and early 2026. If Ofgem decides to proceed, the administrator should ensure that it is sufficiently resourced such that supplier funding claims can be promptly assessed and the reconciliation processes expedited.

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

For the scheme to deliver maximum benefits to consumers, it is key that it helps to avoid further unsustainable debt build up from customers whose debt has been written off. If the debt matching element of the scheme is taken forwards (and we do not consider that it should be), further consideration should be given to:

- Requiring beneficiaries of the debt relief scheme to engage with ECO support, where appropriate
- Conditionality on accepting installation of a smart meter, where appropriate
- Requiring commitment to repayment plans of any outstanding debt not covered by the scheme.

This conditionality could be included in the eligibility criteria for the scheme. We consider this further in our response to Question 26.

Cost recovery through a price cap allowance would enable recovery from customers on default tariffs, who are typically more vulnerable, while those who are in a position to switch away from default tariffs might avoid contributing to cost recovery. To avoid this, a levy should be introduced to ensure that customers on new fixed term contracts also contribute. As noted above, in our response to Question 5, any debt relief scheme design whereby Ofgem intends that consumers on existing fixed term tariffs will contribute to the scheme should come with a direction from Ofgem, to require suppliers to recover those costs.

⁶ UK Government appointed external auditors for all support schemes during the energy crisis and may have useful insight on the costs involved.

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?

It is essential that the debt relief scheme is designed in a way that does not undermine suppliers' ability to comply with the new capital adequacy requirements. If suppliers are required to write off debt, that will remove an asset from their balance sheet and reduce any compliance headroom. This impact on capital adequacy can be mitigated/avoided if the future payments to suppliers under the scheme can themselves be recognised as an asset. For this to be the case, the amount the supplier receives must be contractually guaranteed and directly linked to the amount written off (and any netting-off adjustments determined at the time) and must not be contingent on future sales or customer numbers. So for example, if the supplier is expected to recover the costs of write-off directly through price cap revenues (without a reconciliation scheme) this would not qualify as an asset, but if the supplier is guaranteed the payment, regardless of the number of customers and revenue it may bring in in future, this is more likely to qualify as an asset. If recovery of costs by suppliers is to extend beyond 12 months, then any asset recognised for this balance would likely be categorised as a 'non-current' asset on our balance sheet and would be excluded from working capital. Ofgem should therefore adjust for this as part of its assessment of suppliers' compliance with the capital adequacy target. Ofgem should also reflect suppliers' additional working capital costs in the impact assessment.

Our ability to comment further regarding financing and administrative considerations is limited given the outstanding questions remaining on the scheme's design. We would be happy to engage further as the design work progresses.

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?

Energy supply is a low-margin business which is expected to play a key role in meeting our 2030 decarbonisation targets through investment in demand-side flexibility. It is key that this scheme is designed to allow suppliers to recover costs in a timely fashion so that suppliers are able to invest and deliver the retail market of the future.

Two main funding options are being considered:

- Funding recovered through network charges, with network companies making payments to suppliers at Ofgem's direction;
- Funding recovered through a dedicated price cap allowance, which may be underpinned by a supplier reconciliation mechanism to appropriately allocate funds between suppliers.

Cost recovery through network charges

Ofgem says it considers that using a levy on network charges to fund the scheme could be beneficial because it allows costs to be recovered over a longer time period (paragraph 5.17) but this is only relevant in the context of a network company financing model. If Ofgem opts for supplier financing, there is no difference in principle between a network charges levy or a price cap allowance in terms of how long a period the costs can be recovered over. The key consideration is how much extra customers can absorb on their annual bill and how long suppliers are expected to wait for cost recovery, regardless of the route for recovering the costs.

Ofgem notes that a potential advantage of recovery via network charges is that it would enable network companies to administer the payment flows without the need for Ofgem or a separate body to perform reconciliation. Suppliers would pay the levy proceeds to network companies as part of their network charges and network companies could pay out approved supplier claims in a similar way as they do for Supplier of Last Resort (SoLR) claims. In contrast, if funds are collected via a price cap allowance, a separate body would need to collect those revenues from suppliers and then make payouts in the same way as network companies would do. Although cost recovery through network charges may result in lower administrative costs overall, it will be important to ensure that additional administrative costs incurred by network companies are fully reimbursed.

Ofgem outlines three scenarios for initial financing under this option:

- **Network company financing scenario** – under this option network operators would pay approved debt relief scheme claims to suppliers over winter 2025/26, and recover the costs through higher network charges in subsequent years. This would place the short-term financing burden on network companies, potentially increasing their cost of capital.
- **Supplier financing scenario** - payments to suppliers would be delayed until network companies begin to recover their costs through higher network charges. This was the approach taken under the SoLR process. If recovery of costs by suppliers is to extend beyond 12 months, Ofgem should factor this into our capital, as part of assessment of the capital target (as outlined in our response to Question 12). Ofgem should also reflect suppliers' additional working capital costs as part of the impact assessment.
- **Third parties to fund a debt relief scheme**, and to recover their costs via higher network charges. Additional financing costs would be incurred; however this funding option would potentially allow for a longer recovery period.

We would also encourage Ofgem to continue exploring the option of Government financing (repaid via network charges or price cap allowance), which will have a lower cost of capital than any of the options above, though we recognise this will be a decision for Government.

Ofgem states that “under one scenario, debt relief scheme costs could be recovered via network charges over a short period of time, such as winter 2025/26.” However, electricity distribution network operators are required to give 15 months' notice of their charges, a decision Ofgem made in consideration of the need for suppliers to add risk premia into tariff design to reflect uncertainty about network charges.⁷ Making changes to allow recovery of costs via network charges over a short period of time may have wider and longstanding impacts. There are likely to be significant levels of customers on fixed term tariffs before the Ofgem decision is made on this scheme, and we have set out in our response to Question 5, the actions we consider are necessary from Ofgem to ensure suppliers are able to recover their costs from fixed term tariff customers.

Ofgem is also considering recovery through electricity transmission charges, which have a shorter notice period. The NESO publishes TNUoS tariffs annually by 31 January to take effect from 1 April each year. Changing transmission network charges at short notice would also have implications for budgeting and the design of fixed term tariffs.

Ofgem considers that cost recovery would fall on the unit rate if recovered through gas network charges (paragraph 5.18). This would help address (albeit on a temporary basis) the cost distortion which incentivises consumers to invest in gas heating instead of electric heating

⁷ [DCP178 approval decision](#)

through low carbon technologies. The appropriate level to ensure that customers with gas and electricity pay a fair contribution compared with electricity-only customers will warrant careful consideration. Note that many vulnerable households depend on gas consumption for heating.

Cost recovery through a price cap allowance

The alternative cost recovery route that Ofgem is considering would be a new price cap allowance to fund the costs of the relief scheme. Ofgem states that this allowance could be underpinned by a mechanism to manage reconciliation of costs between suppliers, however as we set out below, we consider there must be a reconciliation mechanism to avoid exacerbating competitive distortions in the market. Under this process, Ofgem would assess the total supplier funding claims submitted and then calculate an appropriate level for the allowance to compensate suppliers for average scheme costs and add this to the price cap level. Ofgem considers that such an allowance could be recovered over a one-year period to mitigate impacts. If recovery is to extend beyond 12 months, Ofgem should factor this in our capital as part of assessment of the capital target, as outlined in our response to Question 12.

An allowance under the price cap with no reconciliation mechanism would disproportionately benefit suppliers with a high proportion of direct debit customers. This would exacerbate existing competitive distortions under the price cap, risking the stability of retail energy markets. **We would strongly oppose such an approach.**

A Supplier Reconciliation Mechanism is essential for appropriate allocation of funds between suppliers with different levels of exposure, due to suppliers having customer bases with different debt propensities. This is both to ensure the scheme is as cost effective as possible and to maintain fairness of cost recovery. Building on the success of the levelisation of PPM and DD standing charges, we consider that reconciliation could be delivered within the debt relief scheme's timeframe and implemented as quickly as a scheme without a reconciliation mechanism.

Cost recovery through a price cap allowance would enable recovery from customers on default tariffs, however, those who are in a position to switch away from default tariffs may avoid contributing to cost recovery. To avoid this, the reconciliation mechanism should ensure that customers on new fixed term contracts also contribute to cost recovery.

Ofgem notes that this option would provide greater flexibility to allocate the costs to different payment methods to adjust how these costs are faced, relative to the network charges option. However, a different level of cost recovery between customer payment types would add a layer of complexity that may be difficult to justify and would present fairness issues as well as risking further market distortions.

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 agree that bad debt costs that have already been recovered via the price cap allowance should be taken into account in setting supplier funding claims. This should be done in a way that is fair between suppliers and helps address competitive distortions under the price cap, allowing competition to work more effectively in the interest of consumers.

As shared with Ofgem in our bilateral engagement on this policy proposal, we have proposed two alternative methodological approaches to reducing supplier funding claims to account for historical debt write off that has been funded via the price cap, as summarised below (see Annex 2 for further details):

Table 1: ScottishPower Proposals

	Supplier claim amount
SP option A	$p - r/R \cdot T$
SP option B	$p - r/S \cdot T$

Where the quantities are defined as follows:

Table 2: Definitions

Metric ('period' = 1 April 2022 to 31 March 2024)	Industry wide	Individual supplier
Eligible debt in period (ie amount written off)	P	p
Revenue from bad debt allowances for period ⁸	R	r
Bad debt costs in period (provisions and write-offs)	S	s
Bad debt provisions for eligible debt in period	T	t

We believe these options achieve fairness between suppliers, in the sense that a supplier which is over-weight in debt-prone customers and has under-recovered through price cap allowances will receive a larger payment than a supplier which is under-weight in debt-prone customers and has over-recovered through price cap. For further detail, see the annex to this response.

Both options also strike a fair balance between customers and suppliers. In the case of option A, the aggregate industry claim is equal to $P - T$, ie the total eligible debt in the period that has been written off minus the total bad debt provisions for that debt in the period. Option B is similar, except that total bad debt provisions for eligible debt in the period are scaled by R/S , the amount by which the industry allowances in the period exceeded the industry bad debt costs in the period. This means that in aggregate, customers will not be paying suppliers 'twice' for the cost of debt write off.

Finally, we note that neither option A or B would be materially more complicated for Ofgem to implement than other candidate options. Ofgem would need to collect relevant data from all suppliers before it could calculate the amount due to an individual supplier, but that is not unusual for interventions of this nature.

Finally, the question refers to supplier voluntary contributions, and we do not believe these should be a relevant consideration here. Ofgem notes that "suppliers receiving a portion of funding through a debt relief scheme is contingent on them following the correct processes to apply debt write-off to eligible customers, and may involve a process of submitting claims for costs incurred, including reducing these claims to take account of debt that has been provisioned for and compensated through previous price cap bad debt allowances and any voluntary contributions" (paragraph 5.11). It is unclear what the term "voluntary contributions" covers here, though Ofgem notes that suppliers have committed to providing over £500 million of voluntary debt support tailored to the customer needs this winter (paragraph 5.33). However, this commitment includes what we believe amounts to a reasonable proportion of temporary payment holidays where customers are allowed to defer payment to their supplier. Netting this off against the debt relief scheme would unjustly penalise suppliers who voluntarily allow this deferment. It may create a perverse incentive for suppliers in terms of future voluntary contributions.

⁸ Revenue from bad debt allowances that relate to debt costs incurred in the eligible period (April 2022 to March 2024), ie excluding revenues from the COVID true-up allowance (April 2023 to March 2024) but including revenues from the "£28" adjustment allowance (April 2024 to March 2025).

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?

We have set out in response to Question 14 our proposed approach for determining payments to suppliers, taking into account the previous recovery of bad debt costs through price cap allowances.

Consideration of the amount that suppliers have received under the cap makes sense as suppliers with a relatively wealthy customer base have tended to disproportionately benefit from this, and addressing that would promote a level playing field. To maintain effective competition, this approach should be taken regardless of provisioning and any voluntary contributions.

Provisioning is done in advance and at an aggregate level so there will be challenges in attributing provisions to the debt relief scheme's eligible customers, who would be those who in retrospect, have both not paid their bills and meet the scheme's eligibility criteria.

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

We consider that support should be limited to those with demonstrable financial vulnerability, through either the eligibility criteria, or in exceptional circumstances via the alternate route. We are sceptical of debt matching, as it greatly increases the risks of transferring funds from those who struggle to pay to consumers who are in a position to pay but have chosen not to. This would increase the deadweight loss associated with the scheme relative to a more narrowly targeted measure.

Ofgem may be assuming that the immediate benefit from debt matching encouraging consumers to repay debt will deliver benefits that justify the "matching" contribution. However, if these customers are in fact able to pay the whole amount, it may create destabilising incentives not to pay in anticipation of future debt matching, making it less likely for some ongoing costs to be recovered. We would be interested in further assessment of the potential benefits of this approach.

There will be other layers of complexity if debt matching is included in the debt relief scheme – for example, customers eligible for debt matching may have other debt incurred from before and after the time period covered by the scheme. Ofgem should consider to what extent any payments are viewed as covering ongoing consumption and other debt from before or after the relevant time period.

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?

Robust quantitative assessment should be used to differentiate eligibility thresholds for debt write off and debt matching. They should also inform the ratio of support to customer contribution to outstanding debt.

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?

The earlier approved debt relief scheme claims can be paid, the lower the supplier financing costs of the scheme – but the higher the network financing costs, which will be factored in directly. On balance, we consider that a ‘pay as you go’ approach (similar to the SoLR levy approach) could well be acceptable to suppliers, so long as the payments are spread over a reasonably short period (say a year), commensurate with the cashflow impact of writing off debts. (The cashflow impact is the repayments that would have been received if the debts had not been written off, a significant proportion of which would likely be received in the first year.) This links to our views on the funding options presented in our response to Question 13. We expect that Ofgem will carefully consider the relevant trade-offs.

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

We would note that longer cost recovery will increase the overall costs of the scheme. There are trade-offs to be considered here between spreading the costs and managing the inherent uncertainty regarding market conditions in future years.

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.

The arm 1 and 2 eligibility criteria, namely indebtedness/level of indebtedness and period of debt accumulation are appropriate in principle.

However, the proposed arm 2 test is that *‘the debt must have been accumulated during the energy crisis. Only debt accrued during this period would be eligible for debt write-off or debt matching’*. We suggest Ofgem should consider specifying a minimum level of debt that must have been accumulated during the period to avoid suppliers incurring unnecessary administrative costs. For example, a customer may have > £500 of debt today (satisfying arm 1), of which only £10 was accumulated during the relevant period. We would question whether it is worth requiring suppliers to go to the trouble of writing off £10 in these circumstances.

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.

Getting the arm 3 eligibility criteria right is crucial to deliverability of the scheme. We consider Credit Reference Agency (CRA) data to be the most appropriate route. Our preference would be to use different CRA score metrics depending on availability. This is because it could keep use of the application (appeal) route to a minimum, reducing overall costs and making the process as simple as possible for financially vulnerable customers who may otherwise miss out because of a lack of relevant information. Where there is no relevant metric an affordability assessment would then be appropriate.

There are several ways that this could be managed. For example, one way to save costs would be if Ofgem acts as the central source of data. By purchasing one CRA’s data, individual

suppliers would then have access, which would be auditable. Otherwise mandating uniformity of approach (eg through a single CRA) would lead to additional scheme costs.

Whatever data proxy Ofgem ultimately proceeds with, definitions should be agreed on in advance. For example, if suppliers are using multiple CRAs, it would be important that Ofgem decides criteria for eligibility across the different proprietary scoring metrics.

The table below briefly summarises our views of the data proxies under consideration by Ofgem.

Table 3: Data proxies under Ofgem consideration for use in setting affordability criteria⁹

Data proxy	ScottishPower view	Assessment
Credit reference agency data	The most appropriate route to affordability assessment and the preferred option. Different score metrics can be used depending on availability. Quick and straightforward to implement. An essential part of affordability criteria assessment, could be used in tandem with WHD.	Recommended approach (in conjunction with WHD)
WHD approved consumers	Could be implemented quickly and used in combination with credit reference agency data but is not sufficient in itself.	For consideration
WHD expanded	Depending on the approach taken to expansion of the WHD group, this could work well. Likely to work best in combination with CRA data.	Recommended approach (in conjunction with CRA)
Council tax bands	Could be used in combination with other metrics – unlikely to be sufficient in itself as council tax bands are not regularly updated. May be a useful way to exclude the asset rich cash poor from the scheme if that is the policy objective.	For consideration
DNI Involuntary PPM	Unlikely to provide an appropriate level of effective targeting	Not recommended
Supplier income assessments	To achieve delivery of the scheme within Ofgem's timelines, eligibility criteria will need to be straightforward and informed by data that can readily be made available to suppliers	Not recommended

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.

There will always be difficult edge cases where there is insufficient data that is readily available. For this reason, we welcome the proposed application route as an alternative where customers are in need of support but suppliers cannot justify this using the available metrics as a proxy. However, the process should be designed to ensure that there is minimal use of

⁹ From slides presented by Ofgem at a workshop on 8 January 2024

the application process to keep overall costs for consumers down. We consider that it should only be used as an appeal route.

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.

To support fair and comparable assessments, participating consumer groups and charities should take a consistent approach, for example using the Standard Financial Statement tool. This would put the consumer groups and charities in a position to offer broader advice and support to customers in this position.

Criteria under the application route for eligibility should be clear and straightforward to explain to customers.

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 agree that closed customer accounts should be included in the scheme, noting that for the period in question, account closure due to change of tenancy is likely to be higher than switching and so this may be relevant for a substantial number of households in vulnerable circumstances. We consider the level of debt for closed accounts to be a significant issue and would be glad to provide evidence in support of this if Ofgem were to request it. We believe that Ofgem should issue a supplementary information request to suppliers for data on closed accounts, in order to provide a more complete evidence base for its consultation process.

If using credit reference agency data as a proxy for eligibility, administrative challenges can be minimised as this data will still be available for outstanding debt on closed customer accounts. If suppliers are able to confirm eligibility of the customer linked to the closed account, that customer should be able to benefit from the scheme. For a small number of customers who may have accrued debt with more than one supplier the application route may be more suitable.

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?

Arm 3 (affordability) of the primary eligibility criteria is essential to allow effective targeting of the debt relief scheme towards those customers who are genuinely not in a position to pay for their outstanding debt.

The quality of the Index of Multiple Deprivation, as official government statistics, is believed to be very high, and complete, however it is necessarily presented at aggregate level.¹⁰ This aggregation of data can mask considerable diversity within areas under the same categorisation, making this a poorly targeted proxy. Many households in vulnerable circumstances are located outside of the most deprived deciles. Indices of deprivation could, however, be used in conjunction with other proxies for arm 3. It should also be noted that each nation within GB measures deprivation in a slightly different way, meaning that this approach would not deliver consistency across all domestic consumers.

¹⁰ [Index of Multiple Deprivation \(IMD\) | CDRC Data](#)

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

Ofgem should carefully consider how conditionality built into the design of the debt relief scheme could add additional complexity and delays in implementation. Conditionality around consumer access could exclude some of those most in need.

Conditions suggested by Ofgem for consumers to access a debt relief scheme:

- *Consumers to have paid towards their ongoing consumption in the six months leading up to the start of a debt relief scheme. This could include insufficient payments to meet ongoing demand but presents evidence of a willingness to pay a contribution.* We disagree with this condition because it would exclude customers that have no ability to pay. A portion of the debt of those who do not engage could be written off under the scheme, retaining an incentive for customers to engage with their supplier.
- *Consumers could be required to complete an income and expenditure assessment with a qualified debt adviser to assess eligibility and level of need. In turn, the level of support could be tailored to individual, or household circumstances and puts customers in arrears on an affordable repayment plan.* We agree with Ofgem that this could be a requirement placed solely on those where initial qualification under the primary eligibility criteria indicates that debt matching would be suitable as opposed to debt write off. Depending on the numbers eligible for this approach, it may not be cost effective.
- *Consumers could be required to accept a smart meter as a condition of support, making it easier to deliver future financial support and increase debt prevention through more accurate bills.* This should be restricted to those where installation of a smart meter would be feasible and appropriate.

Conditionality for suppliers to access the debt relief scheme may also add to the regulatory risk associated with the scheme for suppliers. There will be administrative costs associated with evidencing compliance with any conditions. To enable delivery of the scheme at pace, the assessment of supplier compliance with conditionality would need to be carried out ex post. However, this would have implications for whether cost recovery under the scheme can be viewed as contractually guaranteed.

Conditions suggested by Ofgem for suppliers to access a debt relief scheme:

- *Supplier access to funds contingent on complying with Standard Licence Conditions on debt management. Suppliers who are not meeting this condition could be required to fund the debt write-off for eligible consumers themselves.* This condition would add considerable regulatory risk. While we agree with it in principle, it may be difficult and costly to evidence in practice, leading to delays in cost recovery. It may also have implications for how these costs are considered on our balance sheet as outlined above in our response to Question 12.
- *Suppliers could also be required to provide debt advice and energy efficiency measures (through an existing scheme such as the Energy Company Obligation (ECO)) to eligible customers to help tackle the root cause and prevent the consumer falling back into debt.* While we agree that this is important, making it an explicit condition of the scheme will bring complexity and additional administrative hurdles.

Ofgem note agreement with supplier arguments that there is a need for improved debt management (paragraph 3.6). We consider that this should be reflected in the conditions for suppliers to access the debt relief scheme – all suppliers should be able to demonstrate that they have taken the necessary steps to recover debt.

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

Eligibility verification: Suppliers sharing customer data with charities or consumer groups would need to be covered by data sharing agreements and the customer's consent. Sharing data with other suppliers to verify eligibility where there has been switching would also require consent.

CRA data challenges: while suppliers may request data for all customers from credit reference agencies (CRAs), the relevant proxy data may not always be available. Some customers may not choose to provide sufficient information to their supplier that would allow for matching to this information. Customers may also choose to opt out of Current Account Turn Over (CATO) data being shared with CRAs. CRAs may also be limited by the Principles of Reciprocity in that the sharing of anything other than basic aggregate data with external bodies (including regulators) by a CRA is not permitted unless the regulator has served a statutory notice on the CRA or the supplier that had received the data. Therefore Ofgem may need to serve statutory notices as part of the process.

**DEBT RELIEF SUPPORT SCHEME – SCOTTISHPOWER COMMENTS ON OFGEM
'OVERLAP METHODOLOGIES' SLIDES OF 16 JANUARY 2025**

1. Introduction

This annex reproduces the analysis in our letter to Ofgem of 23 January, with some minor amendments to the assumptions used in the worked examples.

At an industry workshop on 16 January Ofgem presented a set of slides on methodological options for calculating the amount that would be paid to suppliers under the DRSS in respect of debt which they write off under the scheme. This is intended to avoid the situation where suppliers double-recover costs, ie they recover costs through the DRSS which they have already recovered through price cap allowances.

We are concerned that the options presented by Ofgem would result in implausible and unfair outcomes under more realistic scenarios than the illustrative scenario chosen by Ofgem. In contrast, the two options proposed previously by ScottishPower yield plausible and ostensibly fair results. We set out our reasoning and analysis below, starting with some observations on the metrics and terminology proposed by Ofgem.

2. Metrics and terminology

Ofgem defines a number of metrics relevant to its methodology options in Slide 9 ('Terminology'). We have the following comments on these metrics.

Metric	Ofgem explanation	ScottishPower comment
Supplier eligible debt in period	Total supplier debt for the eligible period (Apr 22-24) which is deemed eligible according to all 3 arms of the eligibility criteria	We assume this is defined as the sum of eligible debt over a supplier's customers, where a customer's eligible debt is <i>the change in</i> their debt in the eligible period, ie debt at April 2024 less debt at April 2022.
Total supplier debt in period	Total supplier debt for the eligible period (Apr 22-24)	We assume this is defined as <i>the change in</i> a supplier's total debt in the eligible period, ie total debt at April 2024 less total debt at April 2022
Supplier bad debt allowance revenue in period	Total revenue received by a supplier from the bad debt costs element of the bad debt allowance in the eligible period	These measures should include all bad debt allowances that relate to debt costs <i>incurred in</i> the eligible period (April 2022 to March 2024). Ie, they should exclude revenues from the COVID true-up allowance (April 2023 to March 2024) but include revenues from the "£28" adjustment allowance (April 2024 to March 2025).
Total industry bad debt allowance revenue in period	Total revenue received by energy suppliers from the bad debt costs element of the bad debt allowance in the eligible period across the industry	
Supplier bad debt provisioning	Total amount of bad debt that a supplier has provided for during the eligible period	These measures should refer to 'bad debt costs' rather than 'bad debt provisions', ie they should include debt write-off costs as well as bad debt provision costs. This would align with the bad debt allowance which is
Total industry bad debt provisions	Total amount of bad debt that suppliers have provisioned for	

Metric	Ofgem explanation	ScottishPower comment
	across the industry during the eligible period	set by reference to bad debt cost not bad debt provisions. (Furthermore, suppliers differ in their approach to how quickly they write off debt and the outcome should not be sensitive to these differences.)
Supplier write off (existing allowance)	The calculated amount that a supplier is mandated to write off before additional credit can be claimed for via a debt relief scheme	No comment
Remainder of debt eligible for write off ('DRS claim')	Remaining debt from the eligible period which is eligible for additional credit can be claimed for via a debt relief scheme (Eligible Debt - Supplier Write Off)	No comment

As a more detailed point, Ofgem will need to consider whether these metrics are measured by reference to all customers or to customers on SVT tariffs covered by the price cap. Given the relatively high proportion of SVT customers in recent years, we would provisionally suggest using data for SVT customers, and our worked examples below are done on that basis.

3. Options and worked examples

In this section we start off by recapping how the options proposed by Ofgem and the alternatives proposed by ScottishPower are defined. We then provide worked examples of how the options would function in practice for different stylised suppliers.

Algebraic symbols

In order to express these options algebraically we allocate symbols to relevant metrics as per the table below.

Metric ('period' = 1 April 2022 to 31 March 2024)	Industry wide	Individual supplier
Eligible debt in period	P	p
Change in debt in period	Q	q
Revenue from bad debt allowances for period	R	r
Bad debt costs in period	S	s
Bad debt provisions for eligible debt in period	T	t

The first four metrics are as listed in section 2 above (and clarified in our comments). The fifth metric, 'bad debt provisions for eligible debt in period' is an additional metric which measures the provisions that were made in respect of the eligible debt. The precise definition of this quantity will need further consideration, but one simple approach would be as follows. If an eligible customer had £1,000 debt on 1 April 2022 (against which provisions had been made of £300) and £2,000 debt on 31 March 2024 (against which provisions had been made of £800), the eligible debt would be £1,000 and the bad debt provisions for eligible debt in the period would be £500.

Candidate options

We illustrate the impact of five options, three proposed by Ofgem (in the slides of 16 January) and two proposed by ScottishPower (in our slides presented to Ofgem on 7 November). For each option the table below shows the formula for calculating the 'DRS claim', ie the proportion of the eligible debt written off by the supplier which can be reimbursed under the DRS scheme.

Option	DRS claim
Ofgem option 1 ('Bad debt allowance')	$p - p/q \cdot r$
Ofgem option 2 ('Supplier bad debt provisioning')	$p - p/q \cdot s$
Ofgem option 3 ('Bad debt allowance & Industry provisioning')	$p - r/R \cdot S$
SP option A	$p - r/R \cdot T$
SP option B	$p - r/S \cdot T$

Worked examples

We start by replicating the worked examples given by Ofgem in its slides of 16 December. The illustrative metric values assumed by Ofgem are shown in the table below (plus values for T and t chosen by ScottishPower to be broadly consistent). All quantities are in £ million.

Metrics	Industry wide		Individual supplier	
Eligible debt in period	P		p	100
Change in debt in period	Q		q	400
Revenue from bad debt allowances for period	R	2,000	r	200
Bad debt costs in period	S	700	s	300
Bad debt provisions for eligible debt in period	T	175	t	75

Using these parameter values the different options give values for the DRS claim as follows.

Option	DRS claim (£m)
Ofgem option 1 ('Bad debt allowance')	50
Ofgem option 2 ('Supplier bad debt provisioning')	25
Ofgem option 3 ('Bad debt allowance & Industry provisioning')	30
SP option A	88
SP option B	67

We now consider worked examples using a more representative set of metric values and three different stylised suppliers. We assume the following values for industry-wide metrics, based on data published by Ofgem or provided by Ofgem to ScottishPower.

Quantity	Industry wide (£m)		Source
Eligible debt in period	P	500	Assume 1/3 of the £1,500 is eligible
Change in debt in period	Q	1,500	Actual value from Ofgem data ¹¹
Revenue from bad debt allowances for period	R	2,511	£1.49bn exc additional allowance (AA) ¹² plus £1.0bn from AA ¹³
Bad debt costs in period	S	2,710	Actual value from Ofgem data ¹⁴
Bad debt provisions for eligible debt in period	T	250	Assume effective provision rate of 50%

¹¹ <https://www.ofgem.gov.uk/publications/debt-and-arrears-indicators>

¹² Data provided by Ofgem to ScottishPower on 20 January in response to questions re opex review

¹³ Estimated as $\text{£}28 \cdot 47/26 \cdot 75\% \cdot 27\text{m}$ households, where 47/26 is the proportion of the £28 additional allowance relating to bad debt costs (see Ofgem decision of February 2024, Table 5.4) and 75% is the proportion of customers on SVT

¹⁴ Data provided by Ofgem to ScottishPower on 20 January in response to questions re opex review

Our three stylised suppliers are as defined in the table below. Supplier A is a 'vanilla' supplier with a 10% share of each of the metrics. Supplier B is over-weight in debt-prone customers and has a 10% share of the debt-related metrics but only 5% of the allowance revenue. Supplier C is under-weight in debt-prone customers and has a 10% share of the debt-related metrics but a 15% share of the allowance revenue.

	Supplier share of industry-wide value		
	Supplier A	Supplier B	Supplier C
Eligible debt in period	10%	10%	10%
Change in debt in period	10%	10%	10%
Revenue from bad debt allowances for period	10%	5%	15%
Bad debt costs in period	10%	10%	10%
Bad debt provisions for eligible debt in period	10%	10%	10%

This results in individual supplier metric values as follows. The amount of over-recovery of bad debt costs is also shown, calculated as r-s. (Negative values imply under-recovery).

Metric	Supplier value (£m)		
	Supplier A	Supplier B	Supplier C
Eligible debt in period	50	50	50
Change in debt in period	150	150	150
Revenue from bad debt allowances for period	251	126	377
Bad debt costs in period	271	271	271
Bad debt provisions for eligible debt in period	25	25	25
Over(under)-recovery of bad debt costs (r-s)	-20	-145	106

Which in turn results in the following values for supplier DRS claims.

Option	DRS claim (£m)		
	Supplier A	Supplier B	Supplier C
Ofgem option 1 ('Bad debt allowance')	-34	8	-76
Ofgem option 2 (Supplier bad debt provisioning')	-40	-40	-40
Ofgem option 3 (Bad debt allowance & Industry prov.)	-221	-85	-356
SP option A	25	38	13
SP option B	27	38	15

In our view this highlights the problems with Ofgem's proposed options. With one exception (Option 1, Supplier B) Ofgem's options give large negative values which are implausible in the circumstances.

In contrast, ScottishPower's options yield results which are plausible and seem fair as between the suppliers. Supplier A ('vanilla') receives around £26m in each case, representing a 50% share of its eligible debt, reflecting the assumed provision rate for that eligible debt of 50%. This seems fair given that Supplier A's net debt cost for the period is close to neutral (£20m under-recovery).

Supplier B ('over-weight') receives around £38m, which is £12m more than Supplier A. This again seems fair, given that Supplier B has under-recovered by £145m and one would expect the amount subtracted from its claim to be correspondingly smaller.

Finally, Supplier C ('under-weight') receives around £14m, £12m less than Supplier A. This again seems fair, given that Supplier C has already over-recovered by £106m and should therefore expect to have a larger amount deducted in terms of historic cost recovery.

4. Conclusion

We conclude that either of the two options proposed by ScottishPower would deliver a reasonable and fair outcome for suppliers, and should be adopted in preference to the options proposed by Ofgem.

The ScottishPower options would also be fairer as between customers and suppliers in aggregate, as shown in table below.

Option	Aggregate industry DRS claim	Equal to
Ofgem option 1 ('Bad debt allowance')	$\sum_i p_i - \frac{p_i}{q_i} * r_i$	indeterminate
Ofgem option 2 ('Supplier bad debt provisioning')	$\sum_i p_i - \frac{p_i}{q_i} * s_i$	indeterminate
Ofgem option 3 ('Bad debt allowance & Industry provisioning.')	$\sum_i p_i - \frac{r_i}{R} * S$	P-S
SP option A	$\sum_i p_i - \frac{r_i}{R} * T$	P-T
SP option B	$\sum_i p_i - \frac{r_i}{S} * T$	P- (R/S)*T

In the case of ScottishPower's option A, the aggregate industry claim is equal to P-T, ie the total eligible debt in the period that's been written off minus the total bad debt provisions for that debt in the period. ScottishPower's option B is similar, except that total bad debt provisions for eligible debt in the period are scaled by R/S, the amount by which the industry allowances in the period exceeded the industry bad debt costs in the period. Both these quantities strike a fair balance between customers and suppliers.

Ofgem's option 3 subtracts S, the total industry bad debt costs in the period, which is unfair to suppliers as these are the bad debt costs for all debt, not just the bad debt costs associated with the debt that has been written off under the DRSS.

Finally, we note that neither ScottishPower option would be materially more complicated for Ofgem to implement. The main difference compared to Ofgem options 1 and 2 is that Ofgem would need to collect relevant data from all suppliers before it could calculate the amount due to an individual supplier.

ScottishPower
February 2025