

Citizens Advice response to BEIS consultation on the Energy Bills Support Scheme

23May 2022



Introduction

At Citizens Advice, we offer free, independent, and confidential advice and information to anyone who needs it. We are also the statutory advocate and advice provider for energy consumers. We welcome the opportunity to respond to this consultation on the Energy Bills Support Scheme.

In April, energy bills increased by an average of 54%, to over £2,000 annually. Evidence from across our service indicates that households are struggling to make ends meet. In March 2022, Citizens Advice advisors spoke to more than 9,500 people with fuel debts, the highest point since the start of the pandemic. In the same month we also referred more than 39,000 people for crisis support¹, the highest since records began.

In October bills will rise again, to a predicted annual bill of £2,600.² While we are pleased that the government is intervening to help people with their bills, the October support scheme does not go far enough for those in most need. We estimate that even with the £200 October rebate, more than 10 million people won't have enough money at the end of the month once energy costs are paid for.³

This increase is of particular concern for people with prepayment meters, who do not benefit from the seasonal smoothing that a Direct Debit provides, and disconnect from their energy supply if they can't afford to top up. This year our consumer service helpline has already helped more people who've run out of credit to top up their prepayment meter than in the whole of 2021, while we estimate people with prepayment meters will face an average monthly bill in December of nearly £300.

It is essential that the government provides more targeted support to people on low incomes who will be hardest hit. The help announced so far, including the council tax, is inadequate and poorly targeted to those in most need. A simpler approach of providing additional support to those on benefits would be most beneficial to protect people in the coming months. Alongside concerns about the sufficiency of the scheme and other support, we have 3 significant concerns about the scheme design.

1. People with traditional (non-smart) prepayment meters or who rent their home risk of missing out on payments

Approximately 2 million households with traditional prepay meters will be sent £200 in fuel vouchers to access their rebate - around £400 million of government money being sent out in this manner. This method increases the chances that people do not redeem

¹ Charitable support, Food banks, Fuel Debt

² [Cornwall Insight](#), 2022

³ Figure based on analysis of a representative poll of 6,000 adults (18+) in the UK conducted by ICM Unlimited for Citizens Advice in January 2022.

the support, by not opening communication, or loss or theft of vouchers. We currently provide fuel vouchers to some clients and are aware that a minority of customers already experience problems using them to top up in shops, causing additional stress.

In the Government Electricity Rebate scheme, almost 30% of prepay customers did not redeem their rebate.⁴ There was also no improvement in redemption rates across the two years of the scheme, which Ofgem said was 'largely down to customers needing to take actions, which are difficult for suppliers to influence.'⁵ We're therefore sceptical that business-as-usual supplier communications will overcome the problem of non-redemption.

Suppliers, Ofgem and the Government should work together to ensure that customers with prepayment meters are able to take up the support. This should include action to improve the information held about customers and to identify and support people who don't redeem their vouchers. They should also work with Paypoint, Payzone and Post Office providers as part of a communications strategy and to prepare shops that will process vouchers. Citizens Advice will also publicise the advice messages and raise awareness via our Big Energy Savers campaign. Ofgem should also closely monitor redemption rates throughout the winter, and consider setting clear targets for suppliers to avoid compliance action. We set out further specific actions in our detailed response.

Our research shows that around 1 in 8 renters live in properties where their landlord pays the bill (either as part of the rent or 'rebills' them for the amount) and do not have guaranteed access to support under the scheme. Where these consumers are ultimately supplied by energy under a non-domestic contract they will miss out entirely. Government should put in place clearer guidance for landlords and discretionary support for people who miss out on payments.

2. Applying the rebate to arrears for some people in debt will mean they don't benefit from lower ongoing costs next winter

We're concerned about plans to apply the rebate to arrears, and particularly concerned that BEIS intends to allow energy suppliers to apply the rebate to this 'bad debt', which would otherwise be written off. This approach will mean many customers will see no day-to-day benefit from the rebate.

In March 2022, people who completed a debt assessment with Citizens Advice, had an average energy debt of more than £1,400⁶ - much larger than the energy rebate. To

⁴ Ofgem (2015) [Prepayment review: understanding supplier charging practices and barriers to switching | Ofgem](#)

⁵ Ofgem (2016) [GER Annual Report Scheme Year 2](#)

⁶ This is the mean of data entered under the following categories in March 2022: Dual Fuel, Electric, Gas, Gas/Electricity/Dual Fuel Arrears, Gas/Electricity/Dual Fuel Arrears (former supplier). The sample contained 6198 unique entries. The figures were self-reported by clients to Local Citizens Advice debt advisors.

ensure people in debt benefit, where there is an agreement to repay debt, suppliers should be required to reduce payments over winter 22/23 to reflect the rebate. They should also take action to set up repayment arrangements for customers with large debts ahead of October to ensure they can also benefit from the scheme.

3. The repayment levy will make energy less affordable from 2023

Analysts predict that the price cap will remain above £2,000 into Summer 2023,⁷ so the proposal to start repayments for the scheme in April 2023 will lead to even higher costs which consumers may struggle to pay.

The consultation also proposes repaying on a flat rate via higher standing charges, rather than based on energy usage. This means that customers with lower usage - who tend to be those on lower incomes - will see a disproportionate increase to their bills. Higher standing charges can also cause particular issues for customers who prepay for energy, who see more of their top ups taken regardless of consumption and who accrue debts on their meter during periods when they are disconnected.

We're also concerned that the levy may not align with the Government's net zero aims, by increasing the cost of electricity relative to gas. Over time it may also be impossible to ensure costs are being passed through to customers on the flat rate basis intended, especially once as switching returns to the market and if the price cap is removed. This would lead to higher risks that we see a return of the loyalty penalty that consumers on default tariffs faced in the past.

We think that two key changes should be urgently considered to mitigate these impacts and avoid the most vulnerable households losing out:

- BEIS should fully consider the feasibility of providing the rebate via a reduced standing charge (this would need to be set at a negative rate to provide the full £200 in the 6 month window from October to March). This would ensure all customers see a benefit from lower ongoing charges over the period, and would significantly reduce the delivery risk for people with traditional prepayment meters.
- We think consumers would benefit most from repayments being removed from the scheme altogether, with the rebate turned into a grant. However, if repayment is pursued, we think it is vital that the levy is only introduced when costs are closer to historic levels. Delaying the start of repayment would also give more time to develop the levy design, align it with the Government's net zero goals and add measures to mitigate the impacts for customers who can least afford this additional cost.

⁷[Cornwall Insight](#), 2022

Responses to consultation questions

1.a. Do you agree with our approach to how we have considered customer eligibility to the scheme? Yes/No. b. Are there any other household living arrangements we should consider? Yes/No. Please provide any reasoning to support your response.

a) We have fundamental concerns about the way that the energy rebate is designed, though we recognise that many of these concerns are outside the scope of this consultation. Given these constraints, we agree that applying the scheme automatically to all domestic electricity customers is the correct approach. While most customers will receive the payment automatically, the consultation correctly identifies that this will not be the case in all instances. One group that won't receive the rebate automatically is customers who have non smart prepayment meters. As discussed, we have significant concerns about the way the rebate will be delivered to these customers. There are a number of specific actions that BEIS, Ofgem and suppliers should take to ensure that as many traditional prepay customers receive the rebate as possible, which we have outlined in this response.

The consultation notes that landlords who charge 'all inclusive' rent will need to ensure that the payment is passed on to their tenants. However, there is no current database or registry of landlords providing tenancies on this basis, making transparency of these arrangements, or auditing the successful and fair distribution of the rebate and collection of the levy prohibitively challenging. There is also no legal mechanism currently in place to compel landlords to distribute the rebate. This will impact a considerable number of consumers, with forthcoming Citizens Advice research showing that 12.5% of all renters across Great Britain either have their landlord manage their energy and send them a bill or charge via a sub-meter, or have the landlord include energy in the rent. Broader evidence from Citizens Advice's housing work demonstrates the power imbalance that exists between landlords and tenants. With reforms to evictions legislation announced but not yet implemented, tenants may not feel able to enter into a dispute or challenge their landlord over not receiving the rebate, due to inadequate protections in the sector and lack of access to redress.

Equally, domestic consumers receiving energy via non-domestic energy contracts will miss out from the rebate. Our evidence suggests this could particularly impact people living in park-homes, tenants in flats which have been converted from former office blocks under permitted development and are sub-metered, and tenants living in mixed-use properties. The government should create a discretionary fund for these consumers, and others identified via the consultation as being likely to miss out on the rebate.

b) At this time we cannot think of any additional household living arrangements that should be considered. We understand that the government's chief concern is to ensure that the rebate is delivered in a timely manner, that keeps administrative costs to a minimum. However, we urge the government to continue to work with suppliers and other stakeholders to ensure that as many people receive the rebate as possible.

2.a. Do you agree with the proposed qualifying date, provisionally set at 23:59 GMT on 3 October 2022? Yes/No

We agree with the proposed qualifying date.

2.b. Given this qualifying date, do you agree with the associated processes linked to it, as set out in the section titled 'Delivering the bill reduction to eligible customers'? Yes/No. Please provide any reasoning to support your response.

Yes we broadly agree with the associated processes linked to the qualifying date.

3. Do you agree with proposals that suppliers should provide all eligible customers that they serve on the qualifying date with the reduction as quickly as possible and within six weeks, and by no later than 31 March 2023 for hard-to-reach customers? Yes/No. Please provide any reasoning to support your response

We agree that suppliers should provide all eligible customers that they serve on the qualifying date with the reduction as soon as possible. For most credit and smart prepayment customers this should be very easy to achieve, however the process for applying the reduction to traditional prepayment customers will take longer. It is therefore critical that suppliers have processes in place well in advance of the qualifying date. Traditional prepayment customers who do not receive the reduction within the six week window would be at a greater risk of going off supply during the winter.

We understand that the date of 31 March 2023 is the absolute deadline for suppliers to apply the reduction to hard-to-reach customers. We are concerned that this deadline gives suppliers too much leeway not to provide the payment to customers over the winter. Most hard-to-reach customers will be traditional prepayment customers who are at a high risk of going off supply over the winter.

Suppliers should be required to report on the number of customers served within the six week period, and regularly on progress and efforts made to reach hard-to-reach customers after this point. Early compliance and enforcement action should be considered for suppliers who fail to make reasonable effort to reach customers within this period or are making slower progress.

4. Suppliers will need to notify their customers in writing once the Scheme reduction has been applied to their account. How could this process be made as effective as possible, while limiting administrative burdens? Please provide any reasoning to support your response.

We agree that suppliers will need to notify their customers in writing once the scheme reduction has been applied to their account. We are unable to fully comment on this proposal until the government issues guidance on communications. However, we agree that guidance should align with other pricing communications. Under current principles-based regulation, suppliers have significant discretion to tailor their communications to customers. Suppliers should take different approaches that aim to meet the diverse needs of their customers, including customers in vulnerable circumstances. Any communications should be in line with existing communication preferences (eg online or paper based).

5. Under what circumstances do you think it would not be reasonably practicable for suppliers to provide the payment? Please provide any reasoning to support your response.

The only instances where it would not be reasonably practicable for suppliers to provide payment to a consumer, is where payment depends on engagement with a consumer and the supplier is unable to make contact. Most customers will receive their payment automatically, although for traditional prepayment customers this will depend on their engagement.

However, low customer engagement should not in itself mean that it is not reasonably practicable to make the payments. Suppliers should demonstrate repeated and meaningful efforts to engage customers who have not redeemed support, using multiple strategies. We would expect both BEIS and Ofgem to have clear guidance on what is acceptable, and to require suppliers to report on their efforts to engage customers.

There may also be challenges in providing rebates to customers who move home between the qualifying date and payment of the rebate. Payment of the rebate as quickly as possible should limit this risk for credit and smart prepay customers, and there may be opportunities to hold final bills/credit refunds until the rebate has been paid. Suppliers should be able to provide rebates by cheque or bank transfer in these circumstances where possible, though where there aren't bank details or forwarding address details available this may be more challenging. Given the longer period to redeem vouchers, people with traditional prepay meters are more likely to move home without having redeemed the rebate in full. Suppliers must ensure consumers receive appropriate advice for these circumstances.

In some cases a change of tenancy is only identified retrospectively - ie the person who has been paid the rebate has actually moved out prior to the payment date but not alerted the supplier. Under the General Electricity Rebate scheme suppliers were required to attempt to reverse the payment to the incorrect party, and re-issue the rebate to the new tenant.⁸ Importantly, even if they were not able to reverse the initial payment they were still required to pay the correct tenant. Though this may lead to some double payments, this approach should also be adopted for the new scheme to avoid people missing out on support.

6. Do you agree with the proposals to spread the benefit for Direct Debit customers over six months? Yes/No. Please provide any reasoning to support your response.

Yes, we agree with the proposal to spread the benefit for Direct Debit customers over six months. Given that the payment is designed to help energy consumers across the winter, it make sense to spread the payment out across this period.

7. Do you agree with the proposal for pay-on-receipt customers to feel the benefit of this Scheme in their next bill after the qualifying date? Yes/No. Please provide any reasoning to support your response.

Yes, this seems like the most efficient approach for this customer group.

8-9. Not answered.

10. Do you agree with the proposal for customers with smart prepayment meters to have the full amount credited to their meters as soon as possible after the qualifying date, where feasible? Yes/No. Please provide any reasoning to support your response

We recognise that the government is keen to keep the design and implementation as simple and low-cost as possible, and we support this aim. We acknowledge that requiring suppliers to offer consumers a choice over how the payment is split would increase complexity. However, payment in a single lump sum will mean consumers have to carefully manage their usage over the winter period in order to feel the same ongoing benefit as a Direct Debit customer. Suppliers should have discretion to provide choice to their customer base based on their existing processes if they can. They should also communicate with these customers about the benefits of continuing to top up some money if they can to ensure the benefit of the rebate is spread over a longer

⁸Ofgem, [Electricity Rebate Guidance](#), 2022

period. For consumers who fully use the rebate early in the winter and are at risk of self-disconnection suppliers should continue to consider support through other means like Additional Support Credit and Warm Home Discount financial assistance payments, where this is likely to be beneficial.

We strongly agree that suppliers should have the option to split the grant between gas and electricity accounts for dual fuel customers. Given that gas usage increases significantly over winter, it is crucial that customers are able to keep this topped-up to prevent them going off supply.

11. Do you agree with the proposal for the £200 to be issued via vouchers and/or SAMs to traditional prepayment meter customers? Yes/No. Please provide any reasoning to support your response.

As discussed elsewhere, we have significant concerns about the design of the scheme in relation to customers on traditional prepayment meters. As with the previous rebate scheme, there is a high chance that customers will miss vouchers or SAMs, and we're aware from providing charitable fuel vouchers that some customers experience problems and negative interactions when using vouchers at paypoint or payzone shops. There is also a risk that voucher schemes could leave consumers exposed to fraud. We think the scheme should consider an ongoing reduction in the standing charge over winter to avoid these, and other, delivery risks.

If this payment method is pursued, there are a number of specific actions that BEIS, Ofgem and suppliers should take to ensure that as many traditional prepayment meter customers receive the rebate as possible:

- Ensure that proactive communications, that have been tested with traditional prepay customers, are sent to customers well in advance of the qualifying date. Communications should clearly explain how the rebate will be paid to them and what action they should take, and what support is available.
- Paypoint and Payzone shops may be the main touchpoint for some consumers in this group, and BEIS should engage these providers to develop communications (eg additional training for staff, posters in shops, messages on receipts etc).
- Specific proactive outreach and additional communications for hard-to-reach customers, including information about how the rebate is likely to interact with debt on their account.
- Specific targets for the percentage of traditional prepay customers that suppliers should be expected to reach with the payment. This should be agreed in consultation with suppliers and stakeholders.

Some traditional prepayment meter customers receiving Warm Home Discount may also be in receipt of a further £150 in vouchers, with some suggestions this may be increased further to support people this winter. Communications across the schemes should be aligned to ensure that customers are getting consistent information and support about how to manage and redeem vouchers.

Higher levels of voucher support are also likely to increase the numbers of consumers changing tenancy before redeeming all their vouchers or using all the credit loaded onto their meters. Suppliers will need to address these issues in their processes, including replacing unused vouchers with cheque/bank transfers and processing refunds promptly.

12. For traditional prepayment meter customers, do you agree with the proposal that vouchers and/or SAMs should be valid until 31 March 2023, in line with the date for reconciling grants provided vs grants delivered? Yes/No. Please provide any reasoning to support your response.

Yes we agree that vouchers and SAMs should be valid until 31 March 2023. But it is essential that suppliers make every effort to ensure that customers are able to claim their vouchers before this date. Awareness campaigns and customer correspondence should make it clear that vouchers will not be valid beyond this date.

13. Do you agree with the proposal that vouchers and/or SAMs should be provided in five vouchers of £40 each? Yes/No. Please provide any reasoning to support your response.

We understand that this is required due to a £49 top up limit on prepayment meters. However, provision via multiple vouchers is likely to add to hassle for consumers and administrative burden for top up shops. Consumers should be advised about the possible benefits and risks of redeeming multiple vouchers at once, compared with managing them over a longer period.

The success of the scheme for traditional prepayment customers will depend on successfully engaging as many people as possible. Therefore, we are pleased to see that the government is keen to explore targeted messaging and campaigns to increase awareness and engagement. We would like to see more detail on this as soon as possible. It is also critical that efforts are made to increase awareness of the rebate scheme amongst paypoint and payzone providers.

14. Do you agree that traditional prepayment customers should be able to use vouchers for both electricity and gas (dual fuel vouchers)? Yes/No. Please provide any reasoning to support your response.

Yes, we support that prepayment customers should be able to use vouchers for both electricity and gas. This will be essential to ensure customers can remain on supply as gas usage and prices increase over the coming winter. It should also reduce the risk that people who want to fully redeem their vouchers in one go are unable to do so because of credit limits that apply to gas and electricity meters (normally around £200).

15. Do you agree with the proposal for how to cost-effectively encourage traditional prepayment customers to redeem the Scheme vouchers/SAMs?

Yes/No. Please provide any reasoning to support your response.

It is not clear from the consultation what the government's proposal is to cost-effectively encourage traditional prepayment customers to redeem the Scheme vouchers/SAMs. We are disappointed with work on this so far given the size of this cohort. More work will urgently be required to develop an engagement plan to ensure that people don't miss out on the rebate. Any plan should involve collaboration with Paypoint and Payzone, alongside charities and consumer groups.

16.a. Are you aware of any consumer groups who will not be reached by applying the reduction to electricity accounts? Yes/No. b. Please provide details of which group(s), why they will not be reached and how you would suggest we reach them? Please provide any reasoning to support your response.

The main groups that will not be reached by applying the reduction to electricity accounts are covered in the section 'implications for eligibility of the scheme'. We encourage the government to work closely with suppliers and other stakeholders to develop detailed plans on how to reach these groups via other means.

It is currently unclear the implications of the rebate for customers who pay a portion of their bills out of their benefits, through fuel direct. As discussed below with other customers in debt, it is unclear how they will benefit from the rebate scheme.

17. Do you agree with the proposed approach to providing the grant to customers with different forms of energy debt? Yes/No. Please provide any reasoning to support your response.

In March of this year we wrote to BEIS to express our concerns about plans to apply the rebate to arrears, particularly where there is no arrangement to repay debt, which means that some customers won't benefit from lower ongoing costs over the winter. Evidence from our service suggests that energy debt is a growing problem. In March 2022, more than 15,000 people sought advice from our service for energy debts, a 50%

increase on the same period last year. Of the people who sought specific advice from our service for debt, they had an average energy debt of £1,400.⁹

Where there is an arrangement to repay it is vital that suppliers reduce payments over the winter period in order to align with the aims of the scheme, rather than using the payment to simply bring forward the end of the repayment arrangement (which could be many months or years away).

We remain concerned about this, particularly given the high levels of arrear that many people in this group aren't engaged with their supplier. We understand that the government's chief concern is to ensure that the rebate is delivered in a timely manner, that keeps administrative costs to a minimum. However, we urge the government to continue to work with suppliers and other stakeholders to ensure that as many people receive the rebate as possible.

18. Do you agree with this definition of bad debt? Yes/No. Please provide details of when customer debt would be classified as bad debt and how this is subsequently treated by their energy supplier.

We agree with this definition of bad debt, which also aligns with Ofgem's definition in previous documents. Customer debt would be classified as bad debt if the energy supplier does not think that the debt will be recoverable.

People may find it difficult to engage with their supplier, this could be due to poor supplier communications, and circumstances which make engagement more difficult. There are a number of strategies that suppliers employ to try to recover debts. Previous Citizens Advice research has identified that when people fall into debt, aggressive debt collection tactics may deter them from engaging with their supplier and can lead to forced prepayment meter installations and disconnection.¹⁰ If people are unable to afford their ongoing usage, forced prepayment installations will lead to detrimental outcomes, such as energy rationing or self-disconnections.

19. Please provide evidence of how many domestic electricity customers currently have bad debt and how this might change over the next year. Please provide quantification and methodology where possible.

We do not have specific evidence on the number of domestic electricity customers that are currently in bad debt. However, evidence from across our service indicates that

⁹ To obtain this figure, we took the mean of all the figures entered under the following categories in March 2022: Dual Fuel, Electric, Gas, Gas/Electricity/Dual Fuel Arrears, Gas/Electricity/Dual Fuel Arrears (former supplier). The sample contained 6198 unique entries. The figures were self-reported by clients to Local Citizens Advice debt advisors. N.b. This is less than the 15,000 figure, as this sample only contains clients who went through the Budget Planning process - it doesn't include everyone who sought advice for energy debts.

¹⁰ Citizens Advice, [Energy Debt Good Practice Guide](#), 2021

households across the country are struggling with affordability problems and growing debts. In March 2022 alone, Citizens Advice advisors spoke to more than 9,500 people with fuel debts, the highest point since the start of the pandemic. In the same month we also referred record numbers of people for crisis support (food banks and charitable support).

We expect fuel debts and other forms of household debt to rise over the coming year. Research from Citizens Advice in March revealed that around five million people would be unable to afford their energy bill after the April price cap increase. This number will almost double, to over 10 million - when the price cap rises again in October based on current predictions. While we welcome the energy bill support scheme, current government support is not sufficient to prevent increased energy debts and disconnections over the coming winter.

20. Do you agree with the way in which we are proposing to fund suppliers?

Yes/No. Please provide any reasoning to support your response.

We agree with the proposed approach to funding suppliers. We agree that in deciding who the Payment body should be, the government should consider the ability to best protect public money, ensure reasonable and proportionate protections from the risk of fraud, and minimise administrative costs.

21. Do you agree with the proposal that suppliers should be required to report on delivery of the funds after the six-week period and the associated reconciliation process? Yes/No. Please provide any reasoning to support your response.

Yes, we agree that suppliers should be required to report on the delivery of funds after the six-week period. However, we expect that a significant proportion of traditional prepayment customers will not have redeemed the payment by the end of the six week period. Therefore, suppliers should be required to continue to report on payments up until 31 March 2023, and to report on efforts made to engage these customers.

22. Do you agree that applying the levy on a per meter basis would be the simplest approach to deliver and would impose the least administrative costs on the sector? Yes/No. Please provide any reasoning to support your response.

We believe applying the levy on a per meter basis and applying on a volumetric basis are similar in terms of simplicity, as existing processes can cater for both approaches. Potentially, applying on a per meter basis is more complicated than on a volumetric basis as current processes are effectively on a per household basis.

23. Do you agree with our proposal for applying the levy to all DNOs? Yes/No. Please provide any reasoning to support your response.

Yes. We agree making use of existing processes should be more efficient.

24. Not answered.

25. Do you agree with our proposal that the levy will be charged on a per meter per day basis, according to electricity meter points served in each DNO's network? Yes/No. Please provide any reasoning to support your response.

DUoS fixed charges are not allocated on a per meter basis. Related meters, typically in place for storage heating, have a zero standing charge and so DUoS charges is effectively applied on a per household basis. It is reasonable to assume that suppliers also do not apply a standing charge to related meters. As such, this proposal adds complexity.

26. Do you agree that increasing standing charges is, in comparison to other routes, a preferable way to recoup the levy from domestic customers? Yes/No. Please provide any reasoning to support your response.

By choosing the Network Charges route, this solution does not appear to place any restrictions on how suppliers recoup these costs from domestic customers. It is reasonable to assume that suppliers will do so through standing charges, and this will certainly be the case if under the retail price cap, but obligations on suppliers would be required to insist upon recovery through standing charges for acquisition tariffs or once the price cap is removed. Some suppliers don't use standing charges, notably Utilita, in order to support prepay customers from the negative impact these can have.

The consultation proposes repaying on a flat rate via higher standing charges, rather than based on energy usage. This means that customers with lower usage - who tend to be those on lower incomes - will see a disproportionate increase to their bills. Higher standing charges can also cause particular issues for customers who prepay for energy, who see more of their top ups taken regardless of consumption and who accrue debts on their meter during periods when they are disconnected.

We are also concerned that over the 5 year period of repayment the levy may not align with the Government's net zero aims, by increasing the cost of electricity relative to gas. It may become impossible to ensure costs are being passed through to customers on the flat rate basis intended by the scheme, as switching returns to the market and the price cap is removed. This would deepen concerns we have previously highlighted

around the loyalty penalty that consumers on default tariffs face, and could leave them paying more than their fair share.

As discussed earlier in our response, we think consumers would benefit most from repayments being removed from the scheme altogether, but recognise this is a decision for the Treasury. If repayment is pursued, in order to achieve the scheme aims we think it is vital that the levy is only introduced when costs are closer to historical levels. We also think BEIS should give more serious consideration to alternative approaches that are more progressive. Delaying the start of repayment would give more time to develop the levy design and any mitigations for customers who are particularly impacted, and align it with the outcomes of the Government's planned affordability and fairness review.

If the approach proposed in the consultation is adopted, it is important that any communications make clear the £40 a year repayment is an average, with some households likely to be paying more or less.

27. Not answered.

28. Do you agree with our proposed methodology for calculating the pence per meter per day levy rate? Yes/No. Please provide any reasoning to support your response.

As noted above, calculated on a pence per meter basis appears to add complexity.

29. Not answered.

30. Do you agree with our rationale for proposing that levy payments should be made to the Payment Body quarterly? Yes/No. Please provide any reasoning to support your response.

Suppliers will be paying distributors monthly. Distributors should therefore also make levy payments to the Payment Body monthly. We do not believe it is appropriate for the process to build in a delay, allowing the money to be held by the distributors longer than necessary.

31. Do you agree with our proposal that DNOs should provide quarterly meter point data to the Payment Body to inform quarterly levy payment calculations? Yes/No. Please provide information about the availability of meter point data and the formats that it could be provided in.

Ideally, information relied upon to calculate a payment should not be provided by the party liable to make that payment. The required data should be provided independently

and is carried on various industry dataflows. We would expect the industry settlements body (Elexon) to be able to provide the required data.

32. Not answered

33. Do you agree with the proposal that the Payment Body may report and publish information on non-compliance and enforcement action? Yes/No. Please provide any reasoning to support your response.

Yes. Although we think the risk of non-compliance under the Network route is low, we agree having a transparent mechanism is important to ensure customer trust.

34.a. Do you agree that there should a mechanism to address late payments by DNOs to the Payment Body? Yes/No. b. If not, what alternative mechanism would you propose? Please provide any reasoning to support your response.

Yes. It would seem appropriate to set the interest rate on late payments to at least the same level that DNOs are permitted to add when they receive late payments (Bank of England base rate + 7%).

35. For the transfer of grants to suppliers, do you agree that the proposed reporting requirements strike the right balance between having the ability to effectively monitor delivery of the Scheme whilst imposing the least reporting burden on suppliers? Yes/No. Please provide any reasoning to support your response.

In general we think that the proposed requirements strike the right balance between having the ability to effectively monitor the delivery of the scheme whilst imposing the least reporting burden on suppliers. Delivering and complying with regulatory requirements is a cost of doing business for energy suppliers.

There are some areas of reporting which are not mentioned in the consultation document, which we think should be included. We support the requirement for suppliers to document how much of the reduction is applied to debt with an arrangement to repay, arrears and bad debt. Suppliers should also be required to evidence their decision-making process and justify decisions to spend the payment on settling bad debt.

Ensuring that suppliers are delivering the scheme effectively, requires not only the correct level of reporting and monitoring, but also requires that sanctions for non-compliance will be effectively enforced. Our previous research has highlighted repeated missed opportunities in relation to enforcement of rules by Ofgem, including

those introduced recently as part of the licensing review.¹¹ Ofgem's recent lessons learned review also highlighted failings in its monitoring of suppliers.¹² BEIS should provide more detail on how it will ensure monitoring and enforcement will be carried out effectively by Ofgem.

36. Do you agree that these reporting requirements should be set out in the Ministerial direction? Yes/No. Please provide any reasoning to support your response.

Yes, these reporting requirements should be set out in the ministerial direction.

37. Do you agree that the proposed reporting requirements for the levy strike the right balance between having the ability to effectively ensure money is recovered and imposing the least reporting burden on DNOs? Yes/No. Please provide any reasoning to support your response.

As mentioned above, required data could be provided independently. Given that we would expect the Payment Body to use independent data to validate that provided by the DNOs, it would seem more efficient to use this data to calculate payments.

42. Do you expect the administrative burden and cost to consumers to differ between a scenario where the levy is collected via energy suppliers vs by network companies? Yes/No. Please provide any reasoning to support your response.

Collecting the levy by network companies makes use of existing processes. This should be more efficient than creating new processes and so should have a lower administrative burden and cost to consumers.

45. Do you agree with our assessment on how energy suppliers and network operators would expect to recover any additional administrative costs due to the Scheme? Yes/No. Please provide any reasoning to support your response.

We have some concerns with the proposals for supplier recovery of costs via the price cap. We agree that for most customers, delivery of the rebate should be fairly straightforward for suppliers, though we are concerned about the ability of suppliers to manage increased contact volumes that are likely to arise from the scheme. Similarly, we expect additional contacts to our advice services, from people who are concerned about the rebate, for example because they don't want it or have not yet received it due to supplier phasing of payments.

¹¹Citizens Advice, [Market Meltdown](#), 2022

¹²Ofgem, [Review of Ofgem's regulation of the energy supply market](#), 2022

We are more concerned that the costs of delivering the rebate to traditional prepayment meter customers will be more significant, particularly in the purchasing of vouchers and the additional outreach that may be required to support customers redeem their vouchers. There may also be cost implications beyond energy suppliers, for payment providers like Payzone and Paypoint and their top up shops that will need to redeem up to 10 million vouchers as part of the scheme.

While suppliers should be naturally incentivised to maximise redemption of the rebate, this was not achieved during the previous GER scheme. They may be put off from steps to support hard-to-reach customers with additional communications and outreach if these have high additional costs which they do not think they'll be able to recoup. These customers are also unlikely to be evenly distributed, as legacy suppliers are likely to have a larger proportion of customers with traditional prepayment meters than newer entrants, some of which have taken steps to avoid taking on prepayment meter customers.

Ofgem could provide more certainty for suppliers by setting out upfront its approach to assessing and enabling recovery of these costs from later cap periods. However, recovery of costs this way will exacerbate price rises for customers, and particularly those who prepay if it is done in a cost-reflective way (ie prepay customers see a larger price cap increase to account for higher costs of delivery). An alternative approach of sharing total scheme costs across all customers would likely see under-recovery of costs for suppliers with larger traditional prepayment meter cohorts.

To avoid this issue we think the Government should consider providing additional funding to suppliers with traditional prepayment customers, to allow for the higher administrative costs of delivering these rebates, with payment linked to tough targets for the redemption of vouchers.

We are less concerned about costs of recovery of the levy. Delivering and complying with regulatory requirements is a cost of doing business for network operators. As such, we do not expect any additional administrative costs to be significant enough to justify any action. We would note, under the price control arrangements for network operators, additional costs are automatically shared with customers in any case.

46. Not answered