Call for input response

National Energy Action response to Ofgem's Debt Relief Scheme Working Paper

About National Energy Action

National Energy Action (NEA), the fuel poverty charity, campaigns so everyone can afford to live in a warm, safe and healthy home. This is something denied to millions because of poor housing, low incomes and high bills. Working across England, Wales and Northern Ireland, everything we do aims to improve the lives of people in fuel poverty. We directly support people with energy and income maximisation advice, and we advocate on issues including improving the energy efficiency of our homes.

Background to the response

National Energy Action welcomes the intent and structure of the latest Debt Relief Scheme (DRS) proposals. The working paper sets out a more inclusive and well-defined framework than previous iterations, particularly in its recognition of the realities of fuel poverty and the barriers faced by disengaged consumers. The phased approach is a positive and pragmatic step that creates a clearer pathway for delivering timely relief to those in deepest need.

The reframing of purpose of the scheme towards reducing the debt burden for households is particularly encouraging. Ofgem's commitment to reducing the presence of energy debt not just on supplier books, but on customer accounts themselves marks a significant shift in tone and purpose, acknowledging the burden that visible debt places on fuel-poor households. It is a framing we strongly support and urge Ofgem to retain and reinforce in the statutory consultation and beyond.

However, the urgency of the issue cannot be overstated. Energy debt continues to accumulate, and the psychological toll on affected households grows with each passing month. It is therefore key that the scheme is implemented as swiftly as possible, with minimal procedural or administrative barriers. While recognising the need for carefully considered and robust design, the overriding priority must be timely relief for those in deepest need.

Case Study: Mrs A

Mrs A lives in social housing and suffers from asthma, COPD and anxiety. Her health conditions require her to maintain a warm home, but rising energy costs made this increasingly unaffordable. Despite limiting her usage, she accrued over £1,200 in energy debt within six months. She repeatedly queried her bills, but her supplier insisted there was no issue:

> "I kept saying, 'This is definitely wrong because I haven't got my heating on… it's like I've got it on constant 24/7,' but it wasn't."

Her supplier pressured her into switching to prepayment mode, despite her being registered on the Priority Services Register. No alternative repayment plan was offered, and she was initially told she would need to pass a credit check and repay half the debt to return to credit mode. Only after a complaint was raised internally was this requirement dropped.

> "They either pretend they don't understand what you're saying or they just try and fob you off."

To manage costs, Mrs A rationed heating and relied on foodbanks. Her anxiety worsened, and she began spending most of her time in her bedroom, which she described as her "safe haven." The stress of mounting debt and the fear of losing access to energy had a significant impact on her mental wellbeing.

She contacted National Energy Action for support. Her adviser provided energy vouchers, a winter warmth pack, and negotiated with her supplier on her behalf. Mrs A described the experience as transformative:

> "I would never have been able to do what I did on my own… I would have probably given up. But my adviser knew exactly what to say and do. She guided me through every step, stayed on the calls with me, and made sure I wasn't dismissed. I felt like someone was finally on my side."

Mrs A's gas debt was successfully cleared through grant funding, and she now makes manageable payments via Fuel Direct. While this has helped stabilise her situation, she continues to struggle with electricity costs. The household remains under pressure, and Mrs A still finds herself cutting back on food to ensure she can afford to top up her meter.

National Energy Action supports the scheme's direction and offers constructive challenge and recommendations in several key areas to ensure it delivers effectively for those most in need. These are explored in our responses to the working paper questions below.

Key Recommendations

Ofgem should:

- Broaden Engagement Criteria to include Referrals via trusted third parties (e.g. advice agencies), attempted payments (e.g. failed direct debits) and responses to outreach (e.g. opening emails, calling helplines)
- Ensure households using prepayment meters are automatically eligible for support
- Remove the minimum debt threshold to ensure smaller but significant debts are also cleared
- Remove the assumption of a 5% Customer Contribution
- Improve supplier compliance and promotion of Fuel Direct

Answers to the call for input questions

Question 1. Whether we should cap available DRS support as at statutory consultation date?

The rationale for introducing a cut-off date for eligible debts is understandable and acceptable. Establishing a clear boundary helps provide certainty around scheme costs and operational planning, and we do not oppose its inclusion.

However, the risk of strategic non-payment, where households might deliberately avoid paying down existing eligible debt in anticipation of relief, is likely overstated. In our experience, households in energy debt are not likely to withhold payment out of opportunism, but due to genuine financial constraint. The idea that low-income consumers would consciously choose not to pay toward their debt, even if they could, does not reflect the reality of financial hardship or the psychological toll that debt imposes.

NEA therefore supports the inclusion of a cut-off date but urges Ofgem to avoid framing it primarily as a safeguard against consumer gaming. Instead, the focus should remain on ensuring fairness and clarity.

At the same time, it is important to acknowledge that energy debt has continued to accrue well beyond the proposed eligibility window, and will likely do so beyond the statutory consultation date. If the scheme is to deliver meaningful relief, it must reflect the ongoing nature of financial difficulty. We recommend that Ofgem assess data on debt trends beyond the eligibility window and remain open to extending the eligibility period where evidence shows that exclusion would leave significant need unmet. A rigid cut-off risks undermining the scheme's core objective, to reduce the burden of energy debt for those in deepest hardship.

Question 2. Are there any alternative engagement pathways that customers could choose to demonstrate a commitment to resolving debt sustainably?

The latest iteration of the proposals shows a clear intent to both clarify and lower the engagement criteria that sit as prerequisite to access the scheme. While the aim to improve and encourage consumer engagement with their supplier is welcome, there is value in broadening the specific engagement actions further to reflect the diverse ways in which households interact with energy suppliers and support services.

Many vulnerable households in the deepest need feel more confident when engaging via trusted intermediaries such as advice agencies, a pathway rightly recognised in the working paper through referrals to accredited debt advice charities. This should be expanded to include referrals to wider trusted energy advice organisations, which often provide budgeting support, entitlement checks, and advocacy on energy-related issues.

The following additional valid engagement actions should be considered:

- Advocacy, casework, and referrals via trusted third parties, including where advisors act on behalf of clients.
    - Where a household is referred to and/or represented by an advice organisation or support worker, this should be treated as active engagement.
- Attempted payments (e.g. failed direct debits, declined transactions).

  - Failed direct debits, declined transactions, or partial payments are often signs of intent to engage, even if unsuccessful. These should be considered in assessing engagement.
  - Recognising such attempts would guard against an unintended outcome where low-income households unable to afford their bills are deemed as disengaged.
- Responses to DRS outreach (e.g. opening emails, calling helplines, requesting information).
  - While currently listed as a pre-engagement step, responding to DRS communications, such as opening emails, clicking links, or calling helplines should be recognised as a legitimate and low-barrier form of engagement. These actions demonstrate awareness, interest, and a willingness to engage.

These pathways reflect the lived reality of fuel-poor households, many of whom face barriers to formal engagement due to income volatility, mental health, or digital exclusion.

According to the House of Lords Communications and Digital Committee[1], 2.4 million people in the UK are unable to complete even a single basic digital task, such as opening a browser or connecting to Wi-Fi. While progress has been made, 8.5 million adults still lack basic digital skills, limiting their ability to engage with online services and support. Additionally, 3.7 million families fall below the Minimum Digital Living Standard, facing barriers such as poor connectivity, outdated devices, and limited digital literacy support.

Given this context, it is essential that DRS engagement criteria do not rely solely or too heavily on digital interactions, and do not inadvertently penalise those who cannot engage online. Offline engagement routes such as telephone support, postal communications, and referrals via trusted intermediaries must be actively supported and recognised as valid forms of engagement. Failure to do so risks excluding some of the most vulnerable from the scheme's intended benefits.

Question 3. **Do you agree with the conditions proposed for both engaged and currently disengaged customers, or do you believe that the threshold for accessing DRS should be lower or higher (and if so, please clarify how)?**

The simplified engagement criteria, such as providing a meter reading or discussing repayment options are welcome and Ofgem should retain this low-barrier approach. However, referral itself to a trusted advice organisation (to accredited debt charities or more widely to trusted energy advice organisations) should be considered a first step in engagement, particularly where it leads to casework or advice.

The working paper does not yet clarify whether users that have switched to prepayment due to debt, including force-switching, will be automatically eligible for support. This is a critical distinction. While standard PPM users may be unlikely to accrue sufficient eligible debt, those who have moved to PPM from another payment method due to indebtedness are likely to have qualifying debt and should be included via the automatic route.

The scheme should explicitly recognise this group and ensure they are not excluded due to their current payment method.

A further recommendation is that debts under £100 be included within the scope of the scheme. While modest in absolute terms, and appreciating the need to maintain sustainable scheme costs, such amounts can be hugely significant for low-income households, often acting as a barrier to

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[1] Digital exclusion in the UK: Communications and Digital Committee report

reconnection for those on prepayment and triggering standing charge accrual, or blocking access to other forms of support. We note that Ofgem is comfortable using receipt of Means-Tested Benefits as a proxy for affordability. On that basis, it is difficult to justify excluding households with eligible but sub-threshold arrears. The £100 cut-off risks creating arbitrary exclusions that undermine the scheme's intent and deny relief to those demonstrably in need. Clearing these smaller debts would deliver meaningful relief and help to reduce further escalation in the overall debt landscape.

Question 4. Are there any improvements that could be made to existing processes or rules to make the scheme more effective – e.g. to the Fuel Direct Scheme

There is a clear opportunity to strengthen the Debt Relief Scheme and future debt outcomes by improving the visibility, accessibility, and uptake of the Fuel Direct Scheme. Fuel Direct remains a valuable but underutilised tool for managing energy debt among benefit recipients.

Despite its potential, uptake of Fuel Direct has declined sharply over the past decade. The number of customers using the scheme has fallen significantly since 2011, and awareness among frontline staff remains low. This is due in part to administrative complexity, low repayment levels, and a lack of consistent promotion, issues that were exacerbated during the coronavirus pandemic, when applications were suspended and the scheme was less actively promoted.

Ofgem should explore revitalising Fuel Direct in collaboration with DWP, potentially drawing lessons from Water Direct, which some providers allow customers to use even after debts are cleared.

Building on previous work, NEA has set out a number of recommendations to improve Fuel Direct and its alignment with wider debt support mechanisms. We are open to discussing these proposals further with Ofgem and government stakeholders:

- Standardise continued use of Fuel Direct even after debts are cleared, as seen in some water sector practices.
- Establish a joint utility debt taskforce (Ofgem, Ofwat, DWP, DESNZ, industry) to coordinate improvements, identify gaps, and streamline support schemes.
- Pilot matched payment models, where government matches customer contributions made via Fuel Direct £1 for £1, to accelerate debt clearance.
- Consider full government subsidy of Fuel Direct deductions for customers facing benefit sanctions or delays in Universal Credit payments.
- Streamline application processes and improve frontline staff awareness to increase uptake and reduce administrative barriers.
- Update regulations to allow third-party contributions to Fuel Direct and revise DWP guidance accordingly.
- Improve reporting and data collection to track uptake and effectiveness of Fuel Direct.

There is also a potential convergence between DRS and smart metering initiatives (e.g. RTS meter replacements). Ofgem should ensure that metering upgrades do not inadvertently exclude households from DRS eligibility or create new affordability risks.

Question 5. Which of the three reimbursement options is preferred?

National Energy Action remains neutral on the preferred model, and acknowledges the challenge faced by Ofgem in producing an agreeable reimbursement mechanism, but it should be stressed that the need for fairness and legal defensibility is crucial to ensure the timely delivery of debt relief under the scheme. Ofgem should adopt the option that minimises the losses of the worst impacted supplier, reduces perception of unfairness among suppliers, and avoids delays due to disputes over methodology.

Question 6. Whether 5% is a reasonable value for Customer Contributions (including debt displacement) or do you have an alternative methodology for assessing this value?

While customer contributions are presented as a notional assumption rather than a requirement, embedding any expectation of customer contributions risks undermining the scheme's core objectives. It introduces a structural bias that could limit access for those most in need and distort the scheme's financial modelling.

Many eligible households, who qualify for the scheme by virtue of their financial vulnerability, will not be able to contribute anything. Assuming otherwise fails to reflect the financial reality of fuel poverty and may distort reimbursement calculations or create pressure to limit support.

The scheme's core aim is to reduce consumer debt and encourage better supplier–customer relationships regarding debt treatment, and more widely, moving forward. Introducing assumptions about customer contributions could inadvertently shift focus away from these goals, embedding a repayment culture that contradicts the scheme's intent. This is especially true within phase one, which only includes households that have effectively been deemed by the state as financially vulnerable.

Ofgem should remove the assumption entirely from its modelling.

Question 7. What data does Ofgem need to help inform this decision?

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Question 8. Is Pay When Paid with Third Party Assignment Rights the appropriate methodology for reimbursing suppliers?

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