

Report

Ofgem EBSS Project Closure Report

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Contact: Melissa Giordano, Deputy Director for Retail Systems and Processes

Team: Retail Government Schemes

Email: ebss.compliance@ofgem.gov.uk

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1. Introduction and Context

Background

In response to energy price increases leading to rising household and business costs during winter 2022 – 2023, HM Government announced the delivery of a consumer energy support package. This package included support for both domestic and non-domestic consumers via four key government interventions. Ofgem has supported the Department for Energy Security and Net Zero (DESNZ), formerly known as the Department for Business, Energy and Industrial Strategy (BEIS) in the delivery of the following schemes, specifically in the areas of compliance monitoring and enforcement action, and assisted with broader policy development:

- **Energy Bills Support Scheme (EBSS)**: the scheme launched in October 2022 and concluded in March 2023, with Ofgem maintaining a compliance monitoring and enforcement role, with responsibilities beyond this period focused on scheme close-out, including the conclusion of associated compliance cases as well as the delivery of an end-of-scheme compliance report.
- **Energy Price Guarantee (EPG)**: monitoring suppliers' operational and tariff setting compliance with scheme obligations and undertaking enforcement where necessary. This role will continue to the end of March 2024 (with the potential for open compliance and enforcement investigations to be pursued beyond the current planned end date of the scheme).
- **Non-Domestic Energy Bill Relief Scheme and Discount Scheme (EBRS and EBDS)**: The EBRS was operational between 1 October 2022 and 31 March 2023. We provided compliance monitoring of supplier

obligations in relation to Qualifying Financially Disadvantaged Customers (QFDC) and deemed rate setting. The Department led on tariff compliance monitoring and discount checks. The EBDS came into force on 1 April 2023 and provides different support to non-domestic customers. The Department will continue to lead tariff compliance monitoring and discount application checks. Supplier obligation breaches identified through these checks for both the EBRS and EBDS can be raised to Ofgem to consider enforcement action.

- **Alternative Fuel Payment (AFP) for domestic and non-domestic customers:** one-off payment audit and assurance completed by the Department. The scheme completed a one-off payment window to eligible customers in March 2023. In alignment with Ofgem’s objectives, Ofgem have worked collaboratively with the Department to understand suppliers’ progress in meeting their delivery obligations and retain the power to pursue enforcement action where suppliers fail to do so.

This document explains Ofgem’s role in helping to deliver the EBSS. It sets out our role in helping shape EBSS, our activities pre and post scheme launch, and the compliance function we took on as part of the scheme.

It also serves as a closure report, explaining the outcomes of our supplier compliance engagement to ensure EBSS funding was delivered to domestic consumers. We will continue to work with government to make sure any remaining EBSS support is distributed to customers and to finalise scheme audit activities.

2. The Energy Bills Support Scheme (EBSS)

In response to the rising cost of energy, the government announced a package of support to help households with rising energy bills. As part of this, the government introduced the EBSS, a £400 discount on energy bills between October 2022 and March 2023 for domestic electricity customers in Great Britain (GB). The scheme was intended to provide universal support to around 28 million households.

The Department were responsible for overall scheme design and policy. Ofgem was asked to support the policy development of the scheme and provide a compliance and enforcement framework. To do this, we worked with industry to consult on and consider what modifications were required to the Supplier Standard Licence Conditions so EBSS could be implemented in time for winter 2022-23.

Throughout the duration of the scheme, energy suppliers in GB applied the EBSS discount to the customers' accounts monthly, with the government meeting the costs of doing so through ringfenced payments to suppliers.

The EBSS applied across England, Wales and Scotland. As energy policy in Northern Ireland is devolved, the Northern Ireland Executive, was funded to provide comparable support, with the Utility Regulator for Northern Ireland (UREGNI) fulfilling a similar role to that of Ofgem in GB.

Ofgem has carried out its role as part of scheme implementation, working with the Department and other government teams to ensure supplier obligations were met. **This document serves as a closure report summarising Ofgem's role in delivery of the EBSS.**

Ofgem's Policy Views and Inputs to Scheme Shaping

We understood the impact the rise in global gas prices starting in 2021 would have on consumers and undertook a range of actions to help reduce the effects on customer bills. We considered a joint response was required to address this crisis involving government, the regulator, and industry to make sure customers received appropriate support.

As part of an industry wide response to the energy crisis, we recognised the benefit the EBSS could bring to consumers, in particular, to smooth out cost impacts, especially ahead of winter months when average domestic energy consumption is the highest.

Ofgem organised itself to support the development of the EBSS scheme and provided advice on the policy approach and market processes that would need to change. This included considering which existing energy processes could be re-used for the scheme (e.g. supplier goodwill payments and network charges), and which supplier obligations or conditions would need to be amended.

While the Department were responsible for developing the scheme and consulting on the overall policy approach, it was important for Ofgem to be able to provide an independent perspective. We submitted a formal response to the Department's EBSS proposal consultation², setting out our role within the scheme as well as specific implementation considerations on April 2022.⁴

3. Delivery Scope

The Department were accountable for the scheme policy design, scheme administration and supplier payment processing and reconciliation. Ofgem was asked to provide support in the areas of **compliance monitoring and enforcement, taking forward necessary licence modifications, and provide subject matter input to scheme design** as set out in this section.

Legal Framework

The EBSS has been delivered to domestic consumers by GB energy suppliers, with their obligations to do so set out in a Direction by the Secretary of State (SoS) made pursuant to sections 7(3)(b) and 107 of the Electricity Act 1989, the requirements of which are incorporated into the Electricity Supply Licence by Standard Licence Condition (SLC) 25E:

[Energy Bill Support Scheme: Ministerial Direction¹](#)

[Decision on EBSS Licence Condition Consultation⁴](#)

SLC 25E stipulates that licensees – the energy suppliers - must comply with the Ministerial Direction issued pursuant to the scheme, including the obligation to provide the Authority or Secretary of State (SoS) information in relation to meeting this obligation.

The Ministerial Direction sets out specific details of suppliers' obligations, such as the provision of pre-disbursement notifications (ahead of funding being provided by the government), reporting and reconciliation requirements as well as support payment delivery requirements.

Ofgem Scope

When the scheme was being developed and put in places, we worked with the Department to define Ofgem’s role. Our aim was to make sure the skills and knowledge within Ofgem were being fully used to make sure EBSS support was delivered speedily to customers.

The plan and approach we have delivered was based on Ofgem’s role on the following critical activities:

Pre-scheme Launch

1. **Policy design input** – Ofgem provided subject matter expertise and input to the Department in early policy and process design (i.e. pre-scheme launch support), leveraging our past learnings in delivering schemes on behalf of the Department (including a previous energy bill rebate scheme, the Government Electricity Rebate).
2. **Compliance Framework design** - we ensured that relevant compliance and enforcement team insights were used to inform the design of supplier obligations, so that these could be monitored effectively during delivery of support to consumers. Ofgem defined and worked with the Department to implement a comprehensive compliance and enforcement framework for the scheme.
3. **Pre-scheme compliance and readiness assessments** – Ofgem designed and carried out pre-scheme supplier readiness assessments. The assessments were targeted at understanding supplier financial resilience and ensuring that each supplier is compliant with licence conditions including being technically able to ring-fence government funds, administer payments to customers and complete reconciliation checks as required by the Ministerial Direction.

4. Implementing the supporting licence conditions – Ofgem completed a statutory consultation on licence amendments which would require suppliers to comply with a direction from the Secretary of State. The licence conditions were developed in parallel with the Department’s detailed guidance for the scheme and involved working with the Department and Ofgem policy and legal teams as well as industry engagement via targeted workshops. Following the publication of a Licence Condition Decision, Ofgem observed the mandatory 56-day statutory standstill before supplier obligations were in effect.

Post-scheme Launch

5. Licence condition compliance and enforcement – We worked with the Department and suppliers to set out a clear compliance monitoring framework and approach for the scheme. This framework required monthly supplier reporting, aligned to each of the six payment months as being central for monitoring compliance and triggering deep-dives and point assessments if/where suppliers were deemed to miss their obligations. The mechanism allowed for continued monitoring through scheme delivery and timely action by Ofgem to avoid consumer detriment and trigger remedial steps where necessary.

Alongside our primary compliance and enforcement function, Ofgem provided input to emerging issues and concerns the Department had in delivering the scheme. This was primarily done through a weekly operational checkpoint, a regular EBSS Delivery Board and senior official meetings as required.

4. Compliance Assessments and findings

Supplier Readiness Assessment

Ofgem completed a comprehensive supplier readiness assessment in advance of the EBSS going live in October 2022. Our review, and an associated report to the Department, was about the readiness of domestic electricity suppliers to deliver the EBSS payments effectively, efficiently and securely. The associated report was intended to support government ahead of its decisions on whether, when and on what terms to release fundings to deliver EBSS to domestic electricity suppliers. The assessment was based on evidence collected from domestic electricity suppliers between June and August 2022 using Ofgem’s statutory powers to request information.

We required suppliers to obtain board level sign-off of the information provided and self-assessed business readiness scores. The evidence provided was reviewed by relevant subject matter experts in Ofgem and tested through bilateral meetings.

Supplier Readiness – Summary Findings

All domestic electricity suppliers with a role in delivering EBSS provided Ofgem with evidence, through three Requests for Information (RFI), on their operational systems and processes for making ad hoc payments to customers, and what is required to make such processes fit-for-purpose for the volume, scale and frequency of payments involved in EBSS.

The evidence provided and the self-reported readiness scores submitted were endorsed at board level by each domestic electricity supplier and indicated a good level of operational readiness across the majority of domestic electricity suppliers.

Throughout the RFI process our analysis identified some specific areas where readiness was at risk, with seven suppliers identified as having residual concerns to be mitigated ahead of scheme go-live:

	RAG Post Checkpoint 2 Bilaterals	RAG post Checkpoint 3 (final assessment)
Green - complete or low-level activities to finalise ahead of scheme commencement	12	18
Amber - Readiness issues observed in response. However, feedback suggests will be ready by 1 October 2022.	8	6
Red - incomplete response received or significant lack of readiness demonstrated	5	1

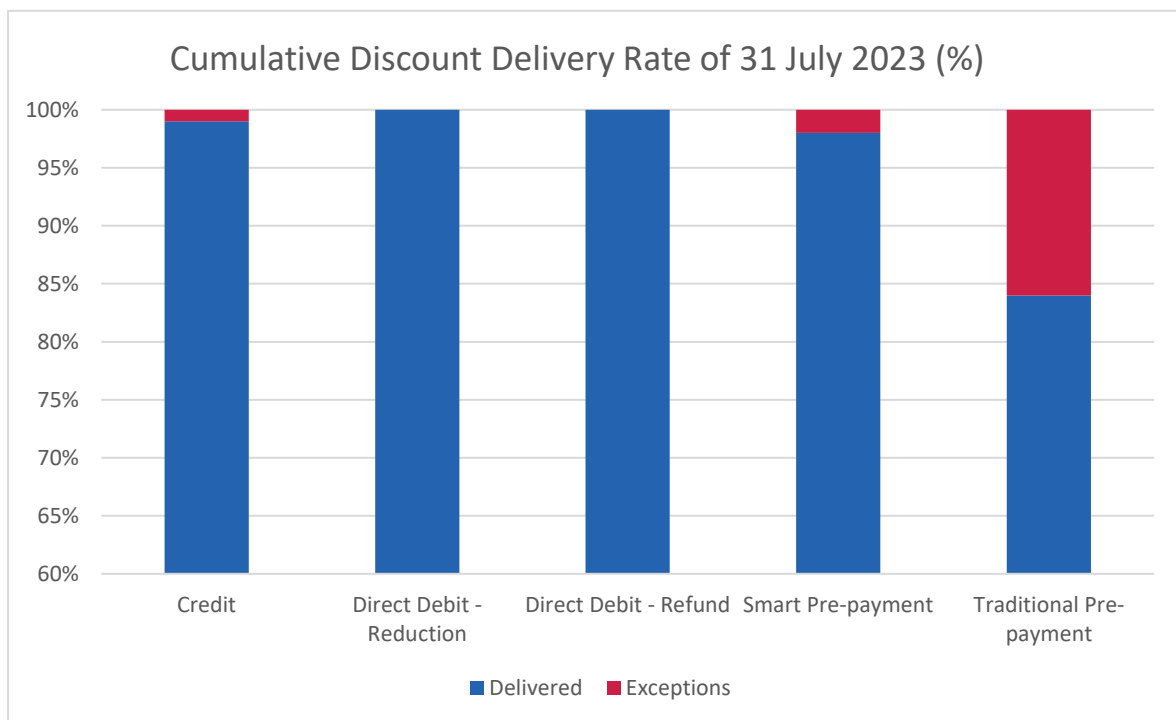
Supplier Readiness – Advice Report to the Department

The Department received a report setting out Ofgem’s findings, including suppliers’ financial stress test assessments (completed independently of the EBSS). Based on this report as well as subsequent bilaterals with suppliers and declarations of solvency received, the Department decided to fund all participating suppliers for the initial (October) month of the EBSS.

Overall Scheme Compliance Findings

As part of the EBSS Compliance and Enforcement Framework, the EBSS Compliance Team analysed monthly data submitted by suppliers on their progress in distribution of the EBSS funds. This data was submitted to the Department each month via a secure portal. As part of the post-scheme reporting, suppliers continued submitting this data reporting on the progress of disbursements of the remaining discounts until 30 June 2023.

The data below has been extracted from the first of three end of scheme reconciliation reports due by suppliers. It captures a summary of the overall delivery of the EBSS funds for all scheme months and any catch-up payments completed as part of the post-scheme reconciliation activity. The remaining end of scheme reports are to be produced by suppliers at the end of October 2023 and January 2024. They will reflect the final efforts to reduce exceptions and make discount payments.



Summary of Findings

Overall payments successfully delivered across the six Scheme months stand at 98.6% (170.6 million out of 173.0 million eligible payments for a total of around 28.8 million customers).

The remaining 1.4% (2.4 million eligible payments) have been reported as exceptions. Exceptions are cases where suppliers have taken all reasonable steps in line with scheme guidance to provide EBSS payments but have been unable to do so. This may be because of vacant properties, disconnected properties, or vouchers have expired and not been redeemed.

Acceptable exception categories are -

- Deceased customer
- No forwarding address
- Occupier account
- Vacant property
- Disconnected properties
- Change of tenancy
- Erroneous transfer
- Unredeemed PPM vouchers

Of the 2.4 million eligible payments reported as exceptions:

- 1.85 million are due to unredeemed expired Traditional Prepayment (Trad PPM) vouchers and vacant properties.
- Around 550,000 are due to disconnected properties, occupier accounts and cheques.

Suppliers have issued a total of 103,000 cheques. Following the 30 June 2023 voucher redemption deadline, customers can no longer redeem vouchers and Suppliers issued cheques to deliver payments to these eligible customers. Customers have six months (until end of December 2023) to cash these cheques before they expire.

Suppliers reported approximately 9.97 million (84%) Trad PPM vouchers (out of 11.82 million) as redeemed across all six Scheme months. The remaining 1.85 million (16%) unredeemed Trad PPM payments are due to unredeemed expired vouchers and vacant properties which have been recorded as exceptions. We say more about traditional PPM redemption rates in the paragraph below.

Progress of supplier reconciliation activities will continue to be assessed, including the progress of cheque cashing, through two further EoS follow up reports expected on 31 October 2023 and 31 January 2024.

Traditional PPM

Uptake for traditional PPM customers lagged that of other payment types. We consider this is primarily due to how traditional PPM consumers needed to redeem the EBSS discount – consumers needed to receive and redeem vouchers in a physical location (eg in shops or post offices) and then apply top-ups to their meters manually.

The Department, Ofgem and suppliers have made considerable attempts to bolster PPM voucher redemption. This includes information raising awareness campaigns such as voucher redemption day,⁵ and efforts to make contact with this customer group.

5. Next steps

The EBSS has helped reduce the impact of high energy costs on consumers' bills over the 2022-23 winter period. This support package was implemented by government, Ofgem and industry at pace and analysis suggests a good rate of delivery to customers. Ofgem supported government in delivering EBSS through providing compliance and enforcement of the scheme.

This report outlined the step-by-step processes Ofgem implemented throughout the scheme's lifetime, from inception to final delivery. Overall suppliers have delivered 98.6% of eligible payment to customers. This leaves 1.4% of payments not delivered. These payments have been recorded as exceptions, with a more detailed breakdown above.

Although the scheme has reached its conclusion on 30th June 2023, we will carry out additional compliance actions over the coming months. This includes reviewing supplier compliance reports in October 2023 and January 2024 which will set out the final efforts made by suppliers to reduce exceptions and make discount payments.

We will also continue to work with the Department on the other domestic and non-domestic support schemes to ensure suppliers are compliant with those schemes and support is being delivered to consumers.

6. Appendix – Relevant Publications

Name of Appendix	Link
Energy Bill Support Scheme: Ministerial Direction	<u>1</u>
EBSS technical proposal and consultation	<u>2</u>
EBSS: Guidance for Electricity Suppliers	<u>3</u>
Decision on EBSS Licence Condition Consultation	<u>4</u>