Consumer Scotland
Luchd-Cleachdaidh Alba

6 February 2025

By email:
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# Resetting the Energy Debt Landscape: The Case for a Debt Relief Scheme

## About us

Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020, we are accountable to the Scottish Parliament. The Act defines consumers as individuals and small businesses that purchase, use or receive in Scotland goods or services supplied by a business, profession, not for profit enterprise, or public body.

Our purpose is to improve outcomes for current and future consumers, and our strategic objectives are:

- to enhance understanding and awareness of consumer issues by strengthening the evidence base
- to serve the needs and aspirations of current and future consumers by inspiring and influencing the public, private and third sectors
- to enable the active participation of consumers in a fairer economy by improving access to information and support

Consumer Scotland uses data, research and analysis to inform our work on the key issues facing consumers in Scotland. In conjunction with that evidence base we seek a consumer perspective through the application of the consumer principles of access, choice, safety, information, fairness, representation, sustainability and redress.

## Consumer principles

The Consumer Principles are a set of principles developed by consumer organisations in the UK and overseas.

Consumer Scotland uses the Consumer Principles as a framework through which to analyse the evidence on markets and related issues from a consumer perspective.

The Consumer Principles are:

- Access: Can people get the goods or services they need or want?
- Choice: Is there any?
- Safety: Are the goods or services dangerous to health or welfare?
- Information: Is it available, accurate and useful?
- Fairness: Are some or all consumers unfairly discriminated against?
- Representation: Do consumers have a say in how goods or services are provided?
- Redress: If things go wrong, is there a system for making things right?
- Sustainability: Are consumers enabled to make sustainable choices?

We have identified fairness and sustainability as being particularly relevant to the consultation proposal that we are responding to.

# Our response

This period of high energy prices has been challenging for households and small businesses, with many struggling to pay for their energy bills, and some potentially having used their financial reserves to cover essentials and keep afloat[i]. The Office for Budget Responsibility estimates that household debt servicing and household liabilities as a percentage of income will increase in the coming years[ii]. While the proposals set out in the consultation may go some way towards improving on the current system, the wider context of the economic position of consumers is an important factor that must be considered if they are to be successful.

Our Energy Affordability Tracker, surveying Scottish consumers in winter 2023/24, found that although there was an improvement in the perceived affordability of energy bills compared to the previous winter, the impact of energy debt or arrears accumulated during the gas crisis and resultant period of high bills was a growing source of concern for consumers in Scotland[iii].

Nearly half (48%) of the respondents in energy debt were not confident that they would be able to clear their debt or arrears. This is a concerning indication of the potential level of bad debt in the market, whose cost is ultimately borne by all consumers through socialised costs, such as the introduction of the temporary debt allowance levy or through price cap allowances. Understandably, we also found consumers who are in energy debt are substantially more likely to say that keeping up with energy bills negatively affects their mental and physical health than those not in energy debt.

Our response to the consultation sets out our thoughts on the proposals for a Debt Relief Scheme (DRS) to tackle these issues. We recommend that Ofgem consider in their scheme design the reality of the larger debt landscape affecting consumers in all markets. A successful DRS will also need to recognise the groups of consumers that are more likely to be in debt, and ensure it is designed and delivered in a manner that reaches these target groups. To ensure that the scheme is sustainable long-term, the DRS will need to ensure it improves the debt culture by encouraging consumer engagement and improving consumer understanding of their options, through a fair and standardised DRS. A DRS must also be progressively funded and be delivered in a “cost-neutral” manner to ensure these socialised costs are fair for all consumers.

## Supplemental Response

Consumer Scotland is currently conducting an update to our Energy Affordability tracker, with the current field work and analysis likely to be completed in Spring 2025. The results of this survey will include current insight on the level and types of debt and affordability challenges that consumers in Scotland are facing. We would welcome the opportunity to share a supplemental submission with any relevant updated insights and data.

## Case for Change

Question 1. Do you agree with our case for change?

We agree with Ofgem's case for change. As we highlighted in our response to the previous call for input on debt and affordability, debt can be both a symptom and a driver of energy affordability challenges[iv]. Both debt and energy affordability challenges are creating ongoing challenges for consumers.

Ofgem's view of the GB-wide debt issue echoes the current landscape of debt in Scotland as set out above, with unsustainable debt levels affecting consumer bills and welfare.

Question 2. Should we intervene through the introduction of a debt relief scheme?

We broadly agree with Ofgem's decision to intervene through the introduction of a DRS. As set out above, there are indications that there are considerable levels of debt and arrears, and in particular bad debt, facing consumers in Scotland. The introduction of a debt relief scheme that involves both debt write-off and debt payment matching would provide a range of debt relief options for consumers.

However, it will be important that a successful DRS is able to target and support groups that are more likely to be in energy debt. Analysis of our previous Energy Affordability Tracker found the highest rates of energy indebtedness in Scotland are among those households who have a disability that limits them a lot, households with incomes below £20,000, and those with a child under the age of 5[v]. The first two of these groups are broadly reflected in Ofgem's Initial Impact Assessment, and we would welcome further interrogation by Ofgem in subsequent impact assessments on the likely impact of a DRS on households with young children or other groups, and whether this presents a compelling case to include specific provisions in the design the DRS to account for these identified groups.

As discussed below, we welcome Ofgem's broad proposals around different eligibility criteria, and openness to the realities of the delivery of the scheme, as both will play a key role in the success of the scheme.

## Considerations and Objectives

Question 3. Do you agree with the proposed design principles for a debt relief scheme?

We broadly welcome the proposed design principles. We recommend that Ofgem further investigates what cross market learnings it can take by considering how the DRS will operate for consumers who are facing higher levels of debt across all consumer markets. Our Consumer Outlook 2024/25 report illustrated the broad range of issues affecting consumers, including cost-of-living pressures, the effects of water rates and charges, and inflation inequality[vi].

Designing a scheme that takes account of the wider landscape of debt in consumer markets is essential to delivering a DRS that works for consumers. In 2024, the Financial Conduct Authority (the 'FCA') found that 14% of all UK adults that were in financial difficulty felt heavily burdened by their domestic bills and credit commitments, and 28% were not coping financially or finding it difficult to cope[vii].

This raises concerns about consumers' broader financial resilience. Ofgem should draw insights from other consumer markets to fully understand the broader debt and affordability pressures facing households. Understanding the wider consumer experience will assist with the design of and the setting of thresholds of the DRS for energy debt. We would recommend that Ofgem engage with stakeholders like the FCA and debt related consumer groups and charities ('CGC') to take cross-market learnings when designing and setting thresholds for energy debt so that they accurately account for the reality consumers are facing.

<u>Question 4. Do you agree with our key objectives for a scheme?</u>

We agree with the key objectives set out by Ofgem for the DRS and believe Ofgem must have due regard for ensuring that the DRS promotes or provides a gateway to long-term affordability support, maintains or improves behaviour change incentives, and its goals are sustainable in the mid to long-term.

We welcome that cost-neutrality of the scheme is a key objective. To ensure that the scheme is fair for all consumers, it must not place an undue burden on consumers' bill for the end that it is aiming to achieve. Consumers have already faced considerable affordability issues over recent years, through the COVID-19 pandemic, gas crisis and a rising cost of living, together with rising standing charges and increases to debt allowances in their energy bills. However, we found in our winter 2023/24 Energy Affordability Tracker that the perceived affordability impact of energy bills on household budgets was easing, down from 35% in winter 2022/23 to 26% of households in early 2024[viii]. This reduction is welcomed, and it will be important that any additional consumer costs from the DRS do not cause affordability issues for consumers that risks reversing this trend.

We also recommend that a key objective of the scheme is to ensure it is ultimately a sustainable scheme. To do this, it must also have consideration for how it fits into a wider system of affordability interventions. We know that energy debt can be a symptom and a cause of wider affordability pressures. To ensure that the DRS has a lasting and sustained impact on consumers, affordability support should form part of the DRS engagement to ensure that debt does not accrue if a household struggles to pay for its ongoing consumption. There is a risk that current and future affordability issues may increase consumer debt again without parallel interventions, and the DRS will be unsuccessful if it only reduces the scale of energy debt for a short period of time.

## Debt Relief Scheme Administration and Delivery Options

Question 5. What are your views on how we could best reduce the lead time between our proposed policy decision on a scheme and introduction of a scheme, balancing this with robust audit and readiness assurance processes?

We agree with the proposal for a supplier-led scheme for the reasons set out in the consultation paper. Sufficient engagement with CGC in the advice sector will be essential for the quick, efficient, and successful delivery of the DRS for consumers. Feedback we have received from advice sector bodies in Scotland highlights a number of challenges that will need to be addressed including barriers to access of advice, capacity issues in the third sector, and personal barriers such as engagement with energy suppliers and a stigma in claiming debt relief.

We recommend that Ofgem continues to engage with the advice sector to account for these challenges, considering what additional resources will be necessary, what support suppliers can provide to streamline the process, and any necessary alterations to the proposed timeline for the DRS to deliver it successfully.

Question 6. Do you agree with our proposals in relation to a scheme time limit for a debt relief scheme?

We partially agree with Ofgem's proposed scheme time frame as set out. A quick introduction of a scheme will be necessary to tackle growing debt and arrears, with any unnecessary delay risking increasing the scale of the issue further and minimising the effects of the scheme.

We understand from advice sector stakeholders that there may be benefits for the more general introduction of an ongoing debt relief scheme for energy consumers. There is an opportunity to consider the merits of a standardised debt relief scheme across the market. However, any such scheme must be funded with the DRS' objective of cost neutrality in mind to ensure fairness across all energy consumers. We would welcome further Ofgem analysis on this consideration and/or follow-up analysis and evaluation on the success of the scheme when considering any standardised scheme in the future.

Question 7. What are your views on the type and level of support that could be provided by a debt relief scheme?

Consumer Scotland would welcome a broad DRS that provides for both debt write off and voluntary debt payment matching. A DRS that includes both debt write off in part or whole, and debt payment matching, could be designed to support a broad range of consumers, including both consumers with some ability to repay but are struggling with affordability, and consumers who are suffering financial hardship with little realistic prospect of repaying bad-debt. There is a clear need for all groups of consumers to be able to access the DRS, and as discussed below there is likely to be benefit in designing the system so that it targets groups most likely to be in debt, such as low-income households, disabled consumers, and households with a child under 5.

Question 8. 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)?

Oversight of the scheme must be done in the best interests of the consumer. We would welcome a scheme that matches delivery option 1, with supplier delivery and Ofgem oversight. It is important to consider the time, cost, governance and accountability when deciding on the administrator for such an important scheme for consumers, many of whom who will be in vulnerable circumstances.

Delivery option 1 is more likely to provide a scheme in a timely manner, with no additional steps for Ofgem to potentially hold a tender or other investigation of an appropriate body. Further, it is unclear if having an independent administrator would prove to be any more cost effective for consumers at large.

As the regulator in the energy market, Ofgem already has statutory and regulatory powers and obligations that are directly applicable to ensuring consumer interests are considered and protected. It is ultimately accountable to the UK Parliament. While Ofgem and the UK Parliament have powers to delegate these to an independent administrator, it is another step in the process to setting up the scheme which comes with cost and time implications.

Therefore, there are good regulatory, accountability, governance and practical reasons why Ofgem would be preferred to administer this scheme.

Question 9. Do you have any views on the audit options presented?

We welcome the use of pre-readiness audits of suppliers to help ensure there is a standardised approach across suppliers. With the proposed supplier-led scheme, a standardised approach will be necessary to ensure all consumers are treated equally regardless of who their supplier is.

To ensure fairness for consumers in general, it is important that the audit process includes robust assurances that suppliers are "netting-off" claims against historical price cap bad debt allowances to protect consumer funding for support for the scheme.

<u>Question 10. Do you have any views on how the supplier funding claims process should work under audit option 2?</u>

As the costs of this scheme will ultimately feed through to consumer bills, we welcome the need for suppliers to provide a comprehensive audit trail to ensure their claims reflect efficient costs.

<u>Question 11. Are there any other considerations for the delivery mechanism for a debt relief scheme we have not explored?</u>

No answer.

<u>Question 12. Are there any other financing or administrative considerations for our organisation that have not considered as part of Chapter 4 or the Initial Impact Assessment?</u>

No answer.

## Funding Options

<u>Question 13. Do you have any views on the funding options presented considering the balance between the temporary addition to customer bills against period of recovery?</u>

We agree with Ofgem's aim that the scheme should aim to be cost neutral in the interests of fairness for all consumers. Of the two options presented by Ofgem in the consultation, we believe that the funding through network costs would likely be the fairest option for consumers. Network costs are paid by all electricity and gas customers, including those on fixed and other tariffs who are not directly affected by the price cap. A price cap allowance, embedded in the unit rate for default tariff customers, would spread costs only among a smaller subset of users, creating a narrower and potentially less equitable cross-subsidy.

Prior Ofgem research also found that consumers with vulnerable characteristics and circumstances are less likely to have switched tariff or suppliers[ix]. As members of this group are the same consumers who may most need targeted bad debt relief, more narrowly focusing costs on their bills may bring future affordability issues, and potentially debt issues, undermining the purpose of the DRS in the long-term.

Further, we wish to highlight that any changes to volumetric charges needs to have regard to the distributional impact on consumers in Scotland of costs rebalancing. We previously highlighted to the Energy Security and Net Zero (ESNZ) Committee that consumers in

Scotland are likely to have higher heat demand due to the increased energy requirements over the course of the year. This is supported by National Energy Efficiency Data which shows that the median gas consumption for dwellings in Scotland has been consistently higher than in England and Wales over the last decade, and 7.8% higher in 2021[x]. This is at least in part due to climate.

We believe there is a larger conversation to have about these funding options being borne simply by consumers through their energy bills. We have previously highlighted to the ESNZ Committee there is a need to consider how inequalities in billing and affordability can be addressed through market reform and policy[xi]. Additional billing costs through various market interventions are borne disproportionately by some consumers, as illustrated by previous Ofgem analysis on standard charges[xii].

<u>Question 14. 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?</u>

We welcome Ofgem's focus on reducing supplier funding claims to account for historical debt write offs that have previously been accounted for via the price cap.

This "netting off" procedure is necessary to ensure the DRS is both (a) fair for all consumers; and (b) cost-neutral, as per its objectives.

Consumer fairness is important for both indebted consumers that the DRS is targeting and other consumers that will be funding it. In the current market it is possible for suppliers to claim bad debt costs through the Price Cap allowances without writing off consumer debt, including administrative costs of managing overdue accounts.

If the DRS does not deduct previously claimed administrative costs from suppliers' total claims, then suppliers would potentially receive partial overcompensation. This would distort the financial relief intended for consumers with suppliers receiving more than their actual financial loss, paid for by all consumers.

Energy consumers have already paid for these bad debt allowances in their energy bills over the last few years, during a period of historically high energy prices and the pressures of the cost-of-living crisis. It is essential that consumers are not inadvertently paying twice now for these costs again to the benefit of suppliers.

Ofgem's own initial analysis sets out the importance of the netting-off procedure to ensure the DRS is cost-neutral. Ofgem has estimated the level of potential debt already subject to price cap debt allowances, as a self-described low estimate, to be around £400 million. With the potential scale of this already accounted for debt, just under a third of the £1.29bn that Ofgem estimates as the total bad debt in the market, this underscores the importance of accurately assessing and deducting previously compensated amounts, especially if the DRS is to remain cost-neutral based on Ofgem's initial assessment, to maintain fairness for all consumers.

Question 15. What are your views in relation to the approach which should be taken to account for debt which has already been provided for by historical price cap allowances or provisioned for, for a debt relief scheme's eligible customers?

We welcome hearing more from Ofgem about their proposed work with suppliers to best account for debt historically covered by price cap allowances and what suppliers suggest is possible.

Suppliers will be best placed to provide insight on the practicalities of matching historical bad debt data that they hold, as they are required to under the Licensing Conditions[xiii].

Question 16. Should debt matching be included in a debt relief scheme?

We welcome the possibility of a voluntary debt matching scheme as part of a wider DRS. Access to different forms of debt relief options would allow for more tailored support to meet the differing needs of consumers. Debt write-offs and debt payment matching should consider differing levels of financial resilience and levels of debt that consumers face. This would allow for the efficient use of consumer funding by directing the most appropriate form of debt support to different groups of consumers, maximising the impact of the DRS funds and aiming to reduce unnecessary expenditure.

Question 17. If debt matching is included what are your views on how we should differentiate eligibility thresholds for debt matching and debt write-off and what would you consider is a reasonable ratio for suppliers to match support for customer payments?

In line with the objectives of the scheme on affordability and improving the culture of debt, any threshold or ratio set for the debt relief options must be affordable for affected consumers and provide sufficient incentive to encourage long-term engagement with suppliers and their energy debt.

In addition to setting appropriate eligibility thresholds or debt matching ratios, Ofgem should consider what appropriate engagement techniques suppliers must take with consumers for debt matching schemes, to ensure their long-term success. Other utility providers in the UK that have long established debt relief options for consumers and may offer useful insight in the use of "nudge techniques"[xiv] to keep consumers engaged over the medium to long-term.

However, we would recommend Ofgem engages with debt advice focused charities and consumer groups, as well as other cross-market organisations such as water companies in

England and Wales who have long-standing help-to-repay schemes, to better understand successful incentives for differing debt relief schemes.

Question 18. Should networks pay approved debt relief scheme claims to suppliers in winter 2025/26, or only later when networks have received funding via higher network charges?

No answer.

Question 19. Over how many years should networks recover the cost of a debt relief scheme, for example 1, 3 or 5 years.

We believe any DRS scheme should recover costs over a period of at least three to five years. While a longer collection period may incur additional costs, it provides a balanced approach that mitigates the risks of steep increases in energy bills in the short term. This has the potential to avoid short-term affordability issues for consumers, ensuring the scheme remains sustainable. Ofgem should periodically review recovery costs in the context of any future price rises or other unforeseen affordability challenges that consumers face in the coming years.

## Eligibility and Conditionality Options

Question 20. What are your views on the proposed 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 broadly agree with the proposals set out by Ofgem regarding arms 1 and 2 of the eligibility criteria.

Regarding Arm 1, "Indebtedness or level of Indebtedness", it is important to recognise the full financial hardships faced by consumers.

Ofgem's proposal to target the DRS at consumers with direct energy debt is reasonable in a supplier-led scheme that aims at cost neutrality. However, our previous Energy Affordability tracker highlighted that energy consumers struggling with energy debt do not exclusively owe money to their supplier. This "indirect debt" may be owed to friends, families or other third parties so consumers could keep up with their energy bills. While this type of debt will not be seen by suppliers, it can still represent a significant financial burden on households, with our Energy Affordability tracker fieldwork from winter 2023/24 finding that more than one in twelve (9%) households in Scotland were in energy debt[xv].

A supplier-led scheme will need to focus on direct energy debts, as suppliers can track, verify and administer this type of direct debt. However, it is important that Ofgem accounts for the potential scale of indirect debt at a policy level as it illustrates the broader affordability crisis consumers are facing and must be considered in these kinds of market intervention. We would welcome Ofgem's consideration of this area and how this group of consumers can also be supported. For example, any income assessments of consumers accessing the DRS through the application route could have these indirect debts accounted for in their ability to pay assessments.

Regarding Arm 2, "The period of debt accumulation", we agree that proposed targeted period matches the extraordinary price increases during the wholesale gas crisis. We understand from other stakeholders that there may be an argument to lengthen the period of debt accumulation, to provide an ongoing debt relief scheme for consumers as we discussed in our response to question 6. We would welcome further analysis on this possibility, though it will be important for all consumer's future affordability that any such scheme is funded in a way that still maintains the cost-neutrality of the DRS.

<u>Question 21. 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.</u>

We recognise the challenge that Ofgem have in designing arm 3. The affordability assessment must consider both the target group, the consumers who the DRS intends to help; and the eligible group, those consumers that can be reliably identified through the data proxy measures suggested. The challenge will be to ensure that the eligible group closely aligns with the target group.

Arms 1 and 2 will partially inform who the target group is, being consumers that have debt, and that it was accrued during the gas crisis. Ofgem have recognised this must also be supplemented by the subsection of this group who hold bad debt and will struggle to repay it. Our prior research from our Energy Affordability Tracker recognised that the consumer groups that were more likely to face perceived affordability challenges and be in debt were households on an income less than £20,000, disabled consumers, and consumers with a child under the age of 5[xvi]. Further analysis would be required to comprehensively identify consumer groups facing affordability challenges. We have therefore reviewed the data proxies proposed against their ability to target the groups that self-reported as struggling with affordability of energy:

- **Credit Reference Agency, Do Not Install Prepayment Meter (PPM) Category, and Council Tax Bands –** These proxies do not provide sufficient assessments of affordability on their own to be useful as a data proxy for the DRS. Credit Reference Agency may provide different results depending on the agency used, which leads to additional difficulties when trying to deliver an equal scheme for consumers across suppliers.

The Do Not Install PPM Category information may provide some overlap with vulnerable consumer categories, and therefore could be combined with other affordability criteria discussed below. However, it is unclear how robust and up to date Do Not Install PPM Category data is compared to other vulnerability proxies like disability benefits. Further, the current Do Not Install PPM categories do not overlap perfectly with our assessment of households that are more likely to report affordability challenges (e.g. households with children under 5 are not automatically excluded from PPM installations).

- **Warm Home Discount ('WHD') and "WHD Plus"** – The WHD provides an attractive option as it both relates to affordability data, usually tied to means-tested benefits provided by the Department for Work and Pensions (DWP) and is already supplier held data. However, there are challenges that the use of WHD as a data proxy would bring.

  Firstly, working-age households must apply to claim WHD in Scotland, as opposed to consumers in England and Wales who automatically receive it. The application route can be a barrier to WHD. Scottish consumers may have previously missed WHD support, despite being as eligible as consumers elsewhere, simply due to a lack of knowledge, suppliers only accepting applications during a short time frame, or being unable to apply due to a life event or other personal circumstances. Ofgem should investigate how to overcome this issue with suppliers, the DWP and the Scottish Government to ensure Scottish consumers are not unfairly missing out on support compared to their counterparts in England and Wales.

  Secondly, WHD is only awarded to consumers on means-tested benefits and does not identify other groups that we have identified as being at risk of affordability and debt challenges e.g. disabled consumers and households with young children.

  WHD Plus presents an opportunity to expand eligibility to these other groups if WHD data can be supplemented with other useful data proxies, e.g. receipt of disability benefits or evidence of living with a child under 5.

  The greatest challenge here is that suppliers are unlikely to hold this data directly. As we discussed in our research on designing support for disabled consumers, Ofgem and suppliers could potentially work with the Department for Work and Pensions, Social Security Scotland, and HMRC to use relevant social security benefits, potentially through the Digital Economy Act 2017[xvii], to target these groups[xviii].

  Alternatively, these groups would need to apply to the DRS through the proposed "Application Route", with the support of charities and consumer groups in the advice sector after being referred by their supplier. We recommend that Ofgem collaborate closely with suppliers and charities and consumer groups to ensure that the best ways to engage with these other vulnerable groups are explored, so they are identified and supported to make an appropriate application.

Question 22. 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 support Ofgem's proposals that arm 1 and 2 of the eligibility criteria for the application route mirror that of the automatic route as it allows for closely aligned targeting of the same groups of consumers between the two routes.

Question 23. 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.

It will be important that arm 3 of the application route is thoroughly considered, for both its eligibility criteria and deliverability through CGC who will play an essential role in this process.

An application route provides a suitable alternative to help target consumers who face affordability and debt challenges, but whose suppliers do not hold sufficient data on groups such as disabled consumers and households with young children, as discussed in question 21 above. The income assessment undertaken by CGC, set at an appropriate level, presents an attractive option, especially when considering consumer groups that may face higher essential energy usage. An income assessment could allow for tiered eligibility in recognition of higher essential costs (e.g. a higher income threshold if there is a disabled consumer or young children in the household).

The delivery of the application route must be further explored. Feedback we received from advice sector providers in Scotland highlighted a number of capacity and other barriers they may face to supporting a large number of consumers to apply for the DRS. Ofgem should work with suppliers and CGC to understand what resources need to be put in place to realise the DRS across the country. Ofgem should also work with CGC and people with lived experience to ensure they design and implement the application route in an accessible manner.

Question 24. 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 support Ofgem's proposals that consumers with debt tied to historical customer accounts and suppliers should be eligible for the DRS to ensure that the scheme meets its principle of fairness. Suppliers will be better placed to discuss the administrative challenges and how to overcome them.

Question 25. 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?

It is unclear how the use of indices of deprivation may align with individual household's affordability needs and we would welcome further analysis from Ofgem why indices of deprivation would be appropriate. Furthermore, the Scottish Government and the rest of the UK use different indices of multiple deprivation that are tailored to each region's specific circumstances, considering different data sources and local priorities. Any use of the indices of multiple deprivation would need to tackle these devolved differences and justify the use of one index over another.

Therefore, we believe the data proxies discussed above will be better suited for targeting the eligible consumer groups.

Question 26. Should conditionality be built into the design of a debt relief scheme and, if so, which elements of conditionality should we include?

We would welcome a light touch form of conditionality to be built into voluntary debt payment matching. Such conditionality could promote engagement from consumers to help clear their debt and supports the aim of the DRS to improve debt culture. Ofgem should consider prescribing flexible conditionality, e.g. that consumers who miss one payment for good reason are not automatically removed from the payment matching scheme, as overly strict applications may put consumers off engaging with the DRS.

Question 27. Are there significant data sharing challenges which we should consider in the selection of design options?

No answer.

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[i] House of Commons Library (2025) Household Debt: Statistics and Impact on Economy
[ii] Office for Budget Responsibility (2024) Economic and Fiscal Outlook October 2024
[iii] Consumer Scotland (2024) Insights from Latest Energy Affordability Tracker: Causes and Impact of Energy Debt
[iv] Consumer Scotland (2024) Response to Ofgem Call for Input: Affordability and Debt in Domestic Retail Market
[v] *Ibid*. pp. 12-17
[vi] Consumer Scotland (2024) Consumer Outlook 2024/25
[vii] Financial Conduct Authority (2024) Financial Lives Cost of Living (Jan 2024) Recontact Survey
[viii] Insights from Latest Energy Affordability Tracker, pp. 7-9.
[ix] Ofgem (2017) Providing Financial protection to More Vulnerable Consumers
[x] UK Government (2023) National Energy Efficiency Data-Framework (NEED): consumption data tables 2023

[xi] Consumer Scotland (2024) Response to the ESNZ Committee Inquiry on Fairness of Customer Energy Bills
[xii] Ofgem (2023) Standing Charges: Call for Input, ch.5
[xiii] Standard Conditions of Electricity Supply License, Condition 5
[xiv] United Utilities Group Plc (2023) UUW PR24 Business Plan Submission: October 2023, Chapter 4 Supplementary Document: Affordability and Vulnerability Operational Delivery
[xv] Insights from Latest Energy Affordability Tracker, pp. 10-12
[xvi] Insights from Latest Energy Affordability Tracker, pp. 7-9
[xvii] Digital Economy Act 2017, Part 5, Section 36
[xviii] Consumer Scotland (2024) Designing Energy Support for Disabled Consumer, pp. 29-30