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ADVICE TRUST

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Consultation Response:

Ofgem Forward work programme 2023/24

Response by the Money Advice Trust

Date: February 2023

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Introduction

About the Money Advice Trust

The Money Advice Trust is a charity founded in 1991 to help people across the UK tackle their debts and manage their money with confidence.

The Trust's main activities are giving advice, supporting advisers and improving the UK's money and debt environment.

In 2022, our National Debtline and Business Debtline advisers provided help to 140,980 people by phone, webchat and our digital advice tool with 1.87 million visits to our advice websites. In addition to these frontline services, our Wiseradviser service provides training to free-to-client advice organisations across the UK and in 2022 we delivered this free training to 2,780 organisations.

We use the intelligence and insight gained from these activities to improve the UK's money and debt environment by contributing to policy developments and public debate around these issues.

Find out more at www.moneyadvicetrust.org.

Public disclosure

Please note that we consent to public disclosure of this response.

Introductory comment

We welcome the opportunity to comment on the Ofgem forward work programme for 2023.

We have limited our comments on the short-term priority areas of the Ofgem forward work programme that impact upon consumers and billing, and our clients in debt with their energy bills, or in vulnerable circumstances, in particular.

Our comments on the forward work programme

We very much agree that Ofgem should focus its resources on these areas in 2023. However, we are not convinced that these projects will deliver sufficient consumer protection in the short term as they stand.

Whilst we support the aim of delivering effective consumer price protection, we will not comment on the plans for the price cap in particular, as this is beyond our area of expertise. However, we would suggest that Ofgem should be putting aside an area of its forward work programme to urgently investigate alternatives to the price cap, such as a social tariff, as it clearly does not deliver effective consumer price protection in any meaningful way in the current energy landscape. We welcome the recent announcement from Ofgem that they would like to see a ‘serious assessment’ of a social tariff¹ and we would like to see the Forward Work Plan setting out how they will support this, including working with government, suppliers and consumer groups in line with their remit.

Vulnerable consumers

We are pleased to see that this priority area includes a review of the Consumer Vulnerability Strategy. This needs to be carried out swiftly. We believe, however, that there should be vital extra protections put in place for vulnerable consumers who are struggling with their bills now, which may not be able to wait for a long review process.

We welcome the stated intention to carry out monitoring *“to assess if energy companies are delivering in full on their obligations to support vulnerable customers”*. This needs to be a robust programme of monitoring that results in swift enforcement action where energy suppliers are found not to be complying with their obligations. The recent Market Compliance Reviews have been welcome. However, given these found significant issues for many suppliers, robust monitoring and enforcement action to drive improvements and deliver a tangible change in consumer outcomes, is vital. Alongside other charities, we have submitted case studies to Ofgem where our clients have clearly been treated poorly by their energy supplier. We believe the potential for enforcement action should be spelt out in the forward work programme.

Retail market reform

We very much agree that Ofgem needs to *“ensure that the non-price related consumer protection standards in place via the supply licence are delivering the best outcomes for domestic and non-domestic consumers”*.

¹ [Tackling inappropriate energy supplier prepayment meter practices | Ofgem](#)

However, there is no indication as to what Ofgem will be considering or how any reforms to the consumer protection standards will be measured or the timescales involved in the review. We would like to see clearer proposals as to what Ofgem intends to do to ensure firms protect their customers, particularly in the current energy bill crisis. This crisis is having a devastating impact on people who are unable to pay their ongoing bills and have fallen into arrears or will do shortly. In a recent survey of National Debtline clients:²

- ✓ The proportion who said they had to use credit to pay for their energy bills in the past 12 months has more than doubled in the past year (rising from 8% to 17%).
- ✓ More than six in ten (62%) were concerned they would be unable to pay their energy bill in the next six months – up from 47% in the previous years' survey. This was the most common bill people were worried about affording in the coming months.
- ✓ 70% said the actions of their energy supplier had a negative impact on their wellbeing. This was the second worst score of all creditors, second only to bailiffs and enforcement agents, where 71% of clients said their actions had a negative impact on their wellbeing.

Alongside Citizens Advice and StepChange Debt Charity, we have been setting out the additional protections we believe are needed to support customers in, or at risk of, energy debt during this period of high prices.³

While prices remain high and until longer-term action to deal with energy affordability (for example through a social tariff) is put in place, there will inevitably be some customers who cannot afford to pay anything towards existing arrears. Many will also struggle to afford their full ongoing usage and be building up arrears. We would therefore like to see Ofgem:

- ✓ Set out clearly to suppliers how they should treat people who cannot afford to pay anything towards their arrears, or to pay their entire ongoing usage bill, including pausing collection activity where necessary.
- ✓ Work with the Government, suppliers and consumer groups to develop a plan for dealing with debt built up during this period of high prices – to minimise the risk of future harm to customers through unaffordable debt collection. This could include Government-backed write-off or debt repayment matching schemes.
- ✓ Put in place additional protections for prepayment meter customers, alongside wider reform to reduce the significant risks associated with self-disconnection and self-rationing.

² Survey of 587 National Debtline clients, conducted between 24th November 2022 – 2nd January 2023.

³

https://moneyadvicetrust.org/media/documents/Joint_debt_advice_charities_briefing_Ofgem_energy_debt_-_July_2022.pdf

Business customer protections

We very much welcome that the retail market reform section of the forward work programme includes a “*focused review on business customer protections*”. The Money Advice Trust runs Business Debtline, which helps small businesses in financial difficulties. We are in a unique position to reflect on how the customer protections for small businesses in arrears with their utilities do not begin to match those in place for retail consumers. As many small businesses are essentially running micro-businesses generating minimal returns, alongside running a domestic household, in our view they need much the same protections as domestic consumers.

Our latest impact survey shows that 79% of Business Debtline clients operate their businesses from home. As of September last year, more than a half (54%) of Business Debtline callers had a total household income of less than £20,000. Our research with adults across the UK, conducted in August 2022, found that 16% of self-employed people had gone without electricity, water or heating in the three months prior, due to the rising cost of living.⁴ A recent survey of Business Debtline clients found that over half (56%) were concerned about being able to afford their energy bill in the next six months.⁵

Added to this, many small business owners and self-employed people are facing higher business costs in addition to higher energy costs, at a time when the increased cost of living is leading to less consumer spending. Taken in conjunction, for many small business owners the challenges are particularly acute, especially if their income is low.

Due to the link that often exists between business and household utility costs for the majority of our clients who do not have a separate business premises, we would like to see utility providers take more action to recognise and support business owners running their business from home, who are reliant on an energy supply to do so, when they fall into difficulty meeting their energy payments.

We note the recent open letter which has been sent by Ofgem to non-domestic suppliers setting out good practice expectations from Ofgem on issues surrounding debt management and disconnection of customers.⁶

We look forward to an early review that strengthens the current licence conditions and enhances protections in guidance for small business customers.

⁴ Money Advice Trust, [Impossible Choices: An updated snapshot of the challenges facing households on the cost of living](#), September 2022

⁵ Survey of 192 Business Debtline clients, conducted between 24th November 2022 – 2nd January 2023.

⁶ [Open letter: Good practice expectations for non-domestic suppliers on issues surrounding debt management and disconnection of customers | Ofgem](#)

A social tariff

We would support Ofgem working to develop, alongside government, a targeted support mechanism in the form of a social tariff for the energy market. This should consist of a discounted, targeted tariff aimed at those in greatest need to ensure they are able to pay their energy bills and live in warm homes. We are very supportive of the Fair by Design and National Energy Action proposals⁷ for how a social tariff could work and believe such a tariff could form a vital tool in protecting low-income consumers and those with extra energy costs such as people with disabilities.

We acknowledge that a social tariff is referenced in the consumer price protection objective and welcome the Ofgem intention *“to work closely with Government to develop options for price protection that continues to protect those who need it”*. However, we would like to see a stronger objective for Ofgem to proactively develop models demonstrating how a social tariff could work in practice to push forward the debate.

As we have said, we would suggest that Ofgem should be putting aside an area of its forward work programme to urgently investigate alternatives to the price cap which clearly does not deliver effective consumer price protection in any meaningful way in the current energy landscape.

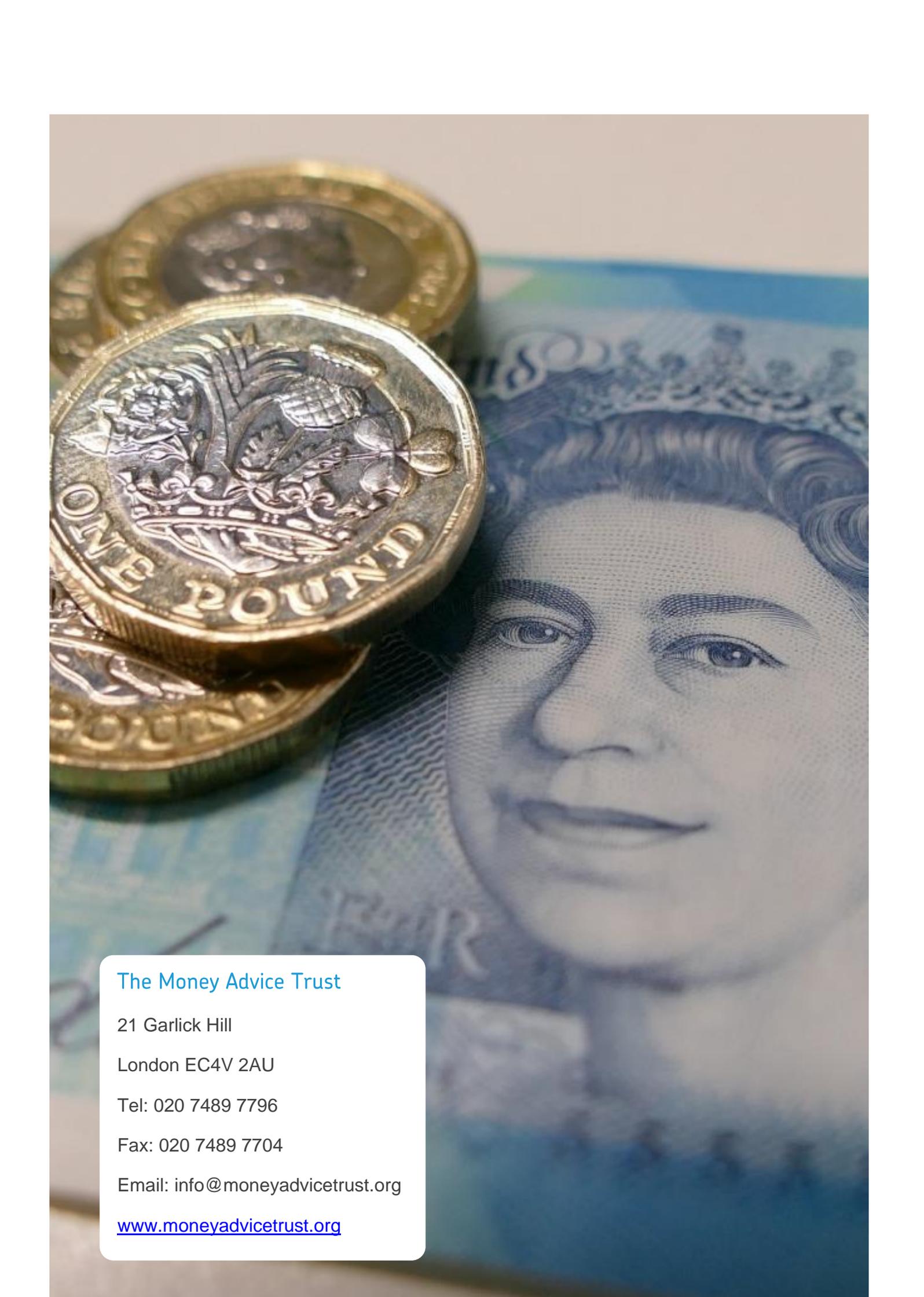
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⁷ <https://fairbydesign.com/news/blog-how-a-new-social-tariff-in-the-energy-market-would-lower-the-cost-of-bills-for-low-income-households/>



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