

Response to additional communication (7 August)¹ sent to respondents to the statutory consultation on introducing an allowance for bad debt associated with Additional Support Credit

Response - Over50sMoney – 10 August 2023

Good afternoon,

Thank you for the email below, we appreciate being kept in the loop.

So that I understand fully, the baseline you're suggesting isn't a fixed element in the allowance, but rather a value of bad debt that you consider covered by the debt-related costs and headroom allowances which will then be deducted from any allowance that is introduced, right? I base my below response on the assumption that what I've just asked is correct.

It is great that you agree that headroom allowance and bad-debt related costs have contributed to paying toward the ASC bad debt costs. I would ask that we understand how much of the bad-debt related costs and headroom allowances you are attributing to the ASC bad debt? In my mind, Ofgem were asking for £13 per year per PPM customer, which should equate to around £100m in additional income for suppliers across the industry (assuming combined total of around 7.5m prepayment meters in the UK). With headroom allowance alone being around £25 at the moment (having reached peaks of over £40 previously) and all c.28million homes paying this allowance, it would seem that the entirety of the ASC bad-debt would be covered without even looking at the debt-related costs in the cap. In addition, **I would like to highlight that as Ofgem have increased other allowances, and are continuing to increase other allowances, then headroom becomes more and more unnecessary, therefore there is extra space in the headroom allowance to cover the ASC bad debt costs.**

It is still firmly my opinion that this is an entirely unnecessary allowance and if energy suppliers are asking for it then they are penny-pinching to the tune of £100m in an attempt to boost annual profits going forward. I urge Ofgem to see that there is sufficient capacity in the headroom allowance and debt-related elements of the price cap to cover any cost of ASC bad debt.

As a final point, if Ofgem are to move forward with introducing the ASC bad debt allowance, it would be apparently obvious that the implementation should be delayed and a further consultation step be added so that any baseline methodology changes can be reviewed by the wider industry.

Thank you again for the opportunity to respond on these changes. I confirm my response is non-confidential.

¹ ¹ Ofgem (2023), Allowance for additional support credit bad debt costs, page 60, Appendix 4, <https://www.ofgem.gov.uk/publications/allowance-additional-support-credit-bad-debt-costs>

Kind regards,

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