



**OFGEM DEBT & AFFORDABILITY CALL FOR INPUT
END FUEL POVERTY COALITION RESPONSE
13 May 2024**

The End Fuel Poverty Coalition is a [broad coalition of more than 70 anti-poverty, health, housing and environmental campaigners, charities, local authorities, trade unions and consumer organisations](#). It is also supported by academics, social enterprises and those working on the front line of fighting fuel poverty.

We welcome the focus Ofgem is placing on this consultation and our members look forward to engaging with the team on these issues.

Many of our members have already responded individually to the call for input and the wider membership would echo the views put forward by the likes of National Energy Action, Fair By Design and Scope. We also support the expert evidence put forward by the Money Advice Trust.

Therefore, we have kept our evidence to updating the team on the latest research on this issue and offering thoughts on potential solutions in response to this research.

Households are turning to illegal money lenders to pay for their bills and everyday essentials, [according to research](#) among people in energy debt by Sapio Research and the Warm This Winter campaign.

Researchers found that almost one in five (18%) have turned to illegal money lending sources in the last 12 months.

Among younger households in debt the situation is even worse, with a quarter (24%) of under 35s and a third (32%) of customers aged 35-44 turning to illegal money lending. In the next 12 months, the illegal debt mountain is due to grow with two-thirds of households in energy debt due to look for more sources of money. While many will turn to credit cards (27%) and overdrafts (14%), 20% will borrow from family and 14% will turn to illegal money lenders.

The impact on households is that 13% of customers in energy debt owe money to someone they are frightened of. This figure rises to 18% among those living with long-term illness and in households with young children under the age of 5.

This still applies to prepayment meter (PPM) customers as they build up debt due to standing charges, leaving them cut off from actual supply. In fact, over a third (36%) of PPM customers use illegal money lenders and [Peabody found](#) that residents on PPMs were 9 times more likely to have turned to short-term money lenders.

PPMs are often held up by industry as a positive solution for people struggling to make ends meet. But the brutal reality is that they only work for people who are not in energy debt. For those unable to afford the essentials in life, they may well make matters worse.

On the issue of debt, Ofgem should consider:

- Help to Repay. A universal, consistent, nationwide, debt matching programme funded via a joint approach with the wider energy industry and government matching what households repay (or by instructing energy firms to use the [£1.3bn we are paying](#) through our bills for energy debt costs this year).
- Ban energy firms from selling on debt to debt collectors. It must not be written off an energy firm's accounts until it is written off a customer account too.
- Better regulation of energy debt. Energy debt and debt collection agencies used by energy firms to be subject to Financial Conduct Authority rules. This could be done via licence conditions if energy firms and Ofgem agreed.
- Training for energy firms' staff in recognising illegal money lending (so far we understand that only Utilita has engaged with England's Illegal Money Lending Team for this training).
- After reviewing standing charges to bring them down, we would back moving network and operating costs onto unit prices for PPM customers and more modelling for Standard Credit and Direct Debit customers to understand the impacts of doing this (see note 1, below).

On affordability, according to new data from 38 Degrees and the Survation polling firm millions of people (over half the population, 54%) are at risk of being energy exiles, unable to access new market innovations. We appreciate this crosses over with Ofgem's other consultation on market protection, but believe it is useful for the affordability team to also have this information.

Up to one in five (21%) of people are locked out of deals because they don't have a functioning smart meter or their energy firm won't install one. For up to 15% of people, they will be unable to access Time of Use tariffs due to medical or disability needs. Others will be penalised because they are unable to respond to surge opportunities due to work or care routines.

The evaluation of the [ESO winter flex scheme](#) highlighted some of the issues disabled people face trying to participate. They were less likely to participate and could face difficulties turning off lights, and had slightly worse experiences.

Additionally, Future Energy Associates analyst Dylan Johnson, who helps to compile the Tariff Watch reports, identified data showing evidence that specific suppliers are raising prices in certain regions over and above what is justifiable on operational grounds.

The report found that one of the challenger brands, Outfox the Market, offered consistently cheaper fixed prices to many customers, but would charge a staggering £2,413 per year to customers in northern Scotland. The current [Ofgem price cap](#) for the average household is £1,690 - meaning some Scottish customers would be left £716 worse off if they switched.

This raises alarm bells too. Innovation does not always result in benefits for the majority of citizens. Look at the current EV vs E7 price comparisons for proof of that where despite being the same type of tariff rewarding usage at night, E7 tariffs are 60% more expensive than EV ones [TW4].

[In 2009](#) Ofgem banned discriminatory pricing, after tariffs emerged which had unexplained differentials between payment methods, between regions and between fuels (gas and electricity). However, [in 2012](#), the licence condition which banned these tariffs was allowed to lapse. Ofgem should consider reintroducing a ban until the market has stabilised and also include meter type so non-smart customers are not penalised.

On the points raised above, there are four key measures Ofgem should consider:

- Ofgem must ban discriminatory pricing based on region, meter type, PSR status and usage level.
- Look at the role wholesale market traders play in keeping prices high (we've not got to this group yet in our own research).
- Look at the impact of marginal pricing caused by reliance on gas generators and put forward data to the Government's REMA consultation team on the impact this is having on affordability.
- Work with industry on an alternative social tariff model funded by the energy industry. Note, we do not accept that this needs to be funded by a levy on consumers' bills, but instead could be funded through profit caps on the sections of the industry that Ofgem regulates and passed through to suppliers to implement in a universal manner across the market.

Note 1

Standing Charges are a complex issue and we understand separate work is underway on this. As our response to that consultation set out, we need to see more data modelling and investigation into the options available before Coalition members can express a firm view. But as this consultation looks at affordability, it may be worth Ofgem considering what the impact would be of the suggestions below:

- Supplier elements
 - a. Reduce headroom and EBIT allowances and move onto unit costs.
 - b. Marketing and acquisition allowances to be capped but moved onto unit costs, with energy firms forced to publish how much they spend on this so that customers can make an assessment of value for money. The cap should be a maximum not a budget.
 - c. Operating costs are subject to a separate Ofgem review and we need to see the outcome of this and the modelling which they produce to understand the impact moving these onto unit costs would have.
- Split current network & transmission firms costs
 - a. For basic maintenance and servicing of the grid. Imposing a profits cap on these firms as per energy retailers, but we can see an argument for keeping a basic level service costs as a much reduced standing charge, except for PPM customers where all standing charges should be scrapped.
 - b. For network improvements. Change the model of investment so costs moved onto general taxation. Improves competition for infrastructure work contracts. (Alternatively, the government borrows to fund investment and firms pay back

over longer periods of time. What we object to is the current “float and true up process” where we pay up front via standing charges based on energy firms' estimates of costs agreed with Ofgem and then may get some money back if the energy firms haven't managed to show that the amount they estimated miraculously is the same as the amount they spent.)

- Environmental and social policy costs move onto general taxation.
- Other charges often get lumped onto standing charges. So abolish or move into operating costs of suppliers or networks (see above)

About the End Fuel Poverty Coalition

The End Fuel Poverty Coalition is a [broad coalition of more than 70 anti-poverty, health, housing and environmental campaigners, charities, local authorities, trade unions and consumer organisations](#). It is also supported by academics, social enterprises and those working on the front line of fighting fuel poverty.

We believe that everybody has the right to a warm, dry home that they can afford to heat and power.

Members of the Coalition include: [Action with Communities in Rural England](#), [ACE Research](#), [Advice for Renters](#), [AgeUK](#), [All Birmingham's Children](#), [Austerity Action Group](#), [Association of Green Councillors](#), [Association of Local Energy Officers](#), [Association for Decentralised Energy](#), [Asthma + Lung UK](#), [Basingstoke & Deane Borough Council](#), [Beat the Cold](#), [Brighton & Hove City Council](#), [Bruton Town Council](#), [Camden Federation of Private Tenants](#), [Child Poverty Action Group](#), [Church Poverty Action](#), [Chartered Institute of Environmental Health](#), [Chartered Institute of Housing](#), [Community Action Northumberland](#), [Centre for Sustainable Energy](#), [Climate Action Network West Midlands](#), [Debt Justice](#), [Disability Poverty Campaign Group](#), [Disability Rights UK](#), [E3G](#), [EBICO](#), [End Child Poverty Coalition](#), [Energy Saving Trust](#), [Energy Cities](#), [Fair Energy Campaign](#), [Epilepsy Action](#), [Fair By Design](#), [Foster Support](#), [Friends of the Earth](#), [Fuel Poverty Action](#), [Fuel Poverty Research Network](#), [Generation Rent](#), [Good Law Project](#), [Greenpeace](#), [Groundwork](#), [Hackney Foodbank](#), [Heat Trust](#), [Home Start Oxford](#), [Independent Age](#), [Inner City Life](#), [Joseph Rowntree Foundation](#), [Lambeth Pensioners Action Group](#), [London Borough of Camden](#), [London Borough of Lewisham](#), [Marie Curie](#), [Mayor of London](#), [Moorland Climate Action](#), [National Pensioners Convention](#), [National Union of Students / Students Organising for Sustainability](#), [NCB](#), [National Energy Action](#), [New Economics Foundation](#), [National Federation of Women's Institutes](#), [Northern Health Services Alliance](#), [Oxford City Council](#), [Positive Money Tower Hamlets](#), [Redcar & Cleveland Council](#), [Repowering London](#), [Retrofit Bruton](#), [Right To Energy Coalition](#), [Rossendale Valley Energy](#), [Ryecroft Community Hub](#), [Save the Children](#), [Sense](#), [Scope](#), [Shaping Our Lives](#), [Social Workers Union](#), [South East London Community Energy](#), [Southwark Group of Tenants Organisations](#), [South West London Law Centres](#), [Stonewater Housing Association](#), [Stop The Squeeze](#), [Uplift](#), [UNISON](#), [Warm & Well North Yorkshire](#), [Warm & Well in Merton](#), [Young Lives vs Cancer](#).

The coordination for the [End Fuel Poverty Coalition](#) is provided by social enterprise [Campaign Collective](#) and the Coalition is also part of the [Warm This Winter](#) campaign. In Scotland we work closely with [Energy Action Scotland](#). In Wales, we work with [Climate Cymru's Warm This Winter](#) activity and in Northern Ireland with the NEA-backed [Fuel Poverty NI coalition](#).

Contact: info@endfuelpoverty.org.uk

[1] <https://www.endfuelpoverty.org.uk/about-fuel-poverty/>

[2]

<https://www.endfuelpoverty.org.uk/households-at-risk-from-mould-in-cold-damp-homes-crisis/>

[3]

<https://swu-union.org.uk/2024/04/social-workers-report-children-living-in-dangerous-conditions/>

[4]

<https://www.endfuelpoverty.org.uk/struggling-households-need-73-a-month-to-keep-warm-this-winter/>

[5] <https://www.endfuelpoverty.org.uk/public-priced-out-of-essential-warm-home-measures/>