Response to Ofgem's consultation on resetting the energy debt landscape: the case for a debt relief scheme

Citizens Advice response

February 2025

About us

We can all face problems that seem complicated or intimidating. At Citizens Advice we believe no one should have to face these problems without good quality, independent advice. We give people the knowledge and the confidence they need to find their way forward - whoever they are, and whatever their problem.

We provide support in approximately 2,500 locations across England and Wales with over 18,000 volunteers and 8,650 staff.

Through our advocacy work we aim to improve the policies and practices that affect people's lives. No one else sees so many people with so many different kinds of problems, and that gives us a unique insight into the challenges people are facing today.

As the statutory consumer watchdog for the energy and post industries we have an important role to play in shining a spotlight on the problems consumers encounter, providing solutions to these problems and ensuring their voices are heard when important decisions are made about the future of these essential markets.

Executive summary

Citizens Advice welcomes Ofgem's proposals for a relief scheme to tackle energy debt caused by the energy crisis. We will work openly and constructively with Ofgem, the Government, energy suppliers, energy networks and other consumer groups to support delivery of the scheme at pace over the coming months, so that the scheme is ready to launch ahead of winter 2025/26.

While we generally support the scheme, we have some concerns about the proposed approach. We recommend that the scheme design is simplified to improve deliverability and that Ofgem focuses tightly on debt caused by the energy crisis. We disagree that consumers should pick up the full financing costs of the scheme and see a credible case for energy networks covering this with zero interest, using windfalls that have arisen from interest rates being higher than expected in recent years. We also want Ofgem to publish more evidence about the costs and benefits of the scheme.

The energy crisis is not over for millions of people. Energy prices are still both volatile and higher than before the energy crisis. Recent projections estimate that prices will rise in April, and are likely to rise further in July, and are not likely to fall substantially at any point ahead of the scheme's introduction in Autumn 2025. Energy debt remains the most common type of debt our advisers deal with - over the course of 2024 we helped more people with energy debts than any previous year. This trend continued throughout the year, with December higher than the same period in any other year[1].

To ensure that debt relief can be a one-off and deliver ongoing benefit, the Government also needs to tackle the problem of energy affordability going forward. In our view, this means that the debt relief scheme must be accompanied by long-term targeted support through a reformed Warm Home Discount[2], as well as a long term increase in debt advice capacity to support those who fall behind on their bills to access sustainable solutions.

To deliver the scheme ahead of winter 2025/26, Ofgem needs to act swiftly but also ensure that support is targeted and uses consumer money effectively and efficiently. Therefore, it would make sense to phase the primary and application routes, recognising the logistical challenges with delivering the latter aspect of the scheme. We provide more detail below on how this might work in practice.

[1] Citizens Advice (2025) Energy cost of living data dashboard

[2] For more information on our targeted support proposal see our recent reports: Fixing the foundations (2024), and Shock Proof (2024)

It is essential that Ofgem, DESNZ, suppliers, and Charities and Consumer Groups (CGCs) are aligned in the delivery of the debt relief scheme. Ofgem has the primary role in coordinating delivery of the scheme and we recommend that Ofgem immediately sets up a cross-organisation Debt Relief Working Group to ensure that coordination and delivery is effective.

To meet the aims of the scheme, the primary eligibility route will need to be:

- automatic (or with very simple eligibility checks),
- broad enough to deliver enough debt relief, and
- well targeted so that it reaches people who are genuinely in need.

In our view the “WHD Plus” option outlined in the Ofgem consultation best meets these criteria, but we understand that there are significant data sharing and data matching barriers to implementing this option. While there are other options available for the primary route, which we discuss later in our response, these are not without significant drawbacks. Ofgem should also consider ‘light touch’ digital approaches that could allow consumers to demonstrate eligibility that can operate alongside the automatic and application routes, and provide the requisite scheme assurance.

Solving the barriers to effective data matching is not only a priority for the debt relief scheme, but would also be key to critical work on targeted affordability support and net zero reforms. Citizens Advice are pleased that there is work underway between government departments to try to solve barriers to data matching, but this needs to be a clear priority taken forward at pace, especially given the data required for the debt relief scheme is more straightforward than the data matching used for the Warm Home Discount.

The success of the scheme will depend on clear messaging from all stakeholders and high quality advice for consumers. Depending on the eventual design, this may need to promote the debt relief scheme, manage expectations on what debt is eligible for write-off, ensure people continue to pay for ongoing energy consumption where they are able, and provide routes to advice for wider debt issues and support like energy efficiency schemes.

We see specific challenges that may need to be addressed ahead of the scheme launch:

- In relation to the application route, there are numerous examples of debt relief and debt matching schemes in the energy market and other sectors, although

little evidence on uptake rates. Anecdotally, uptake has been reported as fairly low, pointing to the challenge of achieving engagement with indebted customers.
- There is a risk that promotion of the scheme could lead to a significant increase in the volume of people contacting CGCs and energy suppliers, even when they're not eligible. It needs to be clear through communications that people will receive the money automatically through the primary route, or that they will be contacted by their supplier if they have the option to apply through the application route (if the scheme is designed as outlined).
- As with previous schemes, there is a significant risk of scams if the scheme is not clear to consumers, and fraudulent claims if eligibility checks are not robust. Suppliers and CGCs need to be alive to these risks, and Ofgem should learn the lessons from recent schemes - such as the Energy Price Guarantee and the Energy Bill Support Scheme.

Alongside implementing the debt relief scheme over the coming months, we will continue to work with Ofgem to improve the standard of debt management across the energy sector. We are also committed to working to expand access to debt advice, including through a proposed debt advice service, building on the consumer service helpline. This will significantly improve support for people who have fallen behind on their energy bills, and help them find sustainable solutions.

Responses to questions

Q1. Do you agree with our case for change?

Citizens Advice agree with the case for change outlined by Ofgem. We agree with the inherent problems in using the energy price cap to account for socialised energy debt. As Ofgem sets out, the primary issue with using the price cap to allow energy suppliers to recoup bad debt is that rising debt increases prices for all consumers, leading to a spiral of higher bills and more people falling into debt. We also agree that the price cap is a blunt instrument, which may be providing too high an allowance to some energy suppliers and too low an allowance for others.

As the Ofgem consultation demonstrates, there are existing debt write-off and debt matching schemes, which are largely industry initiatives or supplier-specific. While these schemes play a role, it is clear that they are not sufficient on their own to meet the scale of the problem, and availability may differ depending on which supplier consumers are with. They also exist as a patchwork of support schemes with different eligibility criteria, which can make it complicated for consumers and CGCs to navigate.

We think that the analysis provided by Ofgem of the problem relating to debt caused by the energy crisis is broadly correct. While universal support schemes such as the Energy Bill Support Scheme (EBSS) and Energy Price Guarantee (EPG) were necessary during the peak of the crisis, a lack of longer-term targeted support has directly led to the build up of energy debt.

We strongly recommend that Ofgem provides more evidence to support the case for change and to demonstrate the impact, both costs and benefits, of Ofgem's proposed changes. There is more detail in the section below on whether Ofgem should intervene with a debt relief scheme.

To better understand the case for change and to help design the most effective scheme, we recommend that more evidence is provided of:

- How easy it is to identify debt which would have previously been written off on customer accounts and the process by which energy suppliers would make a reduced claim for funding from the scheme.
- Ofgem's forecasts of the number of people who would be helped by the scheme and the total value of debt that could be written off.

The scheme is specifically designed to be a one-time response to the huge accumulation of debt built up as a result of the energy crisis. To avoid moral hazard we recommend that Ofgem is very clear about the criteria used to determine when one-off debt write-off schemes are introduced. If such schemes are ultimately funded by current or future consumers, we recommend setting an appropriately high bar for such interventions in the future.

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

We support Ofgem's decision to implement a debt relief scheme and agree on the need for swift action. We cover specific recommendations for the scheme in more detail in later sections, but there are a number of high-level principles we will highlight here.

To be effective and timely, the scheme must begin ahead of winter 2025/26. We urge Ofgem to aim for the scheme to be up and running no later than late August 2025. That gives Ofgem, government, energy suppliers, energy networks and consumer groups just over 6 months to set up the scheme. Any delay in introducing the scheme increases the risk of negative consequences for consumers, such as debt enforcement, prepayment meter disconnection, energy rationing, and deepening debt. These outcomes could further harm peoples' physical and mental health and further damage household finances.

Citizens Advice Consumer Service case study[3]
William had around £1,000 debt with their energy supplier but has been able to pay off £400 of this. William tried to contact their supplier about their debt but found it hard to get hold of them. Recently they were visited by a DCA on behalf of their energy supplier. William found this visit very intimidating, and agreed to a repayment plan but is unsure if they can afford this. William was also informed that they would be charged for the agent visit. William is concerned about further debt collection action as they have a long term health condition and are currently unemployed.

While the details on funding for the scheme are not yet finalised, it seems possible that the scheme will require significant amounts of consumer money. Ofgem must ensure that this money is well spent. This will depend on a robust and comprehensive readiness and audit scheme, to ensure that suppliers and CGCs are spending consumer money efficiently. The scheme must be well targeted to ensure that the money reaches those people who need it the most.

To balance speed with effective targeting, it may be necessary to phase the delivery and deadlines for the primary and application routes:

- **Primary route -** We support a simple and broad primary route, which we believe is best achieved through the "WHD Plus" option outlined in this consultation, delivered within the timelines set by Ofgem. The simplest way that the "WHD Plus" option could expand the pool of recipients beyond the current WHD, would be through the removal of the assessment of high energy costs, thus essentially targeting the scheme at people in receipt of means-tested benefits.
- **Application route** - The application route, managed with CGCs, should focus on a smaller number of more complex cases to enable access for those who miss out on the automatic route. In our view, the application route may need to extend beyond Autumn/Winter 2025, which we discuss in more detail in later sections.

Swift action is crucial to minimise the harm faced by consumers indebted because of the energy crisis, but this effort will fall short if the level of debt relief provided is inadequate. If the level of relief is not sufficient, it would be less likely to prevent harmful debt enforcement measures and may disincentivise people from addressing

[3] Name changed in order to protect anonymity.

their remaining debts. It could also leave people more vulnerable to dangerous energy rationing or (for prepayment meter customers) self-disconnection as a way to manage their financial burden. Insufficient relief would also represent a poor use of consumer funding, offering little meaningful benefit to those who need it most.

We discuss the specific elements of scheme design in more detail in the following sections.

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

We broadly agree with the proposed design principles for the debt relief scheme outlined in the consultation. A clear and concise set of principles is crucial to guide the scheme's development and ensure its effectiveness. However, we believe that **value for money** is a key principle missing from this list. Given the potential for significant consumer funds to be allocated to the scheme, e.g. from higher energy network charges over a number of years, it is essential that Ofgem prioritises efficient and responsible use of these resources. At every stage—whether funding, eligibility, or auditing—Ofgem must ensure the scheme operates in consumers' best interest and protects consumer money. This is particularly relevant if the scheme is funded through the price cap in any form, whether that is through future network charges or by raising the debt allowance.

Ofgem should recognise that trade-offs between the proposed design principles are inevitable. Notably, as highlighted elsewhere in the consultation, the balance between timeliness and the effective targeting of support is particularly important. We discuss this in greater detail in our response to Question 5, but we believe the optimal approach is to prioritise broad and straightforward targeting through the automatic route. This should be implemented at speed ahead of winter 2025/26, while allowing for longer timelines to enable individuals who can't access the primary route to work through the application route.

Fairness and consistency are important principles for the scheme to adhere to, and ensuring support is well targeted will safeguard this. The right affordability criteria should ensure consumers on low incomes are not paying for debt write off for people who do not need it. Regardless, the scheme may result in some perceived unfairness amongst some people who won't be able to access relief:

- some people will have prioritised paying their energy debts at the expense of other bills or essentials, or have built up other debt to pay for energy
- people on prepayment meters during this period may not have had the option to accrue debts, and may have been driven to extreme energy rationing or faced disconnection from their energy supply

- people who have built up energy debts driven by the gas crisis which are outside the scope of the scheme (eg people on heat networks or LPG heating, or who live in a property on a non-domestic contract)

To ensure fair outcomes to all consumers who've struggled with energy costs during the crisis it's vital that suppliers, Ofgem and the Government offer alternative support for people who don't have debt but continue to need help with affordability. Ofgem should also explore if it's possible to protect customers who were on prepay during the eligibility period from funding the scheme. In relation to heat networks, ahead of regulation being introduced in 2026 we've called for the Government and Ofgem to consider how debt in the sector can be better managed to ensure affordable and fair outcomes.[4]

Avoiding perverse incentives is critical to the scheme's success and represents one of the most challenging principles to uphold. We believe that to truly achieve this, the scheme must be positioned as a one-off response to the extraordinary circumstances of the energy crisis, supported by a sustainable plan to address long-term affordability. While the responsibility for broader affordability lies with the government, Ofgem can contribute by ensuring a well-coordinated and coherent communication strategy for the debt relief scheme. We urge Ofgem to make this communication strategy a priority and recommend Ofgem creates a working group with consumer groups and suppliers to cover both implementation and communication.

To establish the right consumer incentives, the level of debt relief provided must be adequate. If the level of support is too low, it could prevent people from seeing a viable path out of debt and reduce their motivation to repay the remaining balance, for instance, older debt that predates the energy crisis or accrued after the cut off date for the scheme. This would not only undermine Ofgem's commitment to this principle but also represent an inefficient use of consumer funds. Ensuring adequate levels of debt relief should be central to the scheme's targeting principle.

It is critical that the debt relief scheme places the right incentives on energy suppliers to prioritise timely and effective delivery of the scheme. The debt relief scheme will deliver lower debt costs for energy suppliers relative to the status quo, so we expect all suppliers to engage proactively with both the design and implementation of the scheme.

We also expect energy suppliers to use this scheme as an opportunity to rethink and enhance how they both prevent and collect debt. We recommend that this includes

[4] Citizens Advice (2025) Citizens Advice response to Ofgem and DESNZ's joint consultation on implementing consumer protections for heat networks

proactively exploring with consumers who benefit from the scheme how to reduce their energy consumption through improved energy efficiency and enhanced heating systems, using existing schemes such as the Energy Company Obligation. The scheme is also an opportunity to engage scheme beneficiaries with the benefits of smart meters, and promote cheaper tariffs where available. In the event that a prepayment customer's debt has now been wiped or significantly reduced, this should also be an opportunity to explore alternative payment methods.

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

Citizens Advice broadly supports the objectives outlined by Ofgem for the debt relief scheme. However, while there is a general objective to reduce domestic debt and arrears in the energy sector, the objectives do not explicitly emphasise providing relief specifically to individuals with affordability needs. Elsewhere in the document, there is reference to the goal of protecting this group from the negative impacts of indebtedness and supporting them in adopting positive debt repayment practices.

This approach—focused on delivering tangible benefits to customers who need it most—differs from one aimed solely at reducing overall energy system debt or lowering the debt allowance in the price cap. To ensure these objectives are properly balanced, we urge Ofgem to explicitly highlight support for individuals with affordability challenges as a key objective of the scheme. We recognise that there is a tension between focusing on energy debt caused by the energy crisis and focusing on those with affordability challenges, that Ofgem will need to square in the final design of the scheme.

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 timeline between the proposed policy decision and the implementation of the scheme is highly ambitious. We agree that the scheme should be set up ahead of winter 2025/26, which means Ofgem aims to have the scheme up and running by late August 2025. This should include developing clear and coordinated advice messaging in collaboration with industry and CGCs. While we recognise the importance of swift action, Ofgem’s primary focus should be on ensuring the scheme is robust, as it involves reallocating hundreds of millions of pounds of consumers' money. Without further clarity on the specific details of the scheme—particularly its scope and scale—it is challenging to provide precise guidance on how to reduce the time between Ofgem’s decision and the introduction of the scheme.

However, there are several ways Ofgem can help ensure the scheme is introduced as quickly as possible. First, Ofgem should prioritise completing the consultation and decision-making process efficiently. The sooner that Ofgem finalises its decision and provides detailed guidance and resources to energy suppliers and CGCs, the sooner these stakeholders can take the necessary steps to implement the scheme. We recommend that Ofgem publishes a statutory consultation by early March 2025 and makes a decision on scheme design by May 2025.

It is crucial for Ofgem to establish clear milestones within the scheme to ensure steady progress. These milestones should apply to both delivery options 1 and 2 and must be ambitious yet achievable. We encourage Ofgem to collaborate closely with suppliers, CGCs, and other stakeholders to develop these milestones. While the stages outlined in Figure 1 on page 23 of the consultation provide a helpful starting point, greater detail and specificity are urgently needed. We recommend that Ofgem establishes a working group that includes CGCs to coordinate implementation of the scheme. Citizens Advice would actively participate in this working group.

To meet the scheme's key objectives, particularly minimising adverse outcomes, Ofgem must carefully plan how the scheme will be communicated to consumers by a range of stakeholders. This communication strategy should be incorporated into the milestones and coordinated with suppliers and CGCs.

Resource Considerations for CGCs

The scheme will likely require significant resources from CGCs. Although most CGCs will be eager to support its delivery, they face tight financial and organisational constraints. Existing debt advice is generally over-subscribed - for example at Citizens Advice we are only getting to 1 in 3 clients who call our debt phone line. In particular, the application route of the scheme will necessitate financial support and require CGCs to hire and train additional frontline staff, incurring significant costs. This challenge is compounded by the scheme's time-limited nature, which makes it difficult for CGCs to invest in capacity-building. As set out below, a longer timeframe for this component of the scheme could help mitigate this risk.

Currently, the scheme allows CGCs to recover efficient costs from suppliers. However, this arrangement places disproportionate risk on CGCs compared to suppliers, making it harder for CGCs to build capacity confidently. Suppliers, who stand to benefit from reduced debt and arrears as well as lower costs associated with managing debt, have greater infrastructure and capacity to implement the scheme. A more balanced approach would be to permit CGCs to submit estimated funding claims in advance, alongside suppliers' claims, to provide the financial certainty needed for capacity-building. At the same time, measures will need to be put in place to ensure that debt advice capacity that has already been funded is not paid for again by the scheme.

Depending on the scale of support that would need to be delivered through the scheme, one way to make use of existing pockets of capacity across CGCs would be through a spot purchase model. This model would allow clients to be referred to any FCA regulated debt charity, who would then be able to complete an assessment and refer the client back to their supplier. The CGC would then be paid a set amount per successfully completed assessment. The advantage of this model is that it could theoretically utilise existing pockets of capacity, ensure CGCs could cover their costs but without the need to build up large amounts of individual capacity which would then need to be stood down when the scheme is completed.

It's also important to recognise that the scheme is likely to create some indirect demand for CGCs outside of the scheme customer journey. We think this is likely to arise as:

- consumer advice, with people keen to understand the scheme and its eligibility criteria
- debt advice, when people are signposted to, or seek out, debt advice to deal with their remaining energy and wider debts after receiving automatic support, or after discovering they are ineligible for the scheme.

Citizens Advice has developed a proposal to increase access to debt advice for people with energy debts in England and Wales, building on our existing consumer service and funded by the same levy on bills.[5] This could increase debt advice capacity and support delivery of the scheme and would already be funded. Though capacity to help would depend on timely approval and mobilisation of the service, and an extension to the timeline for the application route. Regardless, the service can play a vital role in supporting those who aren't eligible for relief to find sustainable solutions for their debts in the coming years, as well as those who continue to accrue debt, given prices are expected to remain higher than before the energy crisis.

Supplier Claims and Cost Efficiency

Ofgem's proposal to allow suppliers to make estimated funding claims is essential for delivering the scheme within the proposed timeline. However, this must not

[5] Citizens Advice (2025) Citizens Advice Consumer Work Plan 2024/25

compromise the efficiency of claimed costs. Some customers have accrued additional debt during the energy crisis due to inadequate processes and lack of support from suppliers. Energy billing issues - particularly in the context of high energy prices - can lead consumers into debt if they aren't resolved quickly. For example, smart meters that aren't working correctly could lead to large catch up bills which the consumer struggles to repay. This points to the need for robust cost oversight, to ensure that suppliers operate efficiently within the parameters of the scheme. We will work separately with Ofgem to improve debt management standards in the sector and recommend shortening the back-billing period to 6 months to reduce the size and risk of large, unexpected bills.

Citizens Advice Consumer Service case study

Frank is currently unemployed and is a full-time carer to his disabled daughter. Frank has been with his supplier for nearly 4 years, and 2 years ago his smart meter stopped sending readings. Frank has tried to contact his supplier on numerous occasions but hasn't been able to get in contact.

Despite there being an issue with the meter, Frank's supplier has not contacted him for meter readings and has been billing him based on estimated readings. Frank does not agree with the usage and cannot afford to pay these estimated bills.

Frank now owes his supplier over £2,700 which they have passed on to a debt collection agency. His supplier hasn't taken his circumstances into account and is threatening further legal action.

We support the introduction of a scheme cut-off date for final applications and assessment milestones, followed by a discretionary period for fund distribution after the scheme's official closure.

Scheme Design and Timeline

Regardless of the scheme's final design, these principles should be applied to minimise lead times. The core design will also influence delivery timelines. To meet the goal of delivering the primary route ahead of Winter 2025/26, eligibility criteria should be simple, broad, and well-targeted. The WHD Plus option is the proxy that meets these requirements most effectively, and we urge Ofgem to collaborate with the Department for Work and Pensions (DWP) and other government departments to address any barriers to its implementation.

Our understanding is that access to the data required for the WHD Plus option (which remains our firm preference) may not be confirmed by the time the statutory consultation is published. If this is the case we understand that Ofgem is likely to have to proceed with a decision to use alternative data to target affordability.

One alternative data option proposed is to use Credit Reference Agency (CRA) data. It is our understanding that CRA data alone does not include the relevant income data that would be required to make an assessment of affordability. However, a digital eligibility check drawing on open banking and potentially CRA data could be a feasible option to consider. It's worth noting that this approach would not be fully automatic, but could potentially function in a way that required minimal input from consumers. Similar digital services already exist that support charities and firms to deliver eligibility checks and ID verification as part of support schemes. There are some drawbacks associated with this approach, which we explore in more detail in our answer to Question 21, and consumers without digital access would need to be able to access support via alternative routes.

The application route is likely to require significant planning, investment, and capacity-building from both suppliers and CGCs. To achieve the scheme's objectives, a phased approach to implementation may be appropriate. Under this approach, the primary route would still target completion ahead of Winter 2025/26, ensuring the majority of funds reach those most in need and reducing overall system debt. The application route could have an extended deadline to ensure effective support for individuals who were missed through the primary route, enabling the scheme to deliver its intended benefits more comprehensively.

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

As outlined above, we are convinced that a phased approach to the scheme's deadlines is likely to be needed. Within the overarching principle of ensuring the scheme is well-targeted, the primary delivery route should be simple, broad, and easy to implement. The scheme should aim to deliver the majority of debt relief through this primary route, with assessments and determinations completed within the designated time limits. Our firm preference for this route is WHD Plus, but we understand that alternative options may need to be considered in order for the scheme to start on time.

In contrast, the application route, which will handle a smaller volume of more complex cases, will require greater capacity and resources from CGCs. To manage this effectively and sustainably, the deadline for implementing this route may need to be extended. Even if the two delivery routes can be implemented simultaneously, the complexity of application cases may still necessitate longer timeframes to meet the scheme's objectives in a cost-effective manner. Achieving the desired outcomes for these cases is more important than adhering to rigid timescales.

Given that the majority of relief will be delivered via the primary route, the scheme can still meet most of its objectives if the primary route is delivered within the intended timelines.

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

It is not possible to provide definitive recommendations on the type and level of support the debt relief scheme should offer without a clearer understanding of other elements of its design and a more detailed impact assessment. We strongly urge Ofgem to release a comprehensive impact assessment as soon as possible.

According to the initial impact assessment in the appendix, Ofgem estimates the total debt and arrears for customers with household incomes under £21k or those eligible under WHD Plus to be £568 million[6]. Targeting households with incomes under £21k who are not eligible under WHD would likely require the application route, which would naturally limit take-up rates. Similarly, while the application route may capture a proportion of those above this income threshold, eventual participation would also be constrained.

Given that these estimates align with the lower expected value of the scheme, there is a strong case for writing off the total value of debts accrued during the eligible period, depending on how affordability is targeted. Flat-rate payments risk discouraging individuals from seeing a viable path out of debt, thereby reducing their motivation to engage with future repayments. Writing off debts proportionally might mitigate this issue more effectively, though not entirely. Furthermore, a proportional approach would introduce additional complexity to the scheme, potentially impacting its already tight timelines.

Beyond improving outcomes for in-need customers who accrued debt during the target period, complete write-offs would enhance the scheme's ability to meet other key objectives. These include: significantly reducing domestic debt and arrears across the sector, directly lowering balances on individual accounts, and potentially reducing - or preventing an increase to - the future debt allowance within the price cap.

The administrative cost to serve per scheme recipient rises the more engagement is required, and we would expect this level of engagement to be fairly low for the primary

---

[6] Ofgem (2024) Resetting the energy debt landscape: the case for a debt relief scheme

route. However, the cost to serve rises for the application route, due to the need for CGCs to speak extensively with customers, conduct financial assessments and liaise with suppliers. For the application route, it might be appropriate to consider a de minimis level of debt to serve these customers, in order to keep the overall cost-benefit ratio of the scheme positive.

Repayment matching could also be considered for people entering the scheme via the application route, who would have had an independent assessment of what level of repayments they can afford. This would also necessitate a longer scheme timeframe if funding to suppliers is contingent on matched payments which are likely to be over a period of months, or even years.

Any decision by Ofgem should prioritise minimising administrative complexity while maximising benefits for the consumers it aims to support. Write-offs that fail to deliver meaningful improvements for affected customers would represent a missed opportunity.

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)?

As noted above, there is a trade-off between speed of implementation and confidence in the administration of the scheme. Delivery option 2 is preferable for scheme robustness but this would require Ofgem to conduct a tender for an independent administrator, which would add both time and cost to the scheme. If delivery option 1 is adopted, then Ofgem needs to ensure that they have an internal team with the resources available to conduct oversight. We recommend that the creation of this internal team within Ofgem is made a priority for Ofgem's Forward Work Programme for 2025/26.

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

We agree that a comprehensive and robust audit of energy suppliers is important for the debt relief scheme. This reflects the significant amount of money that current or future energy consumers will need to contribute to reduce at least some of the energy debt associated with the energy crisis.

We agree that the audit should include an assessment of energy supplier processes and governance before the debt relief scheme starts, during the scheme and after the scheme closes. A successful audit must be a prerequisite for energy suppliers to participate in the scheme.

It is crucial that Ofgem receives regular information about the administration of the debt relief scheme, whether this comes through a third party auditor or from Ofgem's own monitoring. As the statutory consumer body for energy, we strongly recommend that Ofgem provides regular updates to Citizens Advice on the debt relief scheme. This must cover both the setting up of the scheme ahead of winter 2025/26 and in the subsequent administration of the scheme.

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

We recognise the trade-off set out by Ofgem between (a) providing debt relief to customers promptly and (b) ensuring a sufficiently robust debt relief scheme that prevents energy suppliers from receiving a disproportionate benefit from the scheme.

One potential option is for Ofgem to immediately commence work on appointing an independent auditor to review how much debt and arrears each energy supplier has seen incurred since the start of the energy crisis, how those suppliers have provisioned for bad debt and interactions with the price cap bad debt allowance. Understanding each suppliers' approach and debt position can start before the scheme is established and any claims are made.

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

It is unclear from the consultation whether the debt relief scheme funding pot will be split equally between gas and electricity debt and arrears and whether the cost of recovery will be equal between gas and electricity. We recognise that this increases the complexity of the scheme, for instance as some consumers will have different gas and electricity suppliers and scheme costs must be recovered through both gas and electricity network charges.

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?

Delivering the debt relief scheme will require significant resources from Charities and Consumer Groups (CGCs). Although CGCs are eager to support its delivery, they face tight financial and organisational constraints - demand for CGC services already exceeds their available resources. In particular, the application route of the scheme will necessitate financial support and require CGCs to hire and train additional frontline staff, incurring significant costs. This challenge is compounded by the scheme's time-limited nature, which makes it difficult for CGCs to invest in capacity-building without assurances that their risks will be mitigated.

Currently, the scheme allows CGCs to recover efficient costs from suppliers. However, this arrangement places disproportionate risk on CGCs compared to suppliers, making it harder for CGCs to build capacity confidently. Suppliers, who stand to benefit from reduced debt and arrears as well as lower costs associated with managing debt, have greater infrastructure and capacity to implement the scheme. A more balanced approach would be to permit CGCs to submit estimated funding claims in advance, alongside suppliers' claims, to provide the financial certainty needed for capacity-building.

Ofgem has set an ambitious goal of beginning scheme implementation in Summer/Autumn 2025, following a decision point in late Spring 2025. However, the current timelines outlined in the consultation are vague. Even under ideal circumstances, this would leave only 2–3 months for CGCs to fully understand their roles and prepare for implementation. Debt advice services, including ours, cannot adequately plan until key details are clarified, particularly regarding where increased capacity—such as additional staffing—will be needed. To implement ahead of winter 2025/26, we recommend that Ofgem makes a decision on the scheme design no later than May 2025 and clearly sets out the role for CGCs in both the primary and, in particular, the application route.

Depending on the scale of support that would need to be delivered through the scheme, one way to make use of existing pockets of capacity across CGCs would be through a spot purchase model. This model would allow clients to be referred to any FCA regulated debt charity, who would then be able to complete an assessment and refer the client back to their supplier. The CGC would then be paid a set amount per successfully completed assessment. The advantage of this model is that it could theoretically utilise existing pockets of capacity, without the need to build up large amounts of individual capacity which would then need to be stood down when the scheme is completed.

To ensure CGCs are ready to deliver the scheme, Ofgem should take proactive steps well before the decision point in late Spring 2025. Extensive consultation with CGCs beyond the initial consultation stage is critical. One effective approach would be to establish a regular working group with CGC representatives and energy supplier representatives. This group could serve as a platform for Ofgem to gain insights into what CGCs need to deliver the scheme successfully and what is realistically achievable within the proposed timelines. Additionally, the working group could help identify and resolve specific obstacles ahead of the scheme's launch. We recommend that the working group is headed up by a senior member of Ofgem's implementation team for the scheme.

While the initial impact assessment addresses the scheme's impact on suppliers, it is notable that no consideration is given to its impact on CGCs. Additionally, the initial assessment does not include an estimate of the cost per person of delivering the scheme through the application route. Developing an evidence-based estimate is important, given that this will have a bearing on the overall cost-benefit ratio of the scheme. We are concerned that these omissions may reflect a lack of focus on these critical aspect of the scheme. If Ofgem has conducted modelling to assess the potential impact on CGCs, we strongly encourage you to share this analysis with relevant stakeholders as soon as possible.

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

Recent Citizens Advice research shows that energy networks have made windfall profits of £3.9bn because of price control assumptions around network financing which did not account for times of unexpectedly high inflation. This windfall is coincidentally the same value as the debt that domestic energy customers have accumulated following the energy crisis.

If network charges are used as the basis for the debt relief scheme, we recommend that the financing for the scheme is funded by the network windfall. Based on the data provided by Ofgem in the consultation, this would save consumers up to £200 million. There is a strong moral case for energy networks to use at least part of their windfall to support people to escape energy debt.

The Ofgem consultation also does not discuss the option of taxpayers funding the debt relief scheme, which we believe should remain an option for Ofgem to explore with the UK government, while recognising the government's fiscal constraints. We recommend that Ofgem explores with HM Treasury whether the multi-year Comprehensive Spending Review can cover the costs of the scheme.

Of the options presented by Ofgem, we can see logic in the case for funding the scheme through network charges. However, Ofgem must provide more information about the financing costs of this approach, as they seem very high relative to the risk for regulated monopoly network providers, while the level of additional borrowing is fairly low in the broader scheme of network finances. Ofgem must also provide more information about how much of the funding sits with Distribution Network Operators (DNOs) versus Gas Distribution Networks (GDNs). Funding the scheme over 3 to 5 years reduces the annual cost to consumers but increases the total cost of the scheme because of the higher financing costs.

We note that, while Ofgem considers the financing costs for energy networks, no information is provided about the costs for debt and consumer groups to support the scheme.

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 Ofgem should consider the extent to which suppliers have received funding for bad debt through the price cap mechanism and how suppliers have accounted for that bad debt. This ensures that the scheme does not disproportionately benefit energy suppliers. We propose that Ofgem appoints an independent third party to undertake this work ahead of the scheme starting and before any funding claims are made.

While administratively complex, we note that it would be very inefficient to write off any energy debt without improving the fabric and heating system of those homes. Improving the energy efficiency of properties will permanently reduce the extent of energy debt that can be built up. Energy suppliers are well-placed to provide these energy efficiency improvements through existing schemes such as the Energy Company Obligation and Great British Insulation Scheme. The scheme ensures that consumers who benefit access appropriate referrals to further support that can permanently lower their energy costs.

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?

As noted above, we propose that - ahead of the scheme starting and before any funding claims are made - Ofgem appoints an independent third party to consider the extent to which suppliers have received funding for bad debt through the price cap mechanism and how suppliers have accounted for that bad debt.

More broadly, we recommend that, in addition to “netting off” bad debt under previous price cap periods, energy suppliers match any debt write-offs funded by the scheme. For instance, if an indebted energy consumer receives £250 from the scheme, then the energy supplier matches that by writing off a further £250. This means that the supplier has effectively recovered 50% of a £500 debt, a significantly better recovery rate than we understand is typical for most aged energy debt.

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

Including both debt write-off and debt-matching, particularly if the latter is based on consumer contributions, makes setting up and operating the debt relief scheme more complex. If debt-matching is designed into the scheme, it is unclear how that tallies with a desire to open the scheme ahead of winter 2025/2026 and it by Spring 2026. An additional complication is how debt matching might work in practice for prepay customers, in particular legacy prepay customers. We would welcome Ofgem clarifying whether that timeframe means debt-matching exists just for the 9 month window that the scheme is operational.

In our view, debt-matching should primarily come from energy suppliers rather than energy consumers. We consider that energy consumers who are both in significant energy debt because of the energy crisis and are eligible for the scheme are unlikely to have funds to debt-match. Energy suppliers on the other hand have seen both higher revenues and profits than before the energy crisis and they benefit directly from the debt write-off funded by the scheme.

To ensure speedy delivery of the scheme ahead of winter 2025/2026 and to keep the focus on debt caused by the energy crisis, we recommend that Ofgem simplifies the scheme so that any debt written off through the scheme is matched by energy suppliers. For instance, if an indebted energy consumer receives £250 in debt write-off under the scheme, the energy supplier should match that with a further £250 in debt write-off. This maximises the value of the scheme to the indebted consumer while providing suppliers with an effective collection rate of 50% for that debt.

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?

One way that Ofgem could consider differentiating eligibility thresholds for debt matching and debt write-off would be by increasing the income threshold for debt matching, and providing support to people who would miss out from debt write-off. Another option would be to target remaining debt which sits outside of the current eligibility period through debt matching. In both instances, this would need to sit within the application route of the scheme, or by suppliers offering additional support to customers who received help via the automatic route. As elsewhere, Ofgem should consider how this would affect scheme timelines, and impact the overall cost-benefit ratio of the scheme.

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?

Ofgem must provide details of how they calculated the cost of interest related to financing the debt relief scheme. The consultation shows that financing costs increase the cost of the overall scheme by up to £200 million (based on £1 billion of debt write-off). Ofgem should provide a breakdown of the financing costs to show whether funding the debt relief scheme through networks is beneficial in comparison to funding through the energy price cap. We expect that funding the scheme through the price cap would involve higher costs to all domestic energy consumers upfront. It is impossible to corroborate Ofgem's view that the debt relief scheme is beneficial versus the status quo without this comparison of financing options.

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

Recent Citizens Advice research shows that energy networks have made windfall profits of [£3.7bn] because of incorrect price control assumptions around network financing in times of unexpectedly high inflation. This windfall is coincidentally the same value as the debt that domestic energy customers have accumulated following the energy crisis.

If network charges are used as the basis for the debt relief scheme, we recommend that the financing for the scheme is funded by the network windfall. Based on the data provided by Ofgem in the consultation, this would save consumers up to £200 million.

There is a strong moral case for energy networks to use at least part of their windfall to support people to escape energy debt

As noted above, the Ofgem consultation does not discuss the option of taxpayers funding the debt relief scheme, which we believe should remain an option for Ofgem to explore with the UK government, while recognising the government's fiscal constraints. We recommend that Ofgem explores with HM Treasury whether the multi-year Comprehensive Spending Review can cover the costs of the scheme.

Of the options presented by Ofgem, we can see the case for funding the scheme through network charges. However, Ofgem must provide more information about the financing costs of this approach, as they seem very high relative to the risk for regulated monopoly network providers. Ofgem must also provide more information about how much of the funding sits with Distribution Network Operators (DNOs) versus Gas Distribution Networks (GDNs).

If network charges are used to finance the debt relief scheme, we recognise that there are trade-offs between funding the scheme over 1, 3 or 5 years. Simplistically, lengthening the funding window lowers the annual cost to consumers but increases the overall financing costs for the scheme. We see little benefit of funding the scheme over 1 year through network charges versus using the existing price cap allowance, so the real question for Ofgem is whether to fund the scheme over 3 years or 5 years.

To help us answer this question, Ofgem must provide details of how they calculated the cost of interest related to financing the debt relief scheme. The consultation shows that financing costs increase the cost of the overall scheme by up to £200 million (based on £1 billion of debt write-off). Ofgem should provide a breakdown of the financing costs to show whether funding the debt relief scheme through networks is beneficial in comparison to funding through the energy price cap. We expect that funding the scheme through the price cap would involve higher costs to all domestic energy consumers upfront. It is impossible to corroborate Ofgem's view that the debt relief scheme is beneficial versus the status quo without this comparison of financing options.

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.

We agree with Ofgem that prescriptive eligibility criteria will be essential to achieve a consistent approach to targeting support.

Delays in implementing the scheme ahead of winter 2025/26 increase the risk of serious negative consequences for consumers, including debt enforcement, prepay self-disconnection, energy rationing, and escalating debt. These outcomes could worsen physical and mental health and further strain household finances. Therefore, unless there is a compelling case that a more complex approach would deliver clear benefits, Ofgem should prioritise simplicity and timely delivery.

For this reason, we believe that Arm 1 support should target any level of debt accrued during the defined period, which covers the most severe period of the energy crisis. We recommend against Ofgem setting a minimum fixed level of indebtedness to be eligible for the scheme. Setting a minimum fixed level of indebtedness does not account for the fact that for low-income households with low energy usage, even a small debt can cause significant harm. While setting the minimum as a proportion of a customer's ongoing consumption might address this issue, it would also add substantial complexity to the scheme. By imposing a minimum threshold for debt eligibility, Ofgem risks creating harmful cliff edges for support, leaving some consumers without the help they critically need. This could have serious detrimental effects on those who narrowly miss out.

For the application route, it might be appropriate to consider a de minimis level of debt, balancing likely benefits (which may be higher than the automatic route, given that it should consider all a consumer's debts and put in place a sustainable solution) against administrative costs, in order to keep the overall cost-benefit ratio of the scheme positive. Repayment matching could also be considered for people entering the scheme via the application route, who would have had an independent assessment of what level of repayments they can afford.

The debt relief scheme is intended to be a one-off, time-limited intervention and as such we think it is reasonable to set a clear starting point and cut off date. We agree that Q2 2022 seems like the right starting point based on when energy debt and arrears caused by the energy crisis would have begun. Considering that the scheme requires a cut-off date, Q1 2024 makes sense as the appropriate point to set this. However, without the right ongoing targeted affordability support, it is our view that there could be some rebound in energy debt in the coming years.

In relation to the time period where debt is potentially eligible for the debt relief scheme, we recommend that Ofgem clarifies whether the scheme would apply to debt accumulated during that period or the consumption of energy. This is particularly important for standard credit energy consumers who may be billed months after energy has been consumed. We understand that Ofgem's intention is to focus on the consumption of energy during Q1 2022 to Q1 2024.

While the debt relief scheme is essential to relieve some of the debt burden facing individual consumers and reduce overall levels of debt in the system, the affordability crisis which led to it is far from over. Current energy prices are 68% higher than historic norms, experts predict that wholesale prices are likely to remain higher than pre-crisis levels for the rest of the decade[7]. We recognise that the responsibility to address ongoing affordability lies with the government, and is out of scope for this scheme.

Noting Ofgem's suggestion that for any debt matching element energy consumers should be eligible if they pay for some of their energy in the 6 months before the scheme starts, we would welcome clarification from Ofgem if indebted energy consumers would be eligible for the debt relief scheme if they start paying off even a small amount of their debt or arrears by spring 2025. This could be fairer for prepay customers who have no option whether or not to repay their debt. Clarity on this in public messaging before the scheme starts could counteract risks that consumers stop repaying debt, and drive indebted consumers to engage positively with their supplier and debt, knowing that even small contributions could open up the opportunity for more substantive debt write-off.

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.

The addition of debt-matching increases the complexity of setting up and operating the debt relief scheme and should only proceed if a compelling case exists. While the scheme is essential to alleviate the debt burden on individual consumers and reduce overall debt levels, the affordability crisis that necessitated it is ongoing. Long-term, targeted support must be implemented by the government as soon as possible to address affordability going forward. Given that this scheme will ultimately be paid for by bill payers, Ofgem should ensure that it is targeted at those people who are most in need.

To deliver the primary application route by Winter 2025, eligibility criteria should be simple, broad, and well-targeted. The WHD Plus option best satisfies these requirements. It offers more reliable data than other proxies, and is a fairly good proxy for affordability. As a broad and simple proxy for affordability, it would allow smaller

[7] In Summer 2021 (1 April to 30 September) the annual energy bill for an average household was £1,084. Our calculation adjusts for changes to Ofgem's Typical Domestic Consumption Values (TDCV's) from October 2023.

numbers of more complex cases to be dealt with through the application route. We urge Ofgem to work with the DWP and other government departments to address the data-sharing barriers to this approach.

If WHD is used as a proxy for affordability, the WHD Plus option outlined in the consultation is strongly preferred despite the challenges around data-sharing requirements. If these barriers are insurmountable, the existing WHD option (without removing energy efficiency requirements) is the next best alternative.

Other proxies could be considered alongside WHD, provided they can be integrated efficiently. Evidence shows that people with long-term health conditions or disabilities often face higher energy costs and are particularly vulnerable to detriment from unheated homes. Including disability benefits (and potentially other non-means-tested benefits) could help to support people facing higher costs.

There may also be a case for including individuals on the Do Not Install (DNI) Prepayment Meter (PPM) list in the eligibility criteria. Although not specifically affordability-targeted, this group includes consumers who are especially vulnerable to PPM installation, such as those with long-term health conditions, disabilities, or household members of certain ages. Many of these individuals may have accumulated unmanageable debts during the energy crisis due to their protection from forced PPM installations. Writing off some of this debt could prevent extreme energy rationing or deprivation and encourage repayment of remaining balances.

That said, including groups not on the basis of affordability is likely to mean that some people on higher incomes get automatic access to the scheme, which may lead to some unfair outcomes. . Previous government analysis demonstrates that 62% of DLA and PIP recipients also receive means-tested benefits (and would be eligible under the WHD Plus option), while DLA and PIP recipients who do not receive means-tested benefits have lower fuel poverty rates than the overall population[8]. We're not aware of similar evidence for the DNI PPM group, and Ofgem should make efforts to understand the affordability characteristics of this group.

Including non-means-tested benefits or the DNI PPM group could affect the distributional impacts of the scheme in Ofgem's impact assessment, resulting in a higher overall cost and lower benefit for low income consumers. We urge Ofgem to do more work to consider the distributional impacts in their income assessment, and share this with key stakeholders, when making a decision.

---

[8] BEIS (2022) Warm Home Discount The Government Response to the Warm Home Discount: Better targeted support

While WHD Plus remains our preferred option, data sharing barriers mean this might not be feasible within the scheme's timeframe. Another option which has been proposed is to use CRA data. It is our understanding that CRA data alone does not include the relevant income data that would be required to make an assessment of affordability. However, a digital eligibility check drawing on open banking and potentially CRA data could be a feasible option to consider. It's worth noting that this approach would not be fully automatic, but could potentially function in a way that required minimal input from consumers. Additional risks to CRAs include eligible individuals missing out (particularly those who don't have online banking), inconsistencies between CRAS, and difficulties achieving uniformity within the required timeframe. It's likely that people may find it harder to understand decisions about their eligibility under this option, and that greater numbers would need to access advice and use the application route to access support.

We strongly oppose using council tax data as a proxy. Aside from the administrative complexity and delays it would introduce, council tax bands are widely recognised as a poor measure of affordability.

We also share concerns raised in Ofgem's debt standards consultation about the consistency and quality of income assessments conducted by suppliers. These assessments often fail to ensure affordable repayment plans. While we support Ofgem's work to standardise these processes through the debt standards, it is unclear whether such reforms can be achieved within the tight timelines of the debt relief scheme. We encourage Ofgem to provide more detail on how reforms in the debt standards consultation will align with the scheme's implementation.

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.

We are broadly supportive of a proposed application route for eligibility. The application route should focus the limited resources of CGCs on more complex cases to widen access to those who have been missed out through the primary route. In our view, the application route may need to extend beyond Autumn/Winter 2025. We agree that Arm 1 and Arm 2 of the application route should reflect that of the primary route of the eligibility criteria. The eligibility criteria will be influenced, to some extent, by decisions made for the primary route. As with the primary route, it is important to balance simplicity with ensuring support reaches those most in need. Regardless of the final decision on eligibility, the criteria must be clear and effectively communicated to CGCs to prevent wasted time and resources on interpretation.

Debt matching could be considered for people entering the scheme via the application route, who would have had an independent assessment of what level of repayments they can afford. However, this should only be considered as a means of widening the pool of potentially eligible applicants, by providing debt matching to people who would not meet the criteria for full debt write-off.

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.

While we are broadly in favour of the application route for the scheme, we have concerns about the deliverability of the scheme, particularly under the current timescales. We discuss this in more detail in response to question 5. The scheme should focus on a smaller number of more complex cases to widen access to those who have been missed out through the primary route. In our view, the application route may need to extend beyond Autumn/Winter 2025.

We agree that there needs to be consistency in the assessments undertaken across the different CGCs involved in conducting the assessments. This will need to be achieved through using a Standard Financial Assessment (SFS) or Common Financial Tool (CFT).

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 would not expect many indebted customers to have switched suppliers during the relevant period and be eligible for the scheme. There was limited switching between energy suppliers during 2022 and 2023, with switching only picking up during 2024. For energy consumers on credit meters, energy suppliers normally object to a switch for even small amounts of outstanding debt.

It’s more likely that closed accounts with debt have arisen from consumers moving house. We generally agree with the proposal to provide individual accounts support should the eligibility criteria be met.

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?

Given that ultimately the scheme is spending consumer money (although this will depend on financing options), it is important that this is targeted at people who need it the most. We support a simple and broad primary route, which we believe is best achieved through the "WHD Plus" option. In our view we would expect this proxy to be reasonably well-targeted, and according to Ofgem's impact assessment, would target a sufficient level of debt.

The simplest way that the "WHD Plus" option could expand the pool of recipients beyond the current WHD, would be through the removal of the assessment of high energy costs, thus essentially targeting the scheme at people in receipt of means-tested benefits.

While WHD Plus remains our preferred option, data sharing barriers mean this might not be feasible within the scheme's timeframe. Another option which has been proposed is to use CRA data. It is our understanding that CRA data alone does not include the relevant income data that would be required to make an assessment of affordability.

There is a risk that if Ofgem is unable to use the right proxy, that the eligible pool could be poorly targeted or contain a relatively small level of debt. In this case we acknowledge that there may be justification for removing Arm 3 of the eligibility criteria, though this is likely to mean the scheme struggles to meet the design principles around being fair, targeted and avoiding perverse incentives. It could also lead to increased bills for people on lower incomes. As such, this should only be considered where it is clear that providing support to those who are not in need would be outweighed by the benefits of clearing a larger portion of debt. If this is the case, we urge Ofgem to publish a detailed impact statement which clearly outlines how this decision was reached.

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

We agree that some conditionality should be built into the debt relief scheme. However, any conditionality should not create unnecessary barriers for vulnerable consumers. Equally, conditionality should not introduce significant complexity and slow down the delivery of the scheme. A small amount of conditionality can be considered to avoid perverse incentives, given that future energy customers are paying for the debt relief scheme.

Noting Ofgem's suggestion that energy consumers should be eligible if they pay for some of their ongoing energy costs in the 6 months before the scheme starts, we would like clarification that this means that the consumer would be eligible if they had been paying any nominal amount by Spring 2025.

It is important that, wherever possible, those in debt receive high quality support to improve the energy efficiency of their heating systems and building fabric. This support through schemes such as the Energy Company Obligation will prevent the build up of debt in future, including if electricity and gas prices remain higher than before the crisis. The scheme is also an opportunity to engage scheme beneficiaries with the benefits of smart meters, and promote cheaper tariffs where available. In the event that a prepayment customer's debt has now been wiped or significantly reduced, this should also be an opportunity to explore alternative payment methods.

There should also be conditionality requirements for energy suppliers. This should include as a minimum that the energy supplier has no recent enforcement in relation to debt management and collection. Energy suppliers must accept significant Ofgem monitoring and oversight, with detailed and regular data reporting.

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

Overcoming data sharing challenges will be critical to the success of this scheme. Overall, the extent of the data sharing challenges increase with the sophistication of the targeting of the debt relief scheme. Less personal data is required to be shared if all customers with an eligible debt receive the same amount of debt write-off. Data sharing between suppliers and CGCs will be required for the application route of the scheme to operate effectively. The debt standards work is aimed at standardising some of the processes between CGCs and suppliers, and we urge Ofgem to provide more detail on how this could complement the debt relief scheme.

There is significant value in work to improve data matching beyond the debt relief scheme, as data matching will be key in a host of other areas, including targeted affordability support and net zero reforms. As discussed above, we think that the WHD Plus option best satisfies the requirements for an affordability proxy in the scheme. It offers more reliable data than other proxies, and is a fairly good measure of affordability.