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Submitted via email to: debtadvicefunding@moneyadviceservice.org.uk

08 November 2017

Independent Review of the Funding of Debt Advice in England, Wales, Scotland and Northern Ireland

Dear Peter Wyman,

Energy UK is the trade association for the Great British energy industry with a membership of over 90 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry from established FTSE 100 companies' right through to new, growing suppliers and generators, which now make up over half of our membership.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK's submission to the Independent Review of the Funding of Debt Advice in England, Wales, Scotland and Northern Ireland's call for evidence. This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with you or any other interested party if this is considered to be beneficial.

Energy UK's Response

Energy suppliers take their responsibilities towards assisting all their customers very seriously, especially those customers who may be facing financial difficulties. Energy suppliers work to help customers with an energy debt and ensure they receive fair and appropriate support.

As set out in our response to the MAS Business Plan in 2016 and the Debt Solutions in the UK in 2017, Energy suppliers have a number of bilateral funding arrangements to fund debt advice, for example, Money Advice Trust (MAT), StepChange and Citizens Advice. In many cases these arrangements will be tailored to the needs of the specific customer base following detailed analysis and supplier experience. We believe that energy suppliers have built up considerable experience at directing funding to support customers with financial difficulties.

The energy industry provides a range of effective and targeted support, on both a regulated and voluntary basis, to assist those who may be struggling with their energy bills. Between 2008 and 2014 suppliers spent £175 million over and above the £1billion per annum spend required by regulated obligations. Support includes:

- **Warm Home Discount** - Providing direct financial support to fuel poor customers via the Warm Home Discount (WHD). In 2015/16, over two million low income customers received an energy rebate of £140, in a scheme worth £280 million.
- **ECO** - Britain's eleven largest energy suppliers have an obligation to deliver energy efficiency measures to householders via the Energy Companies Obligation (ECO). In 2016/17, obligated suppliers made 320,101 energy efficiency installations costing over £450 million.
- **Trust funds** – In 2017/18 suppliers spent in excess of £28 million on direct debt assistance to help households reduce or cancel energy debts via suppliers' trust funds.
- **Network Levy** - Funding the work of the Citizens Advice's Consumer Futures team and Extra Help Unit via the Network Levy on distribution companies.
- **Energy Best Deal** - Funding the delivery of bespoke energy advice via Citizens Advice's Energy Best Deal and Energy Best Deal Extra advice sessions. In 2016/17 the schemes are being funded by five suppliers who are collectively providing Citizens Advice with £1.4million.
- **Wide choice of payment options and Ability to pay** - All electricity and gas suppliers are required by their supply licence to offer a wide choice of payment options and also to take into account each individual customer's ability to pay when agreeing repayment arrangements and must follow Ofgem's key principles of ability to pay.
- **PPM principles** – In October 2016 Energy UK launched a new set of prepayment principles. The new Energy UK Pre-Payment Meter Principles commit signatories to monitoring prepayment accounts after installation and on an ongoing basis to ensure customers can successfully work their meters. The new principles also commit to providing support and assistance for customers at risk of self-disconnection including reviewing the debt recovery rate for those in arrears and signposting customers to further financial support and debt advice. To date 13 Energy UK retail members have signed up.
- **Safety Net** - Britain's six largest energy suppliers have signed up to Energy UK's Safety Net for Vulnerable Customers. Under the Safety Net, signatories have pledged to never knowingly disconnect a vulnerable customer at any time of year, where for reasons of age, health, disability or severe financial insecurity, that customer is unable to safeguard their personal welfare or the personal welfare of other members of the household. Last year was the first that the results of the independent audit of the Energy UK Safety Net for vulnerable consumers have been published. The results of the Safety Net audit for 2016 show five suppliers attained the highest 'Gold' award while one other achieved Silver which recognises the significant efforts they have made to comply with the Safety Net commitments.
- **Energy Switch Guarantee** - The guarantee has been designed to allow more consumers to benefit from the deal which best suits them. It sets out ten commitments for the switching process to promote: confidence, understanding and willingness to switch. The voluntary set of commitments, which started in 2016, now has 15 members. By the end of 2017 we anticipate that the guarantee will cover 90% of the retail market. This will help ensure an efficient and customer friendly customer journey. This year we are on track for over 5 million customers switching suppliers, up from 4 million in 2016.
- **Priority Services Register** – Suppliers maintain a register of customers who may require additional support regarding safety, security or communication needs. These customers are given priority when reconnecting supply after during supply outage and are offered other means of non-financial support including free regular meter readings where they are unable to read it themselves, password scheme, 3rd party communication redirection, and communication in suitable alternative formats.

In addition to the circa billion pounds that the energy sector provides to support customers in or at risk of fuel poverty each year, it is important to understand how different that nature of debt in the domestic energy market is compared to other sectors.

Firstly, debt in the energy sector is generally interest-free. Secondly, the average size of arrears for domestic customers repaying a debt last year was almost £600 for those customers who had agreed a debt repayment arrangement. The Money Advice Trust estimate that average debt for people coming to the National Debt Line is £9.9k. It's clear that energy debt only makes up a small percentage of the average debt.

If you would like to discuss the above or any other related matters, please contact me directly on 020 7747 2931 or at Cathal.mcsweeney@energy-uk.org.uk.

Yours sincerely,

Cathal McSweeney
Policy Manager