Call for input

Affordability and debt in the domestic retail market - call for input

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Foreword

For more than two years, families across Britain have been feeling the effects of the global energy crisis. While the energy market has stabilised and I am pleased that the energy price cap has fallen further, energy costs remain significantly higher than we have been used to. Many households are still struggling to pay for the energy they need, facing difficult decisions such as self-rationing energy. In some more extreme cases consumers may self-disconnect. In some other cases, they might be building up more debt that they simply cannot afford to pay back.

I know this is a continuing worry to many families, and nowhere have these concerns been made more apparent than our Call for Input on standing charges. This received around 30,000 responses, with many calling for us to scrap the standing charge altogether. The problem we face is that without wider thinking on affordability, any reduction in standing charges means an increase in unit rates which benefits some vulnerable groups but makes others, such as those who cannot reduce their usage because of high energy needs for medical equipment for example, worse off. So, we have a difficult balance to strike, and are carefully considering all the responses we received and thinking about next steps alongside this work on affordability.

Ofgem's first responsibility is to protect consumers, and we remain very concerned that struggling households have a limited ability to cope with future price shocks. At the same time, the cost of recovering bad debts, and the high number of consumers who are locked into debt and repayment plans, could have serious consequences for the retail energy sector.

Additionally, to meet the affordability challenge and achieve our net zero goals in the long term, we need to rebuild our energy system around cleaner, affordable, and secure sources of low carbon and renewable energy. This will require significant investment, and to the extent these costs go on to bills, the risk is that short-term costs could disproportionately hit lower income consumers that are not able to invest in the technologies or change behaviours to reduce costs without further action.

To further examine issues around affordability and debt, we are issuing this Call for Input to work out the steps that need to be taken to guard against the harmful impacts of future price shocks, to ensure that the debt burden doesn't leave us with an unsustainable situation which will lead to higher bills in the future, and to look at how consumers can be better supported now and in the future as the market evolves.

It is deliberately open, without narrowing down the focus or directing people to certain solutions or options. We want to gather all the insight we can: from suppliers, consumer groups, charities, government, and the sector as a whole, to consider all possible solutions available.

This Call for Input is part of our wider package of work on standing charges and price cap evolution that stands back and looks at the evolving energy system, where green energy and flexible technologies will offer new ways for households to tailor the way they use and pay for energy, and establish the fairest way to allocate costs and regulate pricing so that no consumer is left behind. Dealing with the burden of debt and making energy available to households and businesses at a price they can afford is a pivotal challenge for the energy sector, and I am determined to see that we rise to meet it.

Tim Jarvis
Director General

Executive Summary

Prices are coming down, but many households have been struggling with their bills and energy debt has been rising

Energy prices are falling. We can now see a more stable outlook with a lower April 2024 price cap, at £1,690 for a typical household. Although falling prices will provide relief, costs remain higher than we have been used to, and for many low-income households these remain a high proportion of their income. Despite substantial government support, our evidence shows many households have been struggling to pay for the energy they need alongside other cost of living pressures, making difficult decisions such as self-rationing energy or in some cases self-disconnecting to save money. An increasing number of customers have been building up additional debt on top of a backlog they cannot clear.

Total energy debt and arrears has increased by about 50% from roughly £2bn to £3bn in the last 12 months. The number of households in debt and arrears has risen from 1.9 million to 2.3 million during 2023 (an increase of 20%) and the amount of individual debt has increased at an even faster rate. This means those who are in debt and arrears, are getting deeper into debt/arrears and are struggling to pay it off, even with prices falling. For those with a repayment plan in place, average debts are £851, and for those with no repayment plan in place, average arrears are £1,761.

Energy debt and arrears can cause harm to consumers in several ways. To meet their debt repayments, consumers may self-ration their energy which may create harms associated with living in a cold, damp home. Prepayment consumers repaying debts may be more likely to self-disconnect due to money they are putting on their meter going towards their debt rather than ongoing consumption, especially over winter periods. Debt can also have consequences on mental health, and evidence shows those in debt are more likely to experience stress, anxiety, depression, and suicidal ideation. In chapter 1, we explore trends in energy affordability over time and the impact this is having on consumers. We want to explore whether the challenges we see currently are temporary, or more enduring and systemic.

Energy affordability and rising debt pose challenges to the functioning of the retail market now and in the future

While the situation is stabilising, we know that energy markets remain subject to volatility that we cannot control, and there are risks that current affordability concerns are not a temporary feature of the market. This may be because: prices do not come down far enough; because customers need to pay for their ongoing energy needs in addition to existing debts; or because we experience other price spikes in future. While in the long-run a net zero energy system should be cheaper, we also recognise that we need substantial investment to deliver it. Some big decisions will need to be made with regard to how much of these investment costs should fall on energy bill payers and, where they do, how these are shared among different users of the energy system. In particular, how they fall on those least able to pay.

There have been, and continue to be, a number of interventions in the market to protect customers from high energy bills. During the height of the gas crisis, the government stepped in to provide an unprecedented package of additional support to all households via the Energy Price Guarantee and Energy Bill Support Scheme. The temporary additional support during the crisis undoubtedly provided protection to energy customers from what would otherwise have been exceptional increases in prices. And the Warm Home Discount, funded by bill payers, continues to provide some help to those most in need. But as we prepare for potential future shocks and consider the residual impact of the energy crisis on debt levels and the market, there are questions about whether we have the right policy and regulatory tools to protect those in debt who are struggling with their bills on an enduring basis.

Furthermore, energy affordability and debt challenges affect the whole retail market and generate additional costs. Most of these additional costs fall on suppliers who remain heavily incentivised to control customer debt and arrears. If they are inefficient in controlling the debt of their customers, they lose money. Importantly, the price cap limits the extent to which they can pass on costs to their customers, and this has been highly successful in improving efficiency across the sector.

Consistent with our statutory duties, we must ensure suppliers can recover their efficient costs. It is important for all consumers and the long-term functioning of the market that we ensure suppliers can cover their efficient costs. Ofgem has had to make difficult decisions on how to recoup the costs of bad debt and the price cap is currently the mechanism by which we do this. This means socialising the costs of the bad debt and putting up prices for some customers. It reflects the fact that, as the regulator, we can move costs between customers, but we cannot remove them.

Affordability challenges and costs are not evenly distributed among consumers nor among different energy suppliers who have different customer bases. In chapter 2 of this document we explore the challenges of cost redistribution in this context and via a one-size-fits-all price cap mechanism. Looking to the future, the retail market will need to change. There will need to be new flexible tariffs and likely new services for consumers who are moving to electric vehicles and heat pumps. But the market will need to work for all consumers, and we need to ensure we can regulate in a way that supports innovation while protecting those struggling to pay.

We must ensure that debt is managed in a compassionate and sustainable way

The fair treatment of customers in debt has been a long-standing area of focus for Ofgem and we have worked hard to stamp out bad practices where we have seen them. Our compliance activities alongside our rules and regulations are clear about what suppliers must do to support customers. We know from case studies that consumers have more sustainable debt management outcomes when they have empathetic and positive engagement with their suppliers.

We also recognise that suppliers need the right tools for debt enforcement to recoup costs where this is necessary. With restrictions on involuntary prepayment meters, some consumer groups and charities have raised concerns about the potential increase in court enforcement action to recover debts and this is something we are keen to further explore as part of this Call for Input (CfI). An over-reliance on poor debt enforcement tools has the potential to significantly harm some consumers, particularly those in vulnerable situations and it is critical that we ensure debt enforcement practices are appropriate.

Finally, it is important that approaches to debt management are holistic. Strong partnerships with debt advisers and local community organisations can significantly improve trust and engagement between consumers and suppliers, and help suppliers understand the needs of their customers. We welcome the work industry are already doing to develop best practice debt management protocols. We explore different debt management practices in chapter 3 and want to use this CfI to help identify further learnings on affordability and debt that can be gained from other countries and sectors.

This CfI raises a number of important questions for the energy sector. We are keen to work with all stakeholders to help us develop options which will ensure a sustainable, investable market that protects and supports those in debt and struggling with their bills.

Introduction

What is this Call for Input for?

We recognise the impact that increasing energy debt has on consumers, suppliers and consumer groups (eg organisations providing advice services to consumers facing payment difficulty). This may also have market-wide effects that are occurring now or that may happen in future, particularly around customer switching, innovation, and suppliers' ability to put in place measures to help with the transition to net zero.

We have therefore decided to undertake this CfI to improve our understanding of the current and future issues and challenges so we can consider what more could be done in our capacity as the energy regulator, and where we may need to make recommendations for others such as the government.

In this CfI, and through stakeholder responses, we will explore if energy affordability and debt is a structural or temporary issue in the market. We will also examine what else could be done to intervene before customers get into debt, explore efficiency of suppliers' debt management processes, and how these issues could impact competition and the transition to net zero.

What is Ofgem already doing?

We have worked with the government, industry, and consumer bodies to mitigate the impacts of the energy crisis. All have played a role in helping consumers struggling with their bills during the cost of living crisis and continue to do so. We have used our regulatory powers to work continuously with our stakeholders to protect and support consumers throughout the energy crisis.

We are issuing our CfI on affordability and debt to understand the size of the challenge, the impact of debt across all parties and assess potential solutions and changes that can be implemented to secure an affordable, fair and reliable energy market. We will use this CfI to develop options that will draw on our parallel work on standing charges and our forthcoming examination of potential evolution of the price cap following the government's consultation on default tariffs.

Who is this document for?

We want to hear views from anyone with an interest in these issues, particularly:

- consumers;
- energy sector, including suppliers;
- consumer groups and charities;
- academics working on these issues; and
- debt management companies, particularly those with knowledge of debt management practices in other sectors and countries.

How to respond

We have set a series of questions to further explore further the affordability and debt landscape. **We are seeking written comments on the questions set out in the CfI by Monday 13 May 2024.**

Please use the 'Affordability and debt in the domestic retail market – call for input' form to tell us your views.

Alternatively you can email: affordabilitydebtCFI@ofgem.gov.uk if you want to provide other documents such as PDFs (pdf), Word (doc) or Excel (xls) as part of your response.

Next Steps

This CfI is the first part of a conversation between us and our stakeholders to understand how we can address the affordability challenges and minimise the impact of increasing debt for both consumers and suppliers, and whether there is action we can take as a sector to do so. We intend that the CfI will lay the groundwork for further work to make sure that we are doing all we can to protect those who need it. We want all stakeholders to work together to bring options back to the market which may help to alleviate the pressures both consumers and suppliers are facing.

Stakeholders' responses to the discussion paper and further engagement will inform any further policy development. Until then, Ofgem will continue to maintain close engagement with the government and actively engage with the energy sector, consumer groups, and other stakeholders. We intend to organise a programme of stakeholder engagement before the response period closes to further stimulate debate and understanding of key issues.

Chapter 1: Energy affordability & impacts on consumers

1.1 This chapter provides the context for this CfI. It outlines the recent history of energy bills through the gas crisis and their current levels. It sets out the impact that high energy bills have had on consumers, and the support that the government, consumer groups and suppliers have provided to help. It ends with a brief discussion of the drivers of future energy costs.

1.2 We recognise that 'affordability' can mean different things to different stakeholders. For example, there are different affordability metrics used in fuel poverty definitions across Great Britain. Drivers of affordability include household income, energy efficiency and the size of the home, and the cost of energy. Our definition of affordability is set out as the household burden of paying for energy. A high burden (low affordability) means a relatively high percentage of household income is spent on energy, especially when set against other (increasing) household expenditure. We are interested in stakeholders' views and evidence on energy affordability.

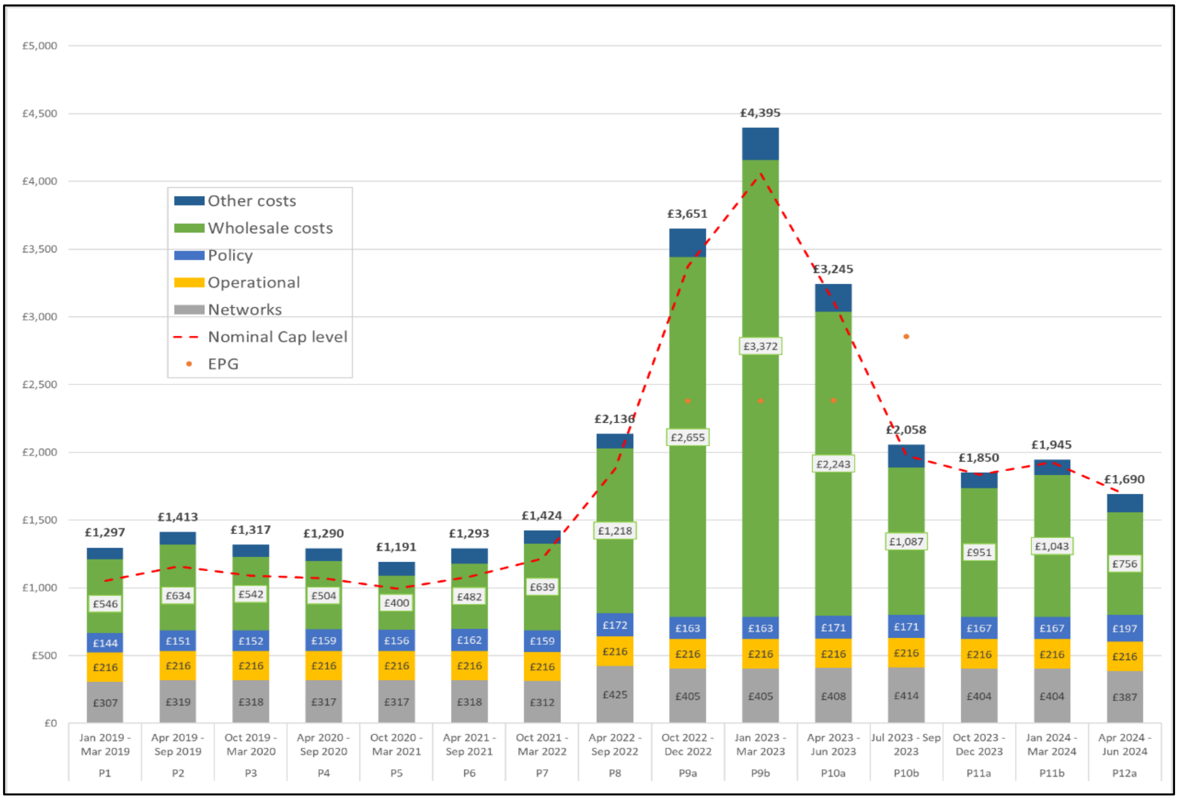
Energy bills rose significantly, before starting to fall

1.3 Domestic energy consumers have faced significant increases in their energy bills in the last two years. Without government intervention, energy bills would have risen under the price cap to an average of over £4,000 per year in the period January – March 2023 for a typical consumer, a significant increase on pre-gas crisis levels which were around £1,300. This was driven by exceptionally high wholesale prices following Russia's invasion of Ukraine and global economies increasing their demand for energy after the Covid-19 pandemic.

1.4 From October 2022 to March 2024, the government protected the majority of households from high energy prices by introducing the Energy Price Guarantee (EPG). The EPG ensured households paid an average of £2500 between October 2022 and June 2023, and £3000 from July 2023 – March 2024. Households also benefited from the Energy Bill Support Scheme, a £400 discount on energy bills between October 2022 and March 2023 for domestic electricity consumers. For households not connected to the gas grid, the government provided the Alternative Fuel Payment of £200.

1.5 Chart 1.1 shows historical energy prices under the price cap in real terms (adjusting for inflation). The price cap from April 2024 is still 28% higher than pre-crisis (Period 1 in 2019 when the price cap was introduced to Period 7 between October 2021 and March 2022) driven largely by wholesale cost increases. There has been an increase in non-wholesale costs since the introduction of the price cap. This is linked to network costs increases tied to network investment levels and inflation. Policy costs have also increased as the government has supported schemes to drive energy efficiency improvements. Operating costs remain flat but are due to be reviewed this year.

Chart 1.1: Price cap levels from Period 1 to Period 12a (real prices, 2023, Consumer Prices Index including owner occupiers' housing costs (CPIH) adjusted at 2023 Typical Domestic Consumption Value[1] (TDCV)



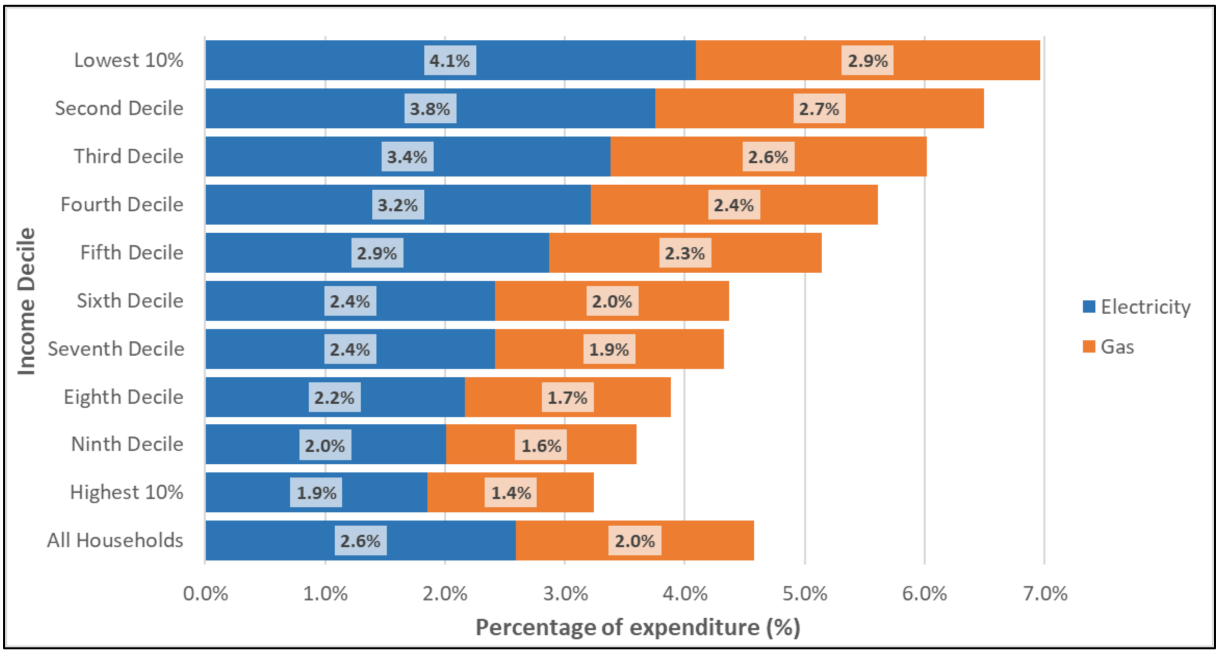
Source: Ofgem

[1] Decision for Typical Domestic Consumption Values 2023 | Ofgem

Low income consumers spend proportionately more on energy than high income consumers

1.6 Government support was vital in shielding households from the full impact of the rise in energy costs. However, bills were still around £2,600 on average, which was double that of pre-gas crisis levels. In 2021/22, the average UK household spent 4.6% of their weekly expenditure on electricity and gas.[2] This figure rises to 7.0% for those in the lowest income decile (chart 1.2 and table 1.1 overleaf).[3]

Chart 1.2: GB Household expenditure on gas and electricity, % total expenditure by equivalised disposable income decile group, Financial Year Ending 2022



Source: Office for National Statistics - Living Costs and Food Survey (Table 3.1E)

[2] Family Spending in the UK: April 2021 to March 2022 | ONS

[3] The ONS has not yet published data for 2022/23, but given the cost of living pressures it is highly likely that the percentages quoted from 2021/22 have increased. We will update our analysis when refreshed data becomes available.

Table 1.1: GB Household expenditure on gas and electricity as a percentage of total expenditure by equivalised disposable income decile group, Financial Year Ending 2022

	Lowest 10%	2nd	3rd	4th	5th	6th	7th	8th	9th	Highest 10%	All Households Decile
Electricity	4.1%	3.8%	3.4%	3.2%	2.9%	2.4%	2.4%	2.2%	2.0%	1.9%	2.6%
Gas	2.9%	2.7%	2.6%	2.4%	2.3%	2.0%	1.9%	1.7%	1.6%	1.4%	2.0%

Source: Office for National Statistics - Living Costs and Food Survey (Table 3.1E)

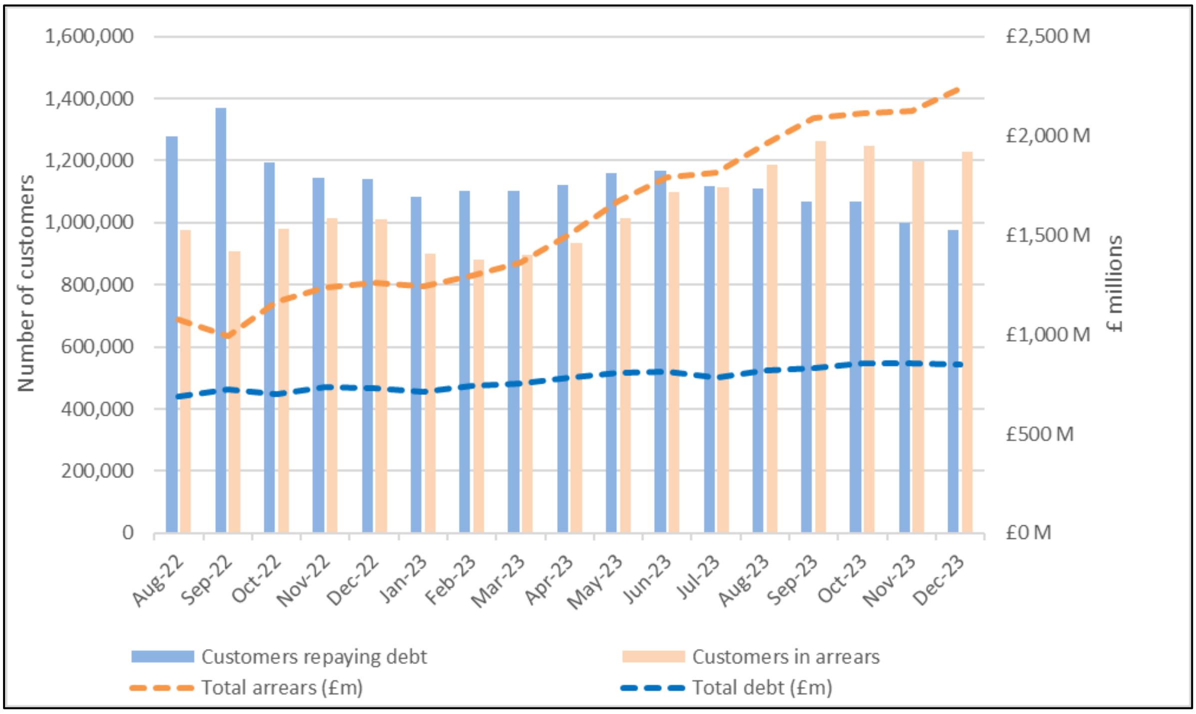
1.7 Evidence also shows that energy consumption, and therefore costs, varies within income deciles and can be driven by factors such as heating type and energy efficiency.[4]

More consumers are getting into debt without a repayment plan in place

1.8 As a result of higher energy prices in 2023 more consumers are struggling to pay their energy bills. At the end of 2023 there were roughly 2.2 million households in debt and arrears. This is an increase from 1.9 million from the start of the year. Chart 1.3 overleaf shows customers without repayment plans in place are a key driver of the total volume of debt and arrears.

[4] Understanding 'High Use Low Income' Energy Consumers | Centre for Sustainable Energy

Chart 1.3 – Total number of customers in debt and arrears and the total value of debt and arrears – August 2022 to December 2023



Source: Ofgem

Struggling to afford energy and being in debt can cause harm to consumers

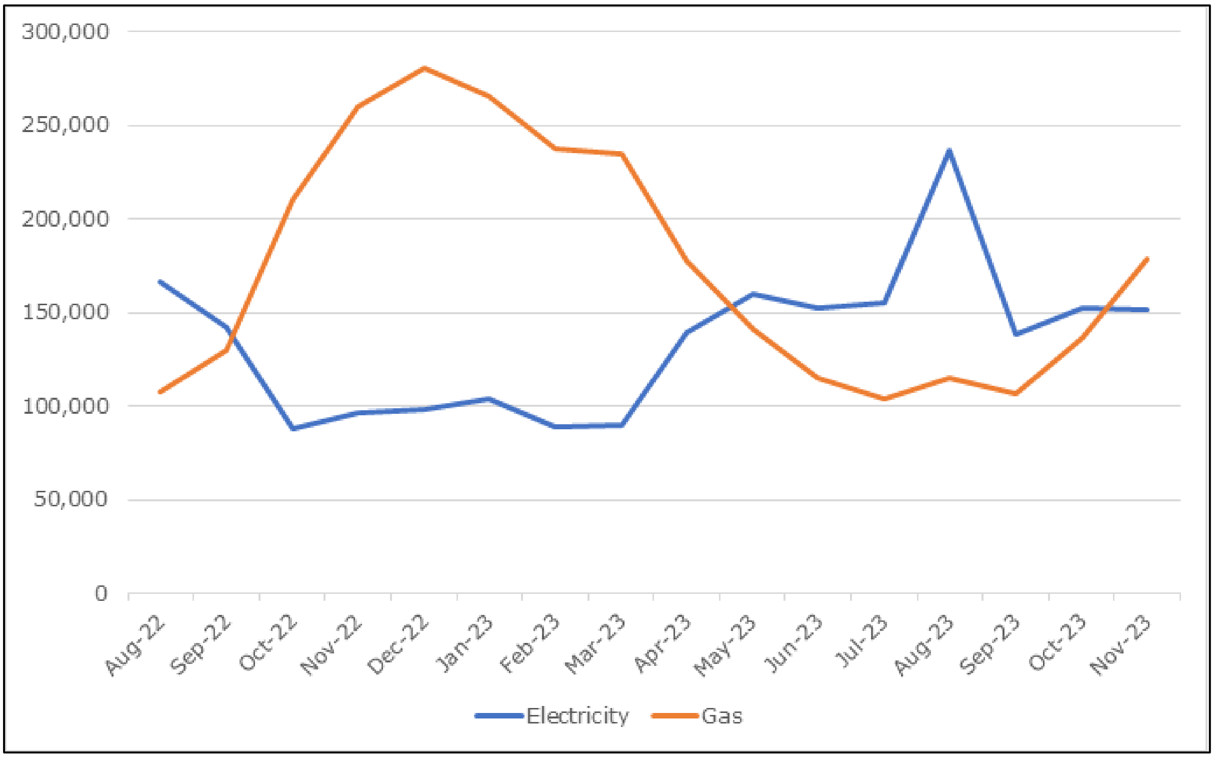
1.9 We know that being in debt can cause harm, but so does going without energy and therefore the relationship between affordability, debt, thermal comfort, fuel poverty and energy use is complex. We recognise that debt can help consumers to meet their energy needs if they have short term difficulties paying their bills. However, we also recognise that debt is often the symptom of wider affordability pressures, rather than the cause.

1.10 Nevertheless, what we are most concerned about is persistent and problem debt. We are particularly concerned about consumers who may be unable to reduce their energy consumption, cannot increase their income level, cannot be disconnected, or have a prepayment meter (PPM).

1.11 Energy debt can cause harm to consumers in several ways. To meet their debt repayments, consumers may self-ration their energy which could create harms associated with living in a cold, damp home. PPM consumers repaying debts may be more likely to self-disconnect due to money they are putting on their meter going towards debt repayments rather than ongoing consumption, especially over the colder winter months.

1.12 The frequency (eg more than once a week) and duration (eg more than a few hours but less than a few days) of self-disconnections for customers with smart meters can be viewed as a proxy for customers struggling to pay their gas and electricity bills. Chart 1.4 below shows the numbers of consumers who may be experiencing hardship due to self-disconnecting more frequently and for longer periods of time. The impact of the Energy Bill Support Scheme in suppressing electricity self-disconnection can be seen, with an uptick in self-disconnection following the scheme ending in March 2023.

Chart 1.4: Number of smart meter customers who self-disconnected at least once and where the longest period of self-disconnection was more than three hours – August 2022 to November 2023



Source: Ofgem

1.13 Our consumer survey from July 2023 found that, in the prior three months, 20% of PPM consumers had been unable to top up at some point because they couldn't afford it, 14% reported having run out of credit and been disconnected at least once for more than three hours.[5] Citizens Advice have said 1 in 8 people they helped last year could not afford to top up their PPM.[6]

1.14 ONS's Opinions and Lifestyle Survey[7] found that 6% of respondents said they were behind on their gas and electricity bills. When looking at affordability over time, between 16 March 2022 and 25 February 2024, on average, 44% of adults who pay their energy bill were finding it very or somewhat difficult to afford energy bill payments.

1.15 Energy debt has wider consequences on household finances. For many families, being in debt and living on a low income means cutting back on essentials such as heat and food. In order to stay on top of energy bills, consumers may turn to credit cards or loans which can have longer-term impacts if payments can’t be met.[8] Falling behind on bills and being in debt can also negatively impact credit ratings which affects household finances, including the ability to access credit. Due to the increases in energy debt and arrears, some consumers may be paying their debts back over decades leaving them trapped in persistent debt. Consumers can also be at risk of harm if inappropriate or aggressive debt recovery methods are used. These cumulative impacts of debt build up can have consequences on consumers' mental and physical health including experiences of stress, anxiety, and suicidal ideation.[9]

Energy theft has also increased

1.16 When consumers are struggling to pay, self-disconnecting is not the only action some consumers are willing to take. Some consumers are also driven to steal energy. Energy theft comes in multiple forms but some households struggling to afford their energy bills are more likely to attempt metering tampering which can result in serious injury. Energy theft creates risk to life of not only those

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[5] Consumer impacts of market conditions survey - wave 4 (July 2023) | Ofgem
[6] The National Red Index: how to turn the tide on falling living standards | Citizens Advice
[7] Public opinions and social trends, Great Britain: 31 January to 11 February 2024 | ONS
[8] The cost of debt for low-income households in the cost of living crisis | Joseph Rowntree Foundation
[9] The State We're In | Money and Mental Health
Suicide prevention in England: 5-year cross-sector strategy | GOV.UK

individuals who steal the energy but also to their wider families and local communities because it creates serious safety risks.

1.17 Energy theft is a growing issue,[10] with the estimated annual cost sitting at £1.38bn, which equates to an additional £29 to £48 annually on each domestic customer's energy bill.[11] Figures from Crimestoppers showed 11,552 reports about energy theft were received in 2023. This was 10% higher than 10,497 reports received in 2022, and up 62% compared to 2021.

Support that has been made available to consumers

1.18 In paragraph 1.4 we set out the EPG and EBSS, the main support that the government povided to energy consumers during the gas crisis. There are also financial support schemes in place which are specific to the energy sector, comprised of a mix of taxpayer and bill payer funded schemes. These include the Warm Home Discount, Winter Fuel Payment and Cold Weather Payments. In Scotland, eligible households also receive the Child Winter Heating Payment. The government also provides support to households through the tax and benefits system, for instance, through Universal Credit which is a means tested benefit for those on lower incomes, or those out of work.

1.19 Support has also been provided to PPM customers. Between June and September 2023, the PPM premium was removed by providing PPM customers a unit rate discount through the taxpayer-funded EPG, saving them around £21 per year. From October 2023 until March 2024 this was replaced by a government backed discount to the standing charge, delivering a saving of around £40 for a typical PPM customer per year. This support was due to fall away at the end of March 2024. It will be replaced from April 2024 by an Ofgem-led adjustment on standing charges for PPM customers. This will provide similar support to PPM customers as a typical dual fuel PPM customer will save around £50 per year. The £50 benefit for PPM customers comes at a cost of £10 per Direct Debit customer.[12]

[10] Energy regulator steps up action against festive fraud | Ofgem
[11] Theft Estimation Methodology | Retail Energy Code
[12] Impacts are inclusive of VAT

1.20 Ofgem sets obligations on suppliers to support customers with their ability to pay. Our rules include offering an affordable repayment plan at the earliest opportunity, requiring additional support credit and emergency credit for PPM customers, strong rules around supplier conduct for customers struggling to pay, and customer service. We also set a price cap for those customers on default tariffs. This ensures consumers on default tariffs only pay for the cost of supplying energy to their home and do not pay more than they need to, but it does not subsidise energy costs for those struggling to pay.

Support from consumer groups and charities

1.21 Consumer groups and charities have also provided significant levels of support to energy consumers. These organisations play a vital role in supporting individuals and families facing financial challenges. Through a network of independent charities and volunteers, they offer free, impartial advice on debt, housing, benefits, and consumer rights, as well as practical assistance with budgeting, debt management, and creditor negotiations.

Support from the energy industry

1.22 Energy suppliers provide discretionary support of around £54 million per year.[13] Most suppliers offer hardship funds for customers in debt and struggling with their bills. This can include debt relief and providing customers with replacement white goods which are more energy efficient and can help lower bills. Over the last year suppliers have worked on widening the eligibility criteria so more consumers can access grants and funding. Most suppliers have signed up to Energy UK’s Vulnerability Commitment and the Winter Debt Commitments which has led to suppliers providing support over and above their licence obligations.

1.23 Network companies also use innovation funds to address fuel poverty and affordability challenges. Electricity network companies can access the Strategic Innovation Fund which provides funding for innovative projects, including projects which aim to achieve a just transition to net zero.[14] Gas network companies work

[13] Additional support for customers | Energy UK
[14] Strategic Innovation Fund Round 2 Alpha projects approved for funding | Ofgem

on tackling fuel poverty in their regions helped by funding from the Vulnerability and Carbon Monoxide Allowance.[15]

Future energy costs are very unpredictable, but there are risks prices could rise

1.24 Even with this support in place some customers are still struggling to pay their energy bills. The affordability pressure may ease for some customers as energy prices reduce but energy costs are inherently unpredictable. There are a range of future scenarios and we cannot say which will be correct. In any case, we need to ensure we support consumers struggling to pay irrespective of the future scenario.

1.25 Some market commentators are predicting further decreases in the wholesale price of gas which, if they transpire, will feed through into lower bills. However, global events could lead to gas supply shortages and consequential increases in price. Therefore, we cannot say with complete certainty that the downward trend in energy bills will continue in 2024/25 and beyond.

1.26 There are also other components of the energy bill. For example, we expect that network costs will increase in the near term to deliver significant necessary upgrades to our infrastructure to support the transition to a cleaner, more affordable energy system. As we stated in our recent CfI on standing charges, a significant proportion of network costs are passed on to consumers through fixed standing charges.

1.27 We need to consider the distributional impact of this and other cost allocation choices on different groups of consumers. Increasing the proportion of fixed costs in consumers' bills at the expense of unit costs could also have an impact on customers' incentives to invest in energy saving measures. For example, adding costs to the standing charge helps reduce the proportion added to the unit rate, lowering the running costs of heat pumps compared to gas boilers. We explore

[15] Decision to update RIIO-2 Gas Network Vulnerability and Carbon Monoxide Allowance Governance Document | Ofgem

this further in chapter 2 of this CfI and the responses to our CfI on standing charges will also help to shape our thinking on this topic.[16]

Questions

Q1: What are the key drivers of energy affordability challenges and how do we expect those to change in the future?

Q2: What options should be explored to tackle energy affordability?

[16] Standing charges – call for input | Ofgem

Chapter 2: Impacts of affordability and debt issues on the market

2.1 This chapter explores the extent and consequences of affordability and debt on the wider market, both now and how it could impact the delivery of the future retail market. In particular we discuss cost redistribution that can be required in response to affordability concerns and how this interacts with the default tariff cap ('the cap').

Responding to affordability and debt challenges using the price cap

2.2 As set out in chapter 1, getting into debt can be incredibly harmful for those individual customers who are struggling to pay their bills. However, energy affordability and debt challenges also generate additional costs and can be harmful to the market and broader consumer base, particularly if it reaches unsustainable levels. With the price cap in place for default tariff customers (and currently covering most energy customers) these issues surface through the cap, although similar considerations would apply to individual suppliers' pricing choices if the cap did not exist.

2.3 Most of the additional costs caused by debt fall on suppliers who remain heavily incentivised to control customer debt and arrears: if they are inefficient in controlling the debt of their customers, they will not be able to meet the allowances set in the cap and will lose money. Importantly, the price cap limits the extent to which suppliers can pass on costs to their customers and the cap has been highly successful in driving efficiency across the sector.

2.4 We periodically review allowances in the cap and there are choices we can make in those reviews, including the level of costs we allow suppliers to recover from default customers and how those costs should be allocated between customers. The results of this CfI will inform us better as we make those choices.

2.5 Consistent with our statutory duties, we must consider whether suppliers can recover their efficient costs and earn a reasonable return. It is important for all consumers and the long-term functioning of the market that we ensure suppliers can cover their efficient costs. In recent years, suppliers have often earned below the notional profit allowance in the cap. It could add stress to financial resilience across the sector if we require suppliers to absorb material additional costs, for example those costs associated with bad debt, over and above what the price cap allows for. This is because suppliers may recover less revenue while seeing an increase in costs. Ultimately, this could lead to suppliers exiting the market, potentially increasing costs for consumers and leading to less competition and innovation. In this context, Ofgem has had to make difficult decisions on how to share and recoup costs and the price cap is currently the mechanism by which we do this. Where costs cannot be absorbed by existing price cap allowances, for example due to a material and systematic change in costs, we consider whether it may be appropriate to reflect this via an adjustment to the price cap methodology.

2.6 In practice, this has recently meant taking actions to socialise the costs of bad debt and putting up prices for some customers. The socialisation of these costs reflects the fact that, as the regulator, we cannot introduce additional funds to the market in the same way government support schemes do. Once we have decided that a cost is efficient and should be recovered, our choice is limited to which energy customers should be paying for it. Cost re-allocation is made more challenging in this context by the fact that affordability challenges and costs are not evenly distributed among consumers nor among different energy suppliers who have different customer bases. Our work on debt in the price cap shows that there are significant differences in debt related costs between customers of different payment types. Even within payment types there are a wide range of costs reported by suppliers and this is a complex picture which could be affected by different customer service approaches, varying customer bases and payment methods, and inconsistent accounting assumptions.

2.7 However, the price cap is a one-size-fits-all mechanism, we therefore cannot target interventions to specific suppliers or to very specific customer groups. Choices about who pays in this context requires Ofgem to balance a range of trade-offs. Additionally, at the moment, our scope is limited to deciding how the costs are allocated across customers on different payment methods rather than minimising the impact on any other consumer type. Setting a cap level across suppliers means we have to take a view on the costs of a notional efficient supplier. This will differ to any individual supplier based on its efficiency and customer base characteristics. This inevitably means some suppliers will be better off, and some worse off, compared to the average. However, this is a necessary balance we have to find in setting the cap under the current legislative framework.

2.8 The price cap was designed and introduced as a tool to tackle the loyalty penalty. While the price cap was not designed as an affordability tool, there are a number of examples where we have had to explore using the price cap to respond to affordability challenges. The following paragraphs outline some examples of how the price cap must consider the distribution and re-allocation of costs in response to affordability and the trade-offs this requires us to consider.

Bad debt allowance

The cap has always taken into account the fact that bad debt exists in the energy market and that there are costs associated with it. The cap includes an allowance for the costs associated with bad debt that a supplier can recover. Recovering the costs associated with bad debt from customers who do pay is not unique to the energy industry and is common practice across other industries.

Given the increase in levels of debt across the industry we recently reviewed the allowance available to recover bad debt costs. We took the difficult decision to make a temporary adjustment to the price cap allowance, to reflect the additional debt related costs incurred across industry between April 2022 and March 2024.[17]

In practice this meant increasing the cost some consumers pay to recoup the costs of bad debt in the energy system. These costs were allocated based on payment method type (applying it equally to all credit customers whose payment method is either direct debit or standard credit). This means that standard credit customers, who are more likely to accrue bad debt, are supported through a price increase for other customers.

[17] Energy price cap: additional debt costs review decision | Ofgem

Our ongoing operating costs review will consider how the debt-related costs allowance is set on an on-going basis.[18] Nonetheless, debt related cost adjustments in the price cap cannot deal with, or completely deal with, the underlying issue of bad debt.

Rebalancing costs to serve different customers (levelisation)

Debt has been a particular challenge for those on PPMs, where costs to serve have been higher, a higher proportion are likely vulnerable and they accrue standing charges even while disconnected. We have therefore explored routes to ensure access to energy is set at an equivalent level for all, regardless of how they pay for their energy. To help mitigate this concern for PPM customers, we have levelized standing charges between PPM and direct debit customers.[19]

However, similar to the debt related costs adjustment, this means reallocating costs across other customer types resulting in an increase for some groups, and does not fully address the underlying affordability issue.

Cost allocation between fixed costs and unit rates (the standing charge)

The cap reflects a split of unit rate and fixed costs. Fixed costs are typically recouped via the standing charge. In recent years, the growing level of the standing charge has raised a number of concerns regarding whether fixed charges are a fair way to recoup certain costs and whether the structure of costs faced by customers can pose barriers to them accessing the energy they need, particularly when affordability concerns exist.

We recognise that shifting the balance of charges between fixed and volumetric can impact the affordability of energy, particularly where a greater amount of fixed costs can particularly impact some lower-usage customers and the opposite is true for higher-usage consumers, some of whom may also face affordability challenges. However, like other interventions discussed above, our tools remain limited, for example through the price cap, and any measures to affect the distribution of fixed and standing charges via

[18] We intend to publish a policy consultation for the operating costs review in April 2024, in which we will discuss potential options for setting an enduring bad debt allowance.
[19] Decision on adjusting standing charges for prepayment customers | Ofgem

this route will not solve affordability issues for all customers in the market. This CfI alongside our standing charge CfI provides an important opportunity to think about wider solutions to tackle concerns around affordability related to the standing charge.

2.9 While the cap remains one of the tools that Ofgem can use to tackle cost allocation challenges, as demonstrated by the examples above, there is a limit to which costs can be moved around the system without impacting other customers. The price cap was not designed to address affordability concerns, but rather to address issues of a fair price for default customers. The price cap reflects the underlying costs of supplying energy to consumers but cannot subsidise the cost of energy.

The impacts of affordability and debt on competition and the future energy market

2.10 Looking to the future, the retail market will need to change. There will need to be new flexible tariffs and likely new services for customers who are moving to electric vehicles and heat pumps. But the market will need to work for all customers, and we need to ensure we have the right tools in the future to regulate in a way that supports innovation while protecting those struggling to pay.

2.11 We published our Competition Framework in December 2023,[20] which defines the key themes of competition in the retail market. We will use the framework in carrying out assessment of the issues described in this CfI.

2.12 Consumers in debt and arrears are unlikely to be able to engage in the market and switch supplier. Suppliers can prevent consumers in debt from switching supplier (with the exception of PPM customers with less than £500 debt per fuel who can still switch, as per the Debt Assignment Protocol), and consumers may be under too much strain to think about exploring other energy suppliers.

[20] A competition framework for the household retail market | Ofgem

2.13 This a concern for the future energy market and delivery of net zero, because consumer engagement and empowerment will be central to supporting the creation of a more efficient energy system that will benefit all energy customers. Consumers having access to real-time information about their energy usage, costs, and carbon footprint, is expected to empower them to make informed decisions about the way they use energy, which will provide support in reducing their bills and may help to mitigate affordability challenges.

2.14 Higher levels of bad debt could squeeze both the liquidity and margins of suppliers, limiting their ability to compete for customers by offering competitive tariffs and innovate in products and services.

2.15 Innovation and technological advancement are expected to be at the forefront of the net zero transition, driving efficiency improvements and cost reductions across the energy sector, including in retail energy markets. High levels of debt may have an adverse impact on the transition to net zero if the cost of managing that debt prevents suppliers from innovating and investing in such products and services.

2.16 The impact of bad debt may not be consistent across suppliers given different suppliers' customer bases, potentially putting some suppliers at a competitive disadvantage. At the same time, effective debt management will become a more important source of competitive advantage for suppliers.

2.17 For the market overall, these pressures could make the domestic supply market less attractive to new entrants if a significant proportion of consumers are loss making or cannot afford their energy. This could impact the competitiveness of the market and limit our ability to achieve our net zero ambitions.

2.18 Last month, DESNZ published a Call for Evidence (CfE) to explore how the type and price of default tariffs may evolve; and the fairest ways to protect household consumers in a world of more flexible energy pricing.[21] We will publish a related Discussion Paper on Future Price Protection, to explore and discuss how different

[21] Default energy tariffs for households: call for evidence | GOV.UK

models of price protection may have different strengths and weaknesses in the context of these future challenges.

Questions

Q3: What factors should be considered when redistributing costs?

Q4: To what extent is debt a factor that puts suppliers off taking on new customers or offering certain types of services and tariffs to them?

Q5: With reference to the themes and indicators in our Competition Framework, to what extent is the affordability of energy and the build-up of legacy debt affecting competition and innovation (including new entry) in the domestic retail market?

Chapter 3: Addressing the affordability and debt challenge

3.1 This chapter focuses on supplier approaches to customers in payment difficulty and what other sectors and countries have done to address affordability and debt.

Best Practice from energy suppliers

3.2 The fair treatment of customers in payment difficulty has been a long-standing area of focus for Ofgem. Our compliance activities alongside our rules and regulations are clear about what suppliers must do to support customers.[22] The spirit of our rules on payment difficulty are that suppliers and their agents treat their customers with care and compassion. We know there are many examples of this happening, and we will take swift action where it is not.

3.3 We expect suppliers to try and understand the circumstances of their customers, particularly those in vulnerable situations. Information gained through engaging with customers can enable suppliers to tailor affordability support and debt pathways which meets the needs of consumers. This has mutual benefits for consumers and suppliers through increased levels of trust, engagement, and ultimately debts being paid off in a sustainable and affordable way.

Debt prevention

3.4 One of the main ways suppliers can help prevent debt is through ensuring bills are accurate. Inaccurate and ‘shock’ bills can push consumers into financial difficulties and debt, especially for consumers with low levels of financial resilience. Smart meters improve the accuracy of billing and facilitate automation, reducing the need for consumer action. More regular billing can be also useful in reducing the risk of consumers falling into debt, but consumers may wish to pay less frequently.

3.5 We know that suppliers often raise the lack of engagement from consumers as a key barrier to being able to provide support and prevent debt from becoming a

[22] Ofgem completes review of how suppliers support customers in payment difficulty | Ofgem

problem. If consumers do not engage, suppliers are not able to tailor support and debt pathways to individual circumstances. If a supplier does not know a customer is in a vulnerable situation, they do not know if a particular debt pathway approach may exacerbate or cause vulnerability.

3.6 While we encourage consumers who are struggling to contact their supplier, we know that consumers in vulnerable situations often find it difficult to engage. There are several barriers including mental health problems, learning difficulties, a lack of awareness of support, a belief that suppliers will not help, and a sense of shame around needing help. In our recent consumer standards decision we emphasised the need for suppliers to proactively engage with consumers at the earliest opportunity if there are signs they are in payment difficulty.[23]

3.7 In the case study below we see an example of where a consumer is engaging but inappropriate debt communications has caused them to disengage. While we expect suppliers to proactively engage with customers, this should be done with empathy and understanding, and we have published research on effective debt communications messaging.[24] In this case we think better debt communications could have prevented the consumer from being escalated to debt enforcement and reduced harm.

StepChange Case Study

The client reported receiving “at least 4 calls” per day from her energy supplier. The client asked for the number of calls to be reduced due to vulnerability, which the supplier was already aware of. The client tried to raise a complaint as this level of contact was negatively impacting her health but had her experience dismissed by the supplier. The client is no longer answering calls or opening letters due to this experience, which in turn has led to the supplier taking enforcement action.

Debt management

3.8 Most suppliers conduct credit checks of new customers to assess their risk, or if existing customers are looking to move from prepayment to direct debit.

[23] Consumer standards decision | Ofgem
[24] Debt communications messaging: Evidence from customer and behavioural insights | Ofgem

Consumers with low credit scores may be required to pay security deposits if paying via direct debit. However consumers with low credit scores may be unlikely to have the financial means required in order to fulfil a security deposit. This creates a challenge for consumers and suppliers if there are scenarios in which a customer cannot afford a security deposit and may not be able to have a PPM because it isn't safe or reasonably practicable. In these cases, it is likely a consumer will build up debt and we would like to seek input on how consumers can be best protected in these kinds of situations.

3.9 There is interest from stakeholders, including the Welsh Government, in how credit market information is used by suppliers to assess debt risk, prevent some customers from switching payment methods, and identify consumers with financial vulnerability. With wider affordability pressures, credit market information is an important aspect in financial inclusion and how they are used by suppliers and other sectors to manage debt is something we are interested in exploring as part of this CfI.

3.10 In the Terms and Conditions of domestic supply contracts, suppliers charge a range of interest on overdue amounts of between 2% to 8% above the Bank of England base rate, depending on the supplier. This means consumers may currently be paying 7.25% to 13.25% interest on overdue amounts at the current base rate.

3.11 Another area where debt management approaches differ are whether the account is live or final. Final accounts include changes of tenancy and ownership which can cause difficulties for suppliers in successfully recovering unpaid bills from the correct customer. We welcome views on how to improve in this area of recoveries to reduce bad debt, reduce the risks of detriment to consumers, and ensure the costs and risks of debt are shared fairly across the market. We are particularly interested in best practice from other sectors on this issue.

Debt enforcement

3.12 Suppliers have traditionally used debt enforcement mechanisms such as disconnection and involuntary PPM to recover and prevent the build-up of debts. To a lesser extent some suppliers also use court enforcement action, such as

County Court Judgments and High Court Enforcement to recover debts. With restrictions on involuntary PPM some consumer groups and charities have raised concerns about the potential increase in court enforcement action to recover debts and this is something we are keen to further explore as part of this CfI.

3.13 Disconnection for debt peaked in the mid-1980s, with over 100,000 electricity consumers disconnected in 1986 and 60,000 gas consumers disconnected in 1987.[25] Despite numbers steadily decreasing during the 1990s they remained high, with 29,500 gas and 400 electricity disconnections for debt in 1998.[26]

3.14 There are two main factors why disconnection for debt decreased over the 1990s and 2000s.

1. **Increase of PPMs to recover and repay debt.** Between 1991 and 1998 the number of gas PPMs increased from 700,000 to 1.4 million (a 94% increase) and the number of electricity PPMs increased from 1.2 million to 3.7 million (a 221% increase). Numbers have since stabilised at approximately 4 million overall. Suppliers preferred PPMs as a tool for managing and enforcing debts as it guaranteed payment before a consumer had consumed energy and enabled debts to be recovered each time a consumer topped up. Some consumers also value PPMs to better budget and manage their energy use.

2. **Regulations on disconnection.** 2004 marked a significant turning point in the energy industry following the deaths of an elderly couple, Mr and Mrs Bates, who were found dead in their home in October 2003 after their gas supply was disconnected. This led to the Energy Retail Association developing the "Safety Net" procedure to better protect vulnerable people from being disconnected. Following the Safety Net, the numbers of disconnections for debt fell significantly from 17,000 in 2003 to 3,000 in 2004. Since 2021 there have been 34 electricity and 6 gas disconnections for debt.

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[25] Debt and Disconnection: Gas and electricity supply companies and their domestic customers | House of Commons Trade and Industry Committee

[26] Gas suppliers argued it was unsafe to install a gas prepayment meter without the presence of the customer at the property, hence the difference between gas and electricity disconnection levels.

3.15 If there is a lack of consumer engagement, debt may be passed to third party debt collection agencies. Third party debt collection agencies will use additional engagement tactics including SMS, email, and calls. If consumers remain unreachable, suppliers may escalate debt pathways to the courts. Suppliers recovering debt at low cost is important in keeping costs down for all consumers.

3.16 An overreliance on poor debt enforcement tools has the potential to harm some consumers, particularly those in vulnerable situations. As we have seen over the last year, there are significant risks to consumers and wider reputation and trust in the energy market if suppliers are mistreating vulnerable consumers through inappropriate debt enforcement. We welcome the steps industry has taken on this, including the work on reducing disconnections, involuntary PPM, and the recent Energy UK Winter 2023 Voluntary Debt Commitments which include board-level sign off of County Court Judgment and High Court Enforcement policies.[27]

3.17 In the case study below, we see the impact that inappropriate debt enforcement can have on consumers in vulnerable situations. Suppliers need to fully consider all information, particularly pertaining to vulnerability, when deciding what debt enforcement actions should be taken. If information isn't properly considered it can result in vulnerable consumers experiencing harm. Once a mistake has been identified suppliers should also act quickly to put things right and consider what steps could be taken to ensure it doesn't happen again.

Citizens Advice Case Study

Alvina pays for her energy monthly and her monthly payments include a portion to repay her energy debt. Alvina has multiple health issues and is on the Priority Services Register. However, despite having a repayment plan arranged she continues to receive threatening letters from her supplier. The supplier has apologised for continuing to send letters, however the debt has now been passed on to a debt collection agency. Alvina has complained to her supplier about this but is continuing to receive contact from the debt collection agency. Alvina is finding this very stressful.

[27] The Winter 2023 Voluntary Debt Commitment | Energy UK

Working with consumer groups and charities

3.18 Effective referrals and signposting to consumer groups and charities are essential to ensure good outcomes for consumers.[28]

3.19 We see examples of suppliers developing strong partnerships with debt advisers and local community organisations to build trust and engagement between consumers and suppliers. Partnerships with third parties can break down mistrust and disengagement that some consumers have towards their energy supplier and help raise awareness of the support that is available. It also helps suppliers understand the needs of their customers, including non-financial and financial vulnerabilities, as well as their ability to pay. This ensures debt repayment rates are sustainable and affordable and helps customers access energy-specific social, financial, and environmental support including debt relief and energy efficiency measures.

3.20 As consumers in debt are often experiencing multiple vulnerabilities, strong partnerships and data sharing with third sector organisations can help consumers in areas such as income maximisation, benefits eligibility, mental health support, and access to support across a range of issues from housing to council tax and food.

Lessons from other sectors and countries

3.21 We know there are challenges specific to energy in GB, such as the prevalence of PPMs, but there are similar affordability and debt issues in other regulated sectors and countries. Looking to other sectors and countries for how they tackle affordability and debt could help the energy sector manage debts more efficiently and with higher standards of care for consumers in vulnerable situations.

[28] Joined Up: Support Through Partnerships | StepChange

Water in England and Wales

Social tariff

In England and Wales, Ofwat requires every water company to offer a social tariff to reduce the bills of consumers on low incomes, although companies have flexibility in their design. Therefore, eligibility and help available for each tariff varies between regions.

Most social tariffs are funded by cross-subsidisation through a charge on customer bills, and five companies make additional financial contributions to their tariffs.

In Wales, Dŵr Cymru Welsh Water offer struggling consumers support through HelpU, which is a means-tested special tariff for households on the lowest incomes.

Support for those on benefits (Waterdirect and WaterSure)

Consumers on some types of benefits may qualify for Waterdirect, where the Department for Work & Pensions pay a proportion of an individual’s benefits directly to their water company. English consumers on some types of benefits who need to use a lot of water (due to medical reasons or having three or more school-aged children in the household) can apply for WaterSure which is a cap on their water bill.

Supplier obligations and support

By law, water companies cannot disconnect or restrict domestic water supply if a customer owes them money. Water companies can use debt collection agencies against customers in debt, and enforcement action as a last resort. Support offered to customers in debt can include payment breaks, flexible payment plans, and financial hardship funds including debt matching.

UK Telecommunications

Social tariffs

Ofcom actively encourages telecommunications providers to offer and promote social tariffs, though these are voluntary and not offered by all providers. Where offered, social tariffs are available to consumers who receive certain benefits and are paid for by providers. Some providers call them ‘essential’ or ‘basic’ broadband and they’re delivered in the same way as normal packages, just at a lower price, ranging from 12 to £25, and most tariffs offer unlimited broadband, with no mid-contract price rises or exit fees. Research by Which? found that moving to a social tariff could save the average customer £250 a year if they're eligible. Ofcom estimates that 4.2 million households in the UK are eligible.

Provider obligations

If customers do not pay arrears, their provider might restrict or disconnect the account, and can use debt collection agencies. Some providers will charge reconnection fees, which must be paid on top of the debt owed. Disconnected customers might also be treated as new customers and have to go through credit checks and security deposits.

Australia

In Australia, the Australian Energy Regulator (AER) recently launched a set of 'Game Changer' proposals which aimed to tackle some of the deep-rooted issues within the energy sector such as high levels of hardship, debt and disconnection.[29] Following consultation with stakeholders, the AER designed a package of proposals to drive systemic change, better balance cost and risk within the sector, and provide better outcomes for vulnerable consumers. Key proposals which the AER has recommended to Ministers include:

1. **Lowering bills** by ensuring that consumers automatically receive any concessions or rebates they are entitled to and requiring retailers [suppliers] to automatically place consumers in hardship programs on their best offer/lowest tariff.
2. **Supporting consumers who are unable to pay** by improving access to financial counselling support and offering debt relief through a shared funding pool. Some funds would come from a consumer's retailer supplier and the rest would be made available via an approved financial counsellor or community organisation drawing on the shared pool.
3. **Driving future improvements** by providing retailers who can demonstrate best practice support for customers, access to co-funding from the shared funding pool.

[29] Game changer report | Australian Energy Regulator

The funding pool would also co-fund, with retailers [suppliers], energy efficiency improvements for consumers in financial hardship, thereby removing barriers to leverage existing government energy efficiency initiatives.

Netherlands

In the Netherlands, suppliers must contact a customer to offer a payment plan. If a customer is in contact with a supplier regarding a payment plan but is unable to agree a plan or unable to meet it, the supplier will refer them to the municipality [local government]. The customer will receive debt counselling services and the counsellor will decide whether they can support the customer, until then disconnection is forbidden.

Municipality debt counsellors can offer the Amicable Debt Process. This could involve mediation (eg a debt plan or weekly allowance for daily expenses), a compulsory settlement (if a creditor is unwilling to accept the payment plan a court can force the creditor to cooperate) and remediation credit (the municipality credit bank or city bank will pay off the creditors and give the consumer a loan, which must be repaid with interest in 18 months).

If a consumer is still unable to pay debts or is not following the Amicable Debt Process, but is trying in good faith to pay their debts, they can ask a court for permission for statutory debt rescheduling. All courts use the same method of income calculation to work out what proportion the debtor can keep each month to live on. An administrator will use the rest to repay the debts. At the end of the if a court agrees that the debtor has kept to all the agreements, the judge will clear the consumer debt. If debtors are not awarded a clean slate they will be declared bankrupt.

United States (California)

The following programs are funded by a rate surcharge paid by all other utility consumers under the auspices of the regulator, the California Public Utilities Commission:

- The California Alternate Rates for Energy (CARE) Program ensures qualifying low-income customers save 20% on their gas bill and 30-35% or more on their electric bill.

- The Family Electric Rate Assistance Program is offered by three suppliers and gives an 18% discount on electricity bills if a household income slightly exceeds the CARE allowances, and there are three or more people living in the property.
- The Medical Baseline Program ensures consumers who have special energy needs due to qualifying medical conditions are billed for energy use at their utility company's lowest residential rate and that they receive advanced warning of planned power cuts. It is based solely on medical conditions and there is no income requirement.
- Arrearage Management Plan which provides an opportunity for qualifying residential customers to have their eligible past due bills forgiven. Once enrolled, every time a current bill is paid in full and on time, the utility company will forgive 1/12 of the eligible debt. After 12 consecutive monthly gas bills are paid in full and on time, the full amount of the eligible debt will be forgiven (up to a maximum of $8,000 per enrolment period).

Questions

Q6: What represents best practice in debt management by suppliers?

Q7: What lessons can we learn from other sectors and countries on managing affordability and debt? And how should they be applied to the energy sector?

Appendices

Appendix 1 - Summary of Call for Input questions

Please provide answers to the questions below and provide any other comments that may be relevant to affordability and debt. In all cases, please provide as much detail as possible to support your input.

Energy affordability and impacts on consumers

Q1: What are the key drivers of energy affordability challenges and how do we expect those to change in the future?

Q2: What options should be explored to tackle energy affordability?

Impacts of affordability and debt on the market

Q3: What factors should be considered when redistributing costs?

Q4: To what extent is debt a factor that puts suppliers off taking on new customers or offering certain types of services and tariffs to them?

Q5: With reference to the themes and indicators in our Competition Framework, to what extent is the affordability of energy and the build-up of legacy debt affecting competition and innovation (including new entry) in the domestic retail market?

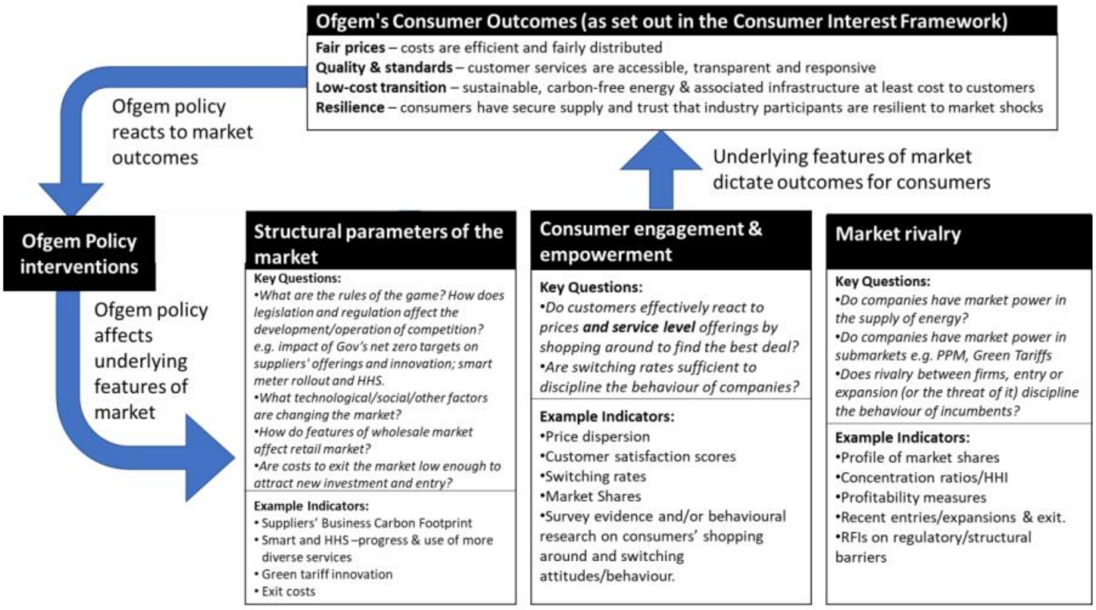
Addressing the affordability and debt challenge

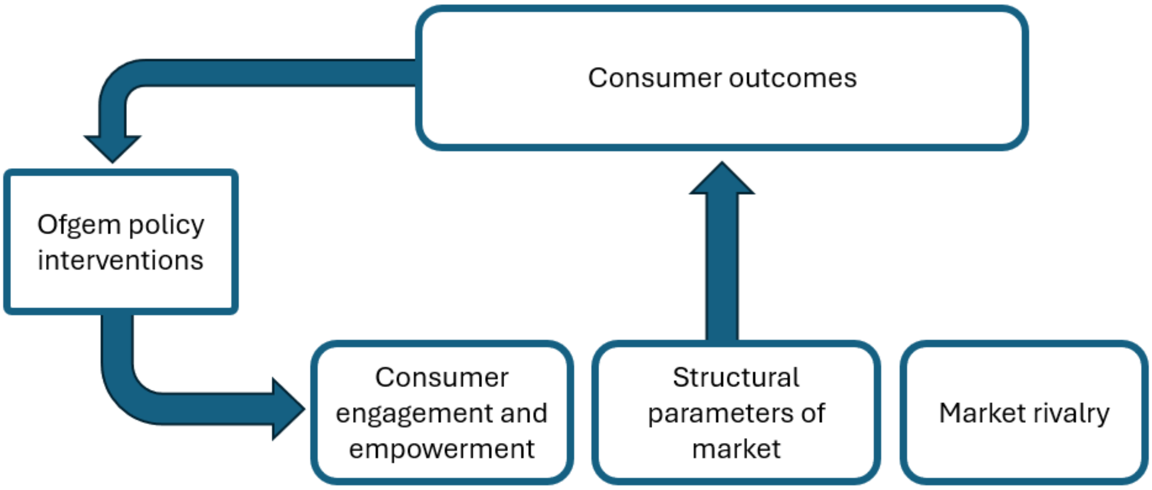
Q6: What represents best practice in debt management by suppliers?

Q7: What lessons can we learn from other sectors and countries on managing affordability and debt? And how should they be applied to the energy sector?

Appendix 2 – Competition Framework[30]

Overview of the Competition Framework and its interlinkages





30 [A competition framework for the household retail market | Ofgem]

Appendix 3 - Privacy notice on consultations Personal data

The following explains your rights and gives you the information you are entitled to under the UK General Data Protection Regulation (UK GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk.

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the UK GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

Your personal information is never shared with anyone outside of Ofgem.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for as long as an audit trail on decision-making relating to the questions discussed in this document should reasonable be available.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data

- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making

9. Your personal data will be stored in a secure government IT system

10. More information

For more information on how Ofgem processes your data, click on the link to our "Ofgem privacy promise".[31]

[31] Ofgem privacy policy | Ofgem