



Department for
Business, Energy
& Industrial Strategy

Government response to the technical consultation on the Energy Bills Support Scheme

July 2022



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Any enquiries regarding this publication should be sent to us at: enquiries@beis.gov.uk

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1. Key definitions

Key Term	Definition
Barnett consequentials / Barnett formula	The Barnett formula is the way the UK Government ensures that a share of additional funding is provided to the devolved administrations.
Bad debt	Bad debt is defined as the unrecoverable debt that suppliers write off.
Cost of Living Payment	A £650 payment to households on means tested benefits. This includes all households who receive Universal Credit, Income-based Jobseekers Allowance, Income-related Employment and Support Allowance, Income Support, Working Tax Credit, Child Tax Credit, Pension Credit. Department of Work and Pensions will make the payment in two lump sums – the first from July, the second in the autumn. Payments from HMRC for those on Tax Credits only will follow shortly after each to ensure there are no duplicate payments.
Council tax rebate	A £150 non-repayable rebate for households in England in council tax bands A to D in 2022/23. Payments provided directly from billing authorities to eligible households.
Credit collateral	Credit collateral provides the lender the assurance that if the borrower defaults on the loan, the lender can get something back by repossessing the collateral.
Direction	A Direction is a means by which Ministers, or others designated within legislation, can give legally binding instructions to bodies about the ways in which they exercise their functions. For this scheme, the Secretary of State will issue a Direction under section 7(3) of the Electricity Act 1989.
Disability Cost of Living Payment	A £150 payment to people with disabilities. Six million people who receive Disability Living Allowance, Personal Independence Payment, Attendance Allowance, Scottish Disability Benefits, Armed Forces Independence Payment,

	Constant Attendance Allowance and War Pension Mobility Supplement will receive the support as a one-off payment in September.
Distribution Network Operator (DNO) See also IDNO	DNOs own, operate and maintain the distribution networks. They are holders of electricity distribution licences. Licences are granted for specified geographical areas in Great Britain. Currently there are 14 DNOs owned by six different groups.
Domestic electricity user	A person who uses electricity in domestic premises in Great Britain wholly or mainly for domestic purposes.
Energy Company Obligation (ECO)	The Energy Company Obligation (ECO) is a government energy efficiency scheme in Great Britain to help reduce carbon emissions and tackle fuel poverty.
Electricity meter point	The physical point at which import from or export to a Distribution System can be measured, by the electricity supplier.
Energy Price Cap (also Default Tariff Cap)	A limit on how much suppliers can charge domestic consumers per unit of gas or electricity if they are on a default tariff. Price cap levels are set by Ofgem based on how much it costs, on average, to get energy to homes.
Energy supplier	An energy company licensed by Ofgem to supply gas and/or electricity.
Grant	A grant is a payment provided by either the government or a private organisation for a specific purpose.
Green Gas Levy (GGL)	The Green Gas Levy places obligations on licensed gas suppliers, including a requirement to make quarterly levy payments, in order to fund the Green Gas Support Scheme.
Green Gas Support Scheme (GGSS)	The Green Gas Support Scheme is a government environmental scheme that provides financial incentives

	for new anaerobic digestion biomethane plants to increase the proportion of green gas in the gas grid.
HMG	Her Majesty's Government.
Household Support Fund	The Household Support Fund (HSF) will provide £1 billion this financial year to help households who are not eligible for other kinds of help or need further support. The HSF helps those in most need with the cost of essentials such as food, clothing and utilities and, in England, will continue to be distributed to Local Authorities, who are best placed to direct help to those who need it most. In May 2022, The government announced a further £500 million of support via the scheme, which will now run until March 2023. This is on top of £1 billion of support made available since October 2021.
Independent Distribution Network Operator (IDNO) See also DNO	Similar to a DNO but an Electricity Distributor in whose Electricity Distribution Licence the requirements of Section B of the standard conditions of that licence have no effect (whether in whole or in part).
Levy	A levy is an obligatory payment to the government or another organisation.
Mini-reconciliation	This is a process that BEIS will undertake where suppliers will provide information to keep track of the financial position (money claimed and money distributed in month). It will support the release of the next tranche of grant funding for the following month.
Mutualisation	Mutualisation is triggered in the event where any shortfall in payments made is distributed among those who have made their payments.
Qualifying Date	Point in time to establish which supplier should provide the EBSS to which customer.
Park home	Park homes are mobile homes occupied as main and only homes on caravan sites with planning permission for residential use.

<p>Pensioner Cost of Living Payment</p>	<p>A £300 payment to all pensioner households to help them cover the rising cost of energy this winter. This payment will go to the over 8 million pensioner households who receive the Winter Fuel Payment. The Pensioner Cost of Living Payment will come as a top-up to annual Winter Fuel Payments in November/December.</p>
<p>Traditional prepayment meter (Traditional PPM)</p>	<p>A traditional prepayment meter is operated ‘pay as you go’ using a smartcard, token or key that can be topped up at a shop or via a smartphone app. Customers pay in advance for the electricity they use.</p>
<p>Smart prepayment meter (Smart PPM)</p>	<p>Smart prepayment meters are similar to traditional PPMs in that customers pay in advance for the electricity they use. Smart PPMs are topped up online or via an app and allow the user to monitor their energy usage at any time convenient to them. As they record actual energy usage, meter readings or bill estimates are not needed.</p>
<p>Smart meter</p>	<p>A smart meter is an electronic device that records consumption of electric energy and communicates the information for the purpose of system monitoring and billing.</p>
<p>Special Action Message (SAM)</p>	<p>A message addressed to a prepayment customer’s meter and transmitted from a domestic supplier to that meter through the electricity credit purchasing network.</p>
<p>Warm Home Discount</p>	<p>The Warm Home Discount is a £150 payment applied to eligible customers’ electricity bills over winter, usually between October and April. It is designed to help reduce costs for those living on a low income or pension over the winter months.</p>
<p>Winter Fuel Payment</p>	<p>The Winter Fuel Payment is an annual tax-free fuel payment of £100 to £300 for people who have reached state pension age on or before the end of the 3rd week of September in any given year.</p>

2. Overview

Summary

Over the past year, global energy prices have soared, with wholesale gas prices alone quadrupling.¹ This has led to an unprecedented rise in household energy bills, with over 22 million households on the Default Tariff Cap experiencing an increase of £693 per year for the average dual fuel household from 1 April 2022.

To help with the cost of living pressures, the government announced a package of support worth £9.1 billion to help households with rising energy bills on 3 February 2022. This support package contained a range of measures to help households with their bills.

The Energy Bills Support Scheme (EBSS) is one of these measures. When the Scheme was announced, the government's intention was that suppliers would be funded by government to provide a £200 reduction to domestic electricity customers' bills from October 2022. This was then intended to be recovered through a levy on electricity bills. The Scheme designed to help spread some of the costs of this year's energy price shock over a five-year period starting in the financial year 2023/24 and ending in the financial year 2027/28.

The government held a technical consultation on the Scheme design from 11 April to 23 May. The consultation sought views from stakeholders on the following elements of the Scheme's design:

- Scheme eligibility
- Delivering the grant to customers
- The process for payment to suppliers
- Calculating and collecting the levy
- Credit requirements
- Reporting requirements
- Compliance, enforcement and sanctions
- Costs of implementing the Scheme

Changes to the Scheme

The government recognises that millions of households across the UK have been impacted by rising energy bills. Ofgem set out to the BEIS Select Committee that a further rise in the region of £800 per year for the average dual fuel household was expected in the energy price cap from October 2022. That is why on 26 May the government announced an expansion of the

¹ <https://www.ofgem.gov.uk/energy-data-and-research/data-portal/wholesale-market-indicators>

Energy Bills Support Scheme, doubling the grant amount from £200 to £400, and cancelling the levy element.

EBSS is part of a wider Cost of Living package set out by the government on 26 May 2022. EBSS is not targeted at particular groups, and households most in need will be eligible for further support in addition to EBSS. This includes:

- a £650 one-off Cost of Living Payment for around 8 million households on means tested benefits;
- a one-off £300 pensioner Cost of Living Payment for over 8 million pensioner households to be paid alongside the Winter Fuel Payment;
- a payment of £150 for around six million people across the UK who receive certain disability benefits;
- a £500 million increase and extension of the Household Support Fund.²

This publication summarises the responses received to all EBSS consultation questions, including those on the design of the levy proposed as part of the February announcement. The levy will no longer feature as part of the Scheme as announced on 26 May.

Consultation background

The EBSS consultation was published on GOV.uk and on the BEIS Citizen Space consultation hub on 11 April 2022 and closed on 23 May 2022. We also ran a series of stakeholder engagement sessions before, during and after the consultation, where we presented and discussed the proposals with more than 93 interested parties, including suppliers, consumer groups and charities.

We received 233 responses to the consultation from a range of organisations, including large and small suppliers, Distribution Network Operators, consumer groups and interested charities.

Given the large number of responses to our consultation, this document focuses on the most common or relevant points for each consultation question, rather than summarising every point. We have considered and given due weight to all responses when developing the details of the final Scheme design.

Stakeholder engagement

Following the announcement on 3 February and ahead of the consultation on 11 April, officials held a series of roundtables with suppliers, consumer groups and charities focusing on the payment details, compliance and enforcement, vulnerable customers and hard to reach

² Cost of living support factsheet: 26 May 2022 <https://www.gov.uk/government/publications/cost-of-living-support/cost-of-living-support-factsheet-26-may-2022>

customers. A separate workstream covered the levy but this was discontinued following the cancellation of this part of the Scheme.

The engagement continued through the consultation period and beyond, including after the policy change announced on 26 May. This included a series of bilateral meetings with suppliers to deepen understanding of the way the Scheme could impact on different companies, and further engagement with charities and consumer groups.

Following the announcement on 26 May, we consulted further with suppliers, charities and consumer groups who had engaged with the consultation. We asked for views on how the announced changes to the Scheme could affect aspects of the policy design, including on deliverability, timing of payments, and the treatment of debt and arrears.

Summary of consultation responses

All responses to this public consultation have been recorded and the government has analysed the common themes that emerged to obtain an indication of the most frequently expressed points of view. This document includes a summary of responses received based on this analysis on a question-by-question basis in Section 4. A list of respondents to this consultation is provided in Annex A.

3. Energy Bills Support Scheme policy design

The EBSS aims to support households with their energy bills through winter 2022-23, allowing them to consume the necessary amount of energy. As the government announced on 26 May, the EBSS has been expanded and households will receive £400 of support with their energy bills. Energy suppliers will deliver this support to GB households who have a domestic electricity contract with a licensed supplier over six months from October 2022. The government is working urgently to ensure that the people of Northern Ireland receive the equivalent support as soon as possible.

Principles for EBSS design

As set out in the consultation, we have followed a set of high-level principles during the development of this Scheme. These are:

- **Simplicity** – ensuring that a pragmatic approach is taken and that the Scheme uses existing systems and processes where possible, including a single existing legislative mechanism if possible
- **Reach** – the Scheme should be delivered to as many eligible customers as possible, regardless of which supplier they use or their choice of payment method
- **Cost** – delivery costs should be minimised for suppliers, network companies, other scheme participants and customers
- **Clarity** – the Scheme must be clear and easy to understand for customers and stakeholders
- **Protections** – reasonable and proportionate protections for HMG and consumers from risk of fraud, gaming, and non-compliance.

Summary of the EBSS

Suppliers will be required to provide each eligible customer they serve on the Qualifying Date with the following payment during each month that they are eligible for EBSS (i.e., the customer has a domestic electricity supply contract with a licensed electricity supplier):

Table 1: EBSS Amount and expected dates

EBSS Month	Initial estimate date	Qualifying Date – 00:01 on date	Amount
October	7 September 2022	1 October 2022	£66
November	7 October 2022	1 November 2022	£66
December	7 November 2022	1 December 2022	£67
January	7 December 2022	1 January 2023	£67
February	9 January 2023	1 February 2023	£67
March	7 February 2023	1 March 2023	£67

Customer eligibility will be determined on a monthly basis on each Qualifying Date, i.e. 00:01 on the first day of each month in which EBSS will be delivered. Suppliers will be responsible for delivering the next EBSS monthly payment to all eligible customers who they serve on that date.

Supplier funding will be determined on a monthly basis in advance of the Qualifying Date. Each supplier will report the number of eligible customers they expect to have on the Qualifying Date each month so that EBSS funding, sufficient to pay all eligible customers, can be made available to suppliers before payments to customers commence.

Suppliers will then be provided with commensurate funding ahead of the delivery month and will have an obligation to provide the monthly EBSS payment to customers as soon as possible after the Qualifying Date for all customer payment types, except Direct Debit customers, where the EBSS payment should be provided in line with their established Direct Debit collection schedule. Suppliers will need to take all reasonable steps to ensure that all their eligible customers are provided with each month's EBSS payment in the relevant month ('payment period').

Where possible, the Scheme has been designed to minimise any potential market distortions such as interfering with customers' incentives or ability to switch supplier or change payment type. Table 2 below sets out how each customer group will receive the EBSS payment.

Table 2: EBSS customer payment process by customer group

Customer payment type	EBSS customer payment process
Direct Debit customers	Provided either as a reduction to the monthly Direct Debit amount collected, or as a refund to the customer's bank account following Direct Debit collection during each month of EBSS delivery. Direct debit dates will remain unchanged.
Standard credit customers (pay on receipt)	Applied as a credit to standard credit customers' accounts in the first week of each month of EBSS delivery, with the credit appearing as it would if the customer had made a payment. The grant should be provided monthly regardless of whether the account is paid monthly, quarterly or has an associated payment card.
Payment card customers	Provided as a credit to payment card customers' accounts in the first week of each month of EBSS delivery, as if the customer had made a payment. This will be the same whether the account is paid monthly or quarterly.
Smart prepayment meter customers	Remotely applied as credit to smart prepayment meters in the first week of each month of EBSS delivery.
Traditional prepayment meter customers	Provided as vouchers or Special Action Messages (SAMs) redeemable by traditional prepayment meter customers, in the first week of each month of EBSS delivery. Vouchers can be issued via SMS text, email or post.

If a supplier is not able to provide the EBSS grant to all its eligible customers, the supplier must report to BEIS and Ofgem what steps it is taking to ensure delivery.

Suppliers will need to notify their customers in writing (paper or electronic) that they have received the EBSS grant from HM Government. This will vary by customer payment type, but at a minimum, we expect this to be clearly shown on bills or statements for Direct Debit, credit and smart PPM customers as funded by HM Government.

BEIS will continue to work closely with all suppliers to ensure messaging and communications around the EBSS are clear, coordinated and consistent to increase customer understanding and minimise calls to supplier call centres, as well as encourage redemption of the EBSS grant by traditional PPM customers.

BEIS will provide funding to suppliers for all EBSS payments delivered to eligible customers, but not for any costs incurred in administering the Scheme. If the costs to administer the Scheme materially and systematically impact efficient supplier costs, suppliers have the ability to demonstrate the impact of these costs to Ofgem who may consider whether to amend the relevant price cap methodology.

We will use Ofgem's current compliance, enforcement and sanctions framework for the licence conditions relating to the Scheme and have listened to suppliers who stated no new regime should be created. We have also listened to suppliers' feedback that reporting requirements should be as streamlined as possible, and reporting should not be duplicated or requested at the last minute. BEIS, however, may require some additional financial reporting to ensure that we are managing public money appropriately. Reporting requirements for the Scheme will be set out in the Direction, published in draft alongside this document, and the Scheme Guidance, which we intend to publish at the end of August.

The legal and regulatory framework of the Scheme

In order to fund the Scheme, the government is using the Supply and Appropriation Act 2022. This Act allows HM Treasury to issue funds out of the Consolidated Fund and allocate them to individual government departments and Crown bodies.

The £400 payment will be delivered by domestic electricity suppliers, so the means by which suppliers will be required to deliver EBSS to their customers must be in place. The Secretary of State will issue a Direction under section 7(3) of the Electricity Act 1989 which requires licensees to "comply with any direction given by the Gas and Electricity Markets Authority or the Secretary of State as to such matters as are specified in the licence or are of a description so specified".

A draft of the Direction is published alongside this consultation response. When issued by the Secretary of State, suppliers will be required to comply with this Direction.

The Direction requires electricity supply licence holders to provide payments to their eligible customers on a monthly basis, between October and March.

The Direction will be implemented with the support of Ofgem, which published a statutory consultation earlier in the year on the modification of relevant domestic electricity supply licence conditions to help facilitate delivery of the Scheme.

We are keen to continue to engage with suppliers on the draft Direction and, should we receive further feedback at this point, there may still be scope to implement changes to the Direction, if necessary, before it comes into force in October 2022.

Public Sector Equality Duty

We have completed a Public Sector Equality Duty (PSED) assessment for the EBSS and this will be set in more detail in the EBSS impact assessment.

We expect the EBSS to have no disproportionately negative impacts on people with protected characteristics in its design due to its broad reach. However, we do anticipate that some groups of people with protected characteristics may be more difficult for suppliers to reach and for which the government must exercise due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act
- Advance equality of opportunity between people who share a protected characteristic and those who do not
- Foster good relations between people who share a protected characteristic and those who do not

Responses to the consultation and engagement with stakeholders raised a number of issues relevant for the EBSS PSED and which the government has considered in finalising the policy design of the Scheme. These are included below along with changes to the Scheme that help to mitigate the issues raised:

- There may be certain changes in household circumstances after the proposed Qualifying Date that could affect eligibility for the grant which may pose a disadvantage to certain protected characteristics. For example, young people may leave home after the Qualifying Date and not receive the grant or a divorce and/or separation, could mean one household splits into two after the Qualifying Date.

Mitigation: Customers will now be provided with six, monthly payments based on six qualifying dates rather than a single date in October. This allows new eligible households to benefit from the relevant portion of the total £400 as there will be multiple qualifying dates.

- Similar to the issue above, stakeholders raised that there may be circumstance where customers pay the levy without receiving the grant could create unfairness which affects some groups to a greater extent, for example, young people leaving home, students, divorcing / separating couples.

Mitigation: the levy has been removed from the Scheme therefore no individual is in a position where they are required to pay back a grant they either did not receive or only partially received.

- The benefit of the grant may not be passed on to tenants by a landlord which may have a disproportionately larger impact on some groups because of the make-up of the rental sector. For example, Muslim and Hindu households are disproportionately represented in the private rented sector. In addition, black, Indian, Pakistani, Bangladeshi and other ethnic minority households are disproportionately represented in the private rented

sector. Young people are also disproportionately represented in the private rented sector.

Mitigation: Landlords who have a domestic electricity contract with a licensed electricity supplier and then resell the electricity to their tenants must comply with the maximum resale price rules and should therefore pass on any EBSS payments appropriately. The current maximum price at which gas or electricity may be resold is set at the same price as that paid by the person who is reselling it, including any discounts. The EBSS will be treated as a discount for the purposes of the MRP. Where there is a domestic electricity connection and an inclusive charge is made for accommodation with no specified charge for gas or electricity and no separate agreement for the resale of energy, parties are encouraged to come to an agreement on the EBSS discount, in line with the arrangements in their respective contracts or tenancy agreements.

- The grant may be used to pay off an existing debt to the supplier rather than being used for the intended purpose of smoothing winter price increases, which would likely affect individuals in debt and those with prepayment meters (PPMs) to the greatest extent. Individuals with PPMs are significantly more likely to be young (18-35), disabled, single parents or live in rented housing.

Mitigation: the government expects and encourages suppliers to make it their priority to work actively to move customers with large arrears balances onto repayment plans wherever possible. This is already a licence condition for suppliers.

- It is possible for some to receive more than one EBSS payment each month if they own a second home or pay the electricity bill of a relative, friend or tenant. This would likely not benefit people on lower incomes, which is associated to religion, age and sex. However, removing the grant from those who pay more than one electricity bill could stop people who are supporting of elderly or disabled individuals from receiving a needed grant.

Mitigation: We acknowledge that delivering support at this scale and pace means there may be instances where people receive the grant more than once if they have another property (e.g. a second home). The government has carefully considered this issue. Based on the information electricity suppliers currently collect, they would not be able to accurately identify if someone's property is a second home. Requiring suppliers to make assumptions and exclude second homes based on this could lead to adverse consequences, such as inadvertently excluding customers paying for elderly relatives' bills. Local authorities also do not hold a complete data set and vary their definition of a second home across localities – there is no register of second homes in Great Britain. The government considers it would not be practical to try to restrict eligibility in this regard. To create a new mechanism to accurately identify second homes would delay the whole scheme, for minimal benefit, and would result in significant risks of inaccurate data matching, leading to primary home residents losing out, and compromising data protection principles.

- Customers with traditional PPMs will need to take action to apply their vouchers or Special Action Messages (SAMs), and this may result in individuals not using vouchers sent to them. Individuals with PPMs are significantly more likely to be young (18-35), disabled, a single parent or live in rented housing.

Mitigation: the government will work with suppliers and third parties on targeted communications and messaging for PPM customers to ensure vouchers are used.

Next steps

The government has also published a draft Direction setting out detailed requirements for suppliers delivering the Scheme. This is available here:

<https://www.gov.uk/government/consultations/technical-proposals-for-the-energy-bills-support-scheme>.

The government will work with Ofgem and suppliers on guidance ahead of implementation of the Scheme in October 2022. We intend to publish guidance for suppliers at the end of August.

Table 3: EBSS Delivery timetable

Date	Agency/Department	Event	Length of time
29 July 2022	BEIS	Publication of government response to the EBSS consultation and draft Direction	N/A
29 July 2022	Ofgem	Licence modification decision	N/A
9 September 2022	BEIS	Impact assessment published	N/A
End of August 2022	BEIS	BEIS guidance for suppliers	N/A
29 July 2022 - 23 September 2022	Ofgem	Standstill period before licence changes come into effect	56 days
September 2022	BEIS	Direction issued by the Secretary of State	N/A

7 September 2022	Suppliers/BEIS	First initial payment estimate submitted by suppliers	N/A
23 September 2022	Ofgem	Licence change implemented enabling Direction to come into force	N/A
29 Sept 2022	BEIS/Suppliers	Suppliers will have received first tranche of EBSS funding	N/A
1 October 2022	BEIS/Ofgem/Suppliers	EBSS delivery commences	N/A
31 March 2023	BEIS/Ofgem/Suppliers	EBSS finishes	N/A
Summer 2023	BEIS/Ofgem/Suppliers	Final reporting and reconciliation	N/A

4. Government response to the consultation

Responses received to the consultation

This government response outlines the consultation position, a high-level summary of the stakeholder responses to the consultation and the UK Government's response to these, organised under each consultation question.

Respondents engaged with the consultation in different ways. Some responded directly to the consultation questions through the online portal, while others responded by email but with their responses structured around the specific questions. Many respondents did not structure their responses around the specific questions; therefore, we have also thematically analysed each response based on common themes.

Scheme Eligibility

Question 1

a. Do you agree with our approach to how we have considered customer eligibility to the Scheme?

b. Are there any other household living arrangements we should consider?

Consultation position

The consultation set out that the Scheme aims to reach as many households as possible experiencing an increase in their electricity bills and therefore all domestic electricity customers who have a direct relationship with a licensed electricity supplier will be automatically eligible for this scheme. The consultation also set out groups that the government recognised there may be implications for because of the eligibility criteria. For example:

- households without a domestic electricity supply
- where there are changes to household living arrangements
- households with multiple meter points
- multi-function premises
- vacant properties or occupier accounts
- landlords who charge their tenants for electricity

The government asked stakeholders whether they agreed with how the government will define customer eligibility and whether there were any further household arrangements that should be taken into account.

Summary of stakeholder responses to consultation

Household changes

Household changes were highlighted by the government in the consultation document and were picked up on by stakeholders from a number of angles. For example, there was concern household changes (for example, following relationship breakdowns) after the Qualifying Date could affect who receives the grant.

Stakeholders highlighted that those who did not receive the grant may then be required to pay the levy. This issue was particularly highlighted as a fairness issue for young adults who may leave home after the Qualifying Date and therefore would not receive the grant but would be required to pay back via the levy.

Students/Flat-sharers/HMOs

Related to household changes some responses from individuals, charities and consumer groups highlighted students, flat-sharers and Homes of Multiple Occupancy as key groups that could be affected differently by the Scheme because of their living circumstances. This particular focus here was related to unfairness of the benefit of the grant being split across several individuals

Additional concern was raised that these individuals may then move out into separate properties and pay back more through the levy than they received through the initial grant.

Bills-inclusive tenants

The government highlighted in the consultation document that there may be some landlords who charge rent inclusive of bills and would be expected to pass on the benefit to their tenants. This issue was raised by a number of respondents who were concerned that landlords may not pass the benefit of the grant on to the tenants but may increase the amount charged to tenants in order to cover the levy collection.

Park homes

A small number of respondents also raised concerns that residents of Park Homes may not be able to benefit from EBSS as they buy their energy from the Site Owner, who in turn buy the energy on a commercial basis and will not receive EBSS.

Multiple meter points

As the consultation set out there may be instances where individuals or households are responsible for more than one meter. This point was noted by a small number of respondents who raised concerns that individuals with multiple homes would get a greater benefit from the

Scheme. Some respondents also gave examples of where there may be multiple related meter points at a single property.

Disability/Medical conditions

A small number of responses, from individuals and charities, also raised an issue wider than specifically EBSS, and highlighted that those individuals with certain disabilities or medical conditions may also have higher energy bills because of their needs.

Government response

As per the consultation proposal, customers who have a domestic electricity supply contract with a licensed electricity supplier will be eligible for EBSS. Through the Direction, suppliers will be directed to provide the £400 EBSS payment to each bill payer.

In instances where a household has one or more 'related' electricity Meter Point Administration Numbers (MPANs) designed to facilitate multiple tariff rates for one property, such as those with an Economy 10 tariff, suppliers will be expected to provide only one grant per household. This approach recognises that households paying only one electricity bill are eligible for one grant.

Removing the levy ensures that no individual is in a position where they are required to pay back a grant they either did not receive or only partially received.

We have heard respondents' concerns around changes in household circumstances and, as set out in the 'Grant Design' section, we are proposing to shift to a model of monthly payments over six months from October, which will help to ensure that changes in household circumstances are better accounted for over the winter period. This means that if someone becomes eligible part-way through the six months of scheme delivery or conversely, ceases to be eligible, they will receive EBSS payments for the periods in which they are eligible.

EBSS and the resale of electricity, including to tenants

The maximum resale price (MRP) applies to domestic electricity supply. It is the most any person who resells electricity supplied by an authorised supplier can charge for resupplying gas or electricity.³ For example, it applies when a landlord resells gas or electricity to tenants in rented accommodation. Further guidance is available from Ofgem.⁴

The current maximum price at which gas or electricity may be resold is set at the same price as that paid by the person who is reselling it, including any discounts. The EBSS will be treated as a discount for the purposes of the MRP.

³ Section 44 of the 1989 Electricity Act provides that the Authority may set the maximum resale price (MRP).

⁴ Ofgem guidance <https://www.ofgem.gov.uk/publications/resale-gas-and-electricity-guidance-maximum-resale-price-updated-october-2005>

Landlords who have a domestic electricity contract with a licensed electricity supplier and resell the electricity to their tenants must comply with the MRP rules and should therefore pass on any EBSS payments appropriately.

Anyone who charges more than the MRP may face civil proceedings for the recovery of the amount overcharged, and may be required to pay interest on the amounts overcharged.

All-inclusive charges

Where there is a domestic electricity connection and an inclusive charge is made for accommodation with no specified charge for gas or electricity and no separate agreement for the resale of energy, parties are encouraged to come to an agreement on the EBSS discount, in line with the arrangements in their respective contracts or tenancy agreements.

We are aware of stakeholder's concerns that landlords with a domestic electricity connection who charge 'all inclusive' rent may not pass on the EBSS discount to their tenants. In these living arrangements, the landlord's fixed charge may already provide their tenant with similar protection from the impact of the price increase.

As set out in the MRP guidance, where rental charges are affected by the rising costs of energy, the tenant and landlord would need to consider whether any other restrictions might apply.

Households without a domestic supply contract

Some households will not receive EBSS from a supplier if they do not have a domestic electricity contract with a licensed electricity supplier. Affected groups would include those who pay their electricity as part of an inclusive charge with supply through a non-domestic contract. For example, residents of park homes paying a site owner, properties on a private electricity network and those who are not connected to the electricity grid. Evidence suggests at up to 400,000 would not receive EBSS support due to these circumstances, compared with approximately 29 million that will.

For these affected households, funding will be made available as soon as possible. We are developing approaches that will ensure they receive £400 equivalent support for energy bills this winter, working with local authorities, the devolved administrations and commercial partners. An announcement with details on how and when these households across Great Britain can access this support will be made this autumn.

An expansion of the EBSS was announced by the government on 26 May 2022 as part of a wider Cost of Living package. EBSS is therefore not targeted at particular groups, as households most in need will be eligible for further support in addition to EBSS. This includes £650 one-off Cost of Living Payment for around 8 million households on means tested benefits; £300 pensioner Cost of Living Payment for over 8 million pensioner households; £150

for around six million people across the UK who receive certain disability benefits; plus a £500 million increase and extension of the Household Support Fund.⁵

Grant Design

Question 2

a. Do you agree with the proposed qualifying date, provisionally set at 23:59 GMT on 3 October 2022?

b. Given this qualifying date, do you agree with the associated processes linked to it, as set out in the section titled ‘Delivering the bill reduction to eligible customers’?

Consultation position

The consultation highlighted that it is important that suppliers and their eligible customers understand who will be responsible for delivering EBSS to a specific customer, even if they switch suppliers, and for suppliers to understand which customers they are responsible for. Therefore, we proposed in the consultation using a single qualifying point in time (the “Qualifying Date”) to establish which supplier should provide the reduction to which customer. Our proposed qualifying time and date was 23:59 GMT on 3 October 2022.

Summary of stakeholder responses to consultation

There was a range of views on whether the proposed date was correct. Some respondents agreed with the suggested qualifying date, whilst others suggested an earlier or later qualifying date in order to put space between the EBSS qualifying date and the Ofgem Price cap increase expected on 1 October. There were concerns about being too close to the price cap when customer contact is already expected to be at a peak and EBSS could cause further pressure on customer contact centres.

Some individual respondents raised concerns that some customers may miss out on an EBSS payment where they move into a property after the Qualifying Date but are still paying the higher energy costs of the winter. Some of these respondents suggested that multiple dates could be used during the six-month period from October to March to ensure customers did not miss out.

Government response

Table 2: EBSS Amount and expected dates

⁵ Cost of living support factsheet: 26 May 2022 <https://www.gov.uk/government/publications/cost-of-living-support/cost-of-living-support-factsheet-26-may-2022>

EBSS Month	Initial estimate date	Qualifying Date – 00:01 on date	Amount
October	7 September 2022	1 October 2022	£66
November	7 October 2022	1 November 2022	£66
December	7 November 2022	1 December 2022	£67
January	7 December 2022	1 January 2023	£67
February	9 January 2023	1 February 2023	£67
March	7 February 2023	1 March 2023	£67

As set out in the Scheme design, there will now be six payments on a monthly basis from October, with six associated qualifying dates at the beginning of each month. Through discussion with stakeholders, we have decided on a qualifying time and date of 00:01 on the first of each month, as set out in the Scheme framework (table 2). Suppliers in particular fed back that 00:01 allowed for scheduled midnight transfers, so this best this allows for suppliers to provide EBSS on a monthly basis.

Suppliers will be expected to use their existing processes as far as possible to handle cases such as changes of tenancy on the Qualifying Date. The guidance will set out a list of exceptions in cases such as changes of tenancy and the steps suppliers must take to ensure eligible customers receive the reduction before declaring an exception.

Customer eligibility will be determined on a monthly basis on each Qualifying Date, i.e. 00:01 on the first of each month in which EBSS will be delivered. Suppliers will be responsible for delivering the next EBSS monthly payment to all eligible customers they serve on that date.

Suppliers will have an obligation to provide the monthly EBSS payment to customers as soon as possible after the Qualifying Date for all customer payment types, except Direct Debit customers, where the EBSS payment should be provided in line with their established Direct Debit collection schedule. Suppliers will need to take all reasonable steps to ensure that all their eligible customers are provided with each month's EBSS payment in the relevant month.

Suppliers will receive funding in advance of the Qualifying Date, so they are not exposed to the costs of delivering EBSS payments.

Funding will be determined on a monthly basis. Each supplier will report the number of eligible customers they expect to have on the Qualifying Date each month so that EBSS funding,

sufficient to pay all eligible customers, can be made available to suppliers before payments to customers commence. Suppliers will be expected to set up a separate account to receive funds into. Suppliers will then be provided with commensurate funding ahead of the delivery month, and period.

Question 3

Do you agree with proposals that suppliers should provide all eligible customers that they serve on the qualifying date with the reduction as quickly as possible and within six weeks, and by no later than 31 March 2023 for hard-to-reach customers?

Consultation position

The consultation set out that each supplier will be obliged to provide their eligible customers with the reduction as quickly as possible after the qualifying date, and no later than six weeks after that date, with exceptions only where delivery is not reasonably practicable.

Summary of stakeholder responses to consultation

There was a range of views from respondents on the proposal for suppliers to serve eligible customers on the qualifying date and within six weeks, and by no later than 31 March for hard-to-reach customers. Some suppliers were content with the proposed six-week timeframe and welcomed the recognition from government that some customers would be harder to reach and they would require flexibility on the timeframe for reach them.

Other suppliers noted that six weeks would be too short a length of time to deliver the grant to all customers, given the operational complexity and particularly at the same time as meeting other licence conditions (for example, on customer service standards). It was suggested by one supplier that BEIS could set a target for a certain percentage of eligible customers to be served within the six weeks instead.

Some responses from individuals raised concerns that six weeks was too long a timeframe for customers to receive support and were particularly concerned that hard-to-reach customers might not receive the grant until after the winter. Some individual respondents and charities also suggested that the most vulnerable customers and/or those on the lowest incomes should receive the grant first.

Government response

We will require that suppliers take all reasonable steps to provide the monthly EBSS payment to each eligible customer as soon as possible after the Qualifying Date. This means within five working days for Standard Credit customers, smart PPM customers and for the issuing of vouchers or SAMs to traditional PPM customers. Payments should be in line with normal collection processes for Direct Debit customers. For harder to reach customers, this should be prior to the next Qualifying Date or Scheme end date.

Reasonable steps means that suppliers should attempt to deliver the EBSS payment through the primary delivery mechanism for each payment type during the payment period. For example, for an October payment to a Direct Debit customer the supplier would have made all attempts to discount their Direct Debit by the October EBSS amount before 31 October. Further detail will be set out in guidance.

We expect this approach will be sufficient for almost all customers. However, we understand that in some instances suppliers will not be able to follow the normal delivery mechanism and may have to seek alternative means of getting the grant to those customers. As the Scheme will now run over six months, with six qualifying dates, suppliers will have more opportunities to identify and reach less engaged and harder to reach customers.

In such cases, where a supplier is unable to provide the EBSS payment through other means, for example, if they do not have adequate information, suppliers will be required to report these customers as outstanding customers to BEIS and set out the steps that they will take to attempt to deliver the payment to them.

If delivery ultimately fails, suppliers will be required to report to BEIS and Ofgem on the reasons why outstanding customers could not be provided with a payment, or why delivery failed. Any funding already provided by BEIS will need to be agreed and returned through the reconciliation process.

Question 4

Suppliers will need to notify their customers in writing once the Scheme reduction has been applied to their account. How could this process be made as effective as possible, while limiting administrative burdens?

Consultation position

The consultation proposed that, given the different arrangements by which customers can receive the reduction, suppliers will be required to notify their customers in writing that the reduction has been provided on the recipient's bill or by other means. In this context, "providing" refers to crediting the full amount to a customer's account, crediting a smart PPM, or issuing vouchers to a traditional PPM customer.

Summary of stakeholder responses to consultation

There was a broad consensus among respondents that communication of the Scheme by suppliers to customers should be attached to existing communications or delivered as part of existing bill communications to raise customers' awareness and so help limit supplier costs. It was noted that the exact method would depend on existing customer preferences and could include online bills, emails or via letter for some customers.

Suppliers felt that it was important they had the ability to choose how best to contact customers as they had the established relationships and understanding of existing customer preference.

Suppliers also raised that government mandating the method of customer contact could also impact their costs to administer the Scheme.

Government response

All customers should be informed in writing (paper or electronic) that they have received the EBSS payment or discount from HM Government. This will vary by customer payment type, but at a minimum, we expect this to be clearly shown on bills or statements for direct debit, credit and smart PPM customers as being funded by HM Government.

For traditional PPM customers who receive vouchers, SAMs, barcoded letters or cheques, they must be informed that the purpose of these is for provision of the EBSS grant, as funded by HM Government. The government will also work with suppliers and third parties on targeted communications and messaging for PPM customers to ensure vouchers are used.

Suppliers will be allowed flexibility to determine the best method of communicating with their customers, as has been the case earlier in the Scheme's development. For example, communications can be aligned with other pricing communications to reduce material received by consumers where possible and reflect existing customer communication preferences. This will help minimise costs and meet customer needs such as paper vouchers for customers without a smart phone, or digital vouchers for those that have requested this. Combining messaging will also increase the likelihood of material being read and not overburdening consumers.

As suppliers are expected to be the intermediary for communications about the EBSS payments, the government will provide guidance regarding the information and wording to be issued in these communications. This will ensure consistency across suppliers and that consumers receive the same messages. The government acknowledges that not all consumers across GB will be reached via supplier communications. Therefore, the government will deliver communications via a broad range of other methods such as local authorities, community networks, charities, consumer and advocacy groups and faith organisations in order to ensure the information is disseminated as widely as possible and reaches those most in need.

Countering incorrect messaging and scams

Scams have emerged suggesting that consumers need to apply for the grant. We are working with the Chartered Trading Standards Institute, Action Fraud and other entities to raise awareness of scams around the EBSS, and to counteract the impact. We are engaging with BEIS Press Office and Ofgem regarding existing procedures to counter scam messaging. Broad scale communication through a range of entities regarding the Scheme and its implementation will also help minimise vulnerability to scams.

Question 5

Under what circumstances do you think it would not be reasonably practicable for suppliers to provide the payment?

Consultation position

The consultation sought views on circumstances where it might not be reasonable for suppliers to provide the payment.

Summary of stakeholder responses to consultation

A number of individual respondents felt that there would be no circumstances where it would not be reasonably practicable for suppliers to provide the payment.

Some suppliers gave examples of where it may not be practicable. For example, where action is required by the customer or a third party in order to claim the grant and where customer contact may be more difficult, for example if the customer's details are not up to date, then although the supplier can attempt to reach the customer, they cannot compel them to claim of the grant. Some individuals also raised that supplier administration costs could be prohibitively high and increase the cost to consumers; this was not an issue raised by suppliers directly.

Some suppliers also mentioned that they may also experience difficulty providing the grant where a property is vacant, which could include a change-over in tenancies.

Government response

Suppliers will be expected to take all reasonable steps to provide and deliver the EBSS to their eligible customers, as set out in question 3. BEIS intends to set out a list of the situations which could be deemed a valid exception to the Direction through the Guidance for suppliers. Suppliers will be required to report to BEIS on delivery. Further detail on how suppliers should comply with, report on and evidence exceptions will be set out in the Guidance.

Question 6

Do you agree with the proposals to spread the benefit for Direct Debit customers over six months? Yes/No. Please provide any reasoning to support your response.

Consultation position

For Direct Debit customers, suppliers are normally able to apply a credit to an account within 24 hours. Therefore, the consultation proposed that suppliers will be expected to provide the reduction to direct debit customers by crediting the full amount to customer accounts as soon as possible from the qualifying date. Direct Debit levels are typically calculated based on a customer's balance and a forecast of their usage over a 12-month period. However, the intention stated in the consultation was for the Scheme to benefit customers over the winter

months and so we proposed that, where possible, suppliers should look to reprofile customers' direct debit levels over the six-month period to 31 March 2023 in line with the credited amount.

Summary of stakeholder responses to consultation

We have heard from some suppliers through their consultation responses and our engagement with them that requiring Direct Debits to be reprofiled for the six-month period as proposed in the consultation would result in higher monthly payments for customers. This was even taking into account the £200 grant, as it would only take into account winter usage rather than following the usual cycle which spreads the cost across 12 months.

Some suppliers also raised that being required to reprofile all their Direct Debit customers would increase the administrative costs and risks to delivery.

Some individuals felt that Direct Debit customers should get a choice in how they receive EBSS and whether this is split across six months or delivered as an upfront credit.

Further engagement with suppliers, following the 26 May announcement, indicated that challenges remained with delivering £400 over the six months from October to Direct Debit customers. The approach set out below was developed over the course of several industry working groups and bilateral meetings.

Government response

BEIS recognises that most GB energy consumers pay their bills through a Direct Debit arrangement (approximately 69% of domestic electricity customers⁶). Most Direct Debit arrangements seek to spread total annual energy costs over a 12-month period and supplier systems are designed to make a calculation over the full 12 months. As such, recalculating Direct Debits over the six months from October 2022 introduces risks to delivery, the potential for unintended consequences such as increasing Direct Debits, and increased costs, where established systems have to be adapted.

Following extensive further engagement with industry, an alternative approach has been developed based on reducing Direct Debit payments. As set out in response to Question 2, payments will now be made on a monthly basis for the six months from October to March. The majority of suppliers fed back that this was a simpler and cheaper mechanism to implement. To deliver this in the most straightforward way, the EBSS payment will be applied as a reduction or discount to the Direct Debit amount collected by each supplier in each month of EBSS delivery in line with the amounts set out in the Scheme framework (table 1). Where the EBSS payments is higher than the Direct Debit amount to be collected, the remaining balance will be credited to the customer's account.

We are sympathetic to the fact that some suppliers may not feasibly be able to reduce a customer's Direct Debit collection. If suppliers cannot feasibly reduce the amount charged, we

⁶ BEIS Energy Statistics, 2022 Table 2.4.2

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1043393/table_242.xlsx

will allow the EBSS payment to be delivered by suppliers in the form of refund to customers' bank accounts following normal collection of established Direct Debit payments.

We do not expect that application of the EBSS payments would trigger or delay a review of Direct Debit plans, outside of a supplier's normal business processes.

Question 7

Do you agree with the proposal for pay-on-receipt customers to feel the benefit of this Scheme in their next bill after the qualifying date?

Consultation position

For standard credit customers, the consultation proposed that suppliers credit the full amount to customers' accounts as soon as possible after the qualifying date. The intention of this proposal is that customers would feel the benefit of the reduction when they are billed, which would depend on the frequency of their bills. The consultation also recognised that suppliers may need to apply the reduction to more than one bill where the bill is less than the £200, particularly when they issue bills on a monthly basis.

Summary of stakeholder responses to consultation

Several organisations were in favour of spreading the benefit for pay-on-receipt customers over a longer period, for example six months as per the proposal for direct debit customers.

A few suppliers suggested that this proposal should be dependent upon the customer's billing cycle and the billing amount, for example spreading the reduction across more than one bill if their next bill was less than £200. Further engagement with suppliers during the consultation period also highlighted the importance of consistency across the different payment types. EBSS should not introduce any artificial incentive to switch between payment types or suppliers.

Government response

As far as possible, we aim to ensure consistency of EBSS delivery between the different payment types. This is to prevent unintended consequences, such as customers being incentivised to switch (or prevented from doing so), from one payment type to another or to different suppliers. Therefore, there will be a monthly payment process for pay-on-receipt customers, regardless of whether accounts are billed monthly or quarterly.

Suppliers will be expected to credit pay-on-receipt customers' accounts with EBSS on a monthly basis, within five working days of the Qualifying Date. Payments will be credited to customers' accounts as if they had made an additional payment. This will then show on the customer's next bill, issued to the supplier's normal billing schedule. For example, a customer who received their next quarterly bill in November would see two EBSS payments – one for October and one for November.

Question 8

Do you agree with the proposal for payment card customers to receive the full amount on their next quarterly bill after the qualifying date?

Question 9

Are you aware of any reasons why payment card customers might need to receive the reduction across more than one bill?

Consultation position

Customers using payment cards must settle the amount outstanding on their account by the bill due date. The consultation proposed that suppliers would be required to credit customers' accounts with £200, as was the Scheme amount at the time, as soon as possible, and this would then appear on the first bill issued after the Qualifying Date. This could mean the settlement amount for some customers may be less, and some accounts may be put into credit.

Summary of stakeholder responses to consultation

There was a range of views put forward by respondents to this question. Some were content with the proposal to credit the account upfront with the EBSS payment. Whilst another group, made up of charities, suppliers and individuals, felt it may be beneficial to spread the payment across the winter to help with budgeting and to reflect proposed treatment of Direct Debit customers.

Government response

Customers who pay by payment card will be treated in the same way as standard credit or pay-on-receipt customers. Suppliers will be expected to credit payment card customers' accounts with EBSS on a monthly basis, within five working days of the Qualifying Date. Payments will be credited to customers' accounts, as if they had made an additional payment. This will then show on the customer's next bill, issued according to the supplier's normal billing schedule.

Question 10

Do you agree with the proposal for customers with smart prepayment meters to have the full amount credited to their meters as soon as possible after the qualifying date, where feasible?

Consultation position

To simplify delivery of the grant, the consultation set out that suppliers will be expected to credit smart prepayment customers with the full amount of £200 as soon as possible after the qualifying date.

Summary of stakeholder responses to consultation

There was a range of views presented in response to the proposal for smart prepayment customers to receive the full amount credited to their account. Some respondents felt that the benefit would be better spread across the six-month period, in order to reflect the proposed approach for Direct Debit customers but most importantly to help customers budget for higher costs throughout the winter months. Others felt that smart prepayment customers should have a choice in how they receive the grant, either as an upfront lump sum credit or spread across a number of months.

A number of suppliers also raised specific concerns about whether the infrastructure used to make the transfer to smart meters would be able to handle the significant increase in payments alongside the business as usual requests.

Government response

To ensure consistency between payment types and prevent any unintended consequences such as customers being incentivised to switch (or prevented from doing so), from one payment type to another, there will be a monthly payment process for smart PPM customers.

Suppliers will be expected to remotely credit smart PPM accounts with the EBSS payment on a monthly basis, as soon as possible after the Qualifying Date. Should this not be possible for any reason, for example in the case of smart PPM being inaccessible remotely, then the customer should be treated as a traditional PPM customer.

Question 11

Do you agree with the proposal for the £200 to be issued via vouchers and/or SAMs to traditional prepayment meter customers?

Consultation position

For PPMs which cannot be credited remotely, the consultation proposed that suppliers be required to provide the grant through other means such as vouchers or Special Action Messages (SAMs), which can be redeemed at their next top-up.

Summary of stakeholder responses to consultation

Some respondents raised concerns that some vouchers may go unused as customers may not be aware of EBSS and what action will be required of them as customers in order to claim the SAMs or vouchers.

As recognised in the consultation, some suppliers and individuals raised the higher supplier administrative burden and costs of providing the Scheme to traditional PPM customers versus other customer groups.

There were concerns from members of the public, consumer groups and suppliers regarding the fraud risks with vouchers and the ability to transfer vouchers if customers moved from a

PPM to a credit meter. Suppliers also voiced opposition to the government prescribing how many vouchers and voucher amounts should be used.

Government response

To ensure consistency between payment types and prevent any unintended consequences, such as customers being incentivised to switch from one payment type to another (or prevented from doing so), traditional PPM customers should be provided with the EBSS grant on a monthly basis from October 2022.

Suppliers will be expected to provide traditional PPM customers with the EBSS payment in each of the six months. This should be provided as soon as possible after the Qualifying Date, and by the end of the relevant month.

We will allow flexibility on the practicalities of delivering this, including one or multiple barcodes on the monthly voucher, one voucher issued that is remotely credited with each month's voucher amount, SMS vouchers, email vouchers, postal vouchers, or SAMs. Suppliers should seek to ensure that the most suitable type for individual customers is provided. For example, where a customer does not have internet access or access to a smart phone, a postal voucher should be used.

Sending a voucher, SAM or cheque to an eligible customer is deemed as the EBSS grant being provided. If the voucher, SAM or cheque is successfully credited or cashed by the customer, the grant is considered to be delivered.

We recognise the concerns around the ability of customers to transfer vouchers if they move to a credit meter; we are also seeking to mitigate the risks of vouchers remaining unused and the risks of fraud. We will be undertaking a rigorous communications campaign, utilising a range of media, existing networks and systems to alert customers to the vouchers they will receive and how to use them.

We recognise that some of the most vulnerable members of society use traditional PPMs and we will be providing guidance to suppliers on how best to ensure they have reached consumers. We will require suppliers to take reasonable steps - including repeated attempts to reach all customers with vouchers or SAMs and by cheque - to provide the EBSS grant. Demonstrating that all customers have been reached, with those unable to be reached by exception, will form part of our compliance and enforcement checks with suppliers. Further details on compliance and enforcement checks will be set out in Ofgem and BEIS guidance.

Question 12

For traditional prepayment meter customers, do you agree with the proposal that vouchers and/or SAMs should be valid until 31 March 2023, in line with the date for reconciling grants provided vs grants delivered?

Consultation position

The consultation proposed that the SAMs and vouchers would be redeemable through the usual routes and remain valid until 31 March 2023 to enable customers to redeem them throughout the winter.

Summary of stakeholder responses to consultation

Overall, respondents agreed with the intention to provide traditional prepayment customers more time to redeem vouchers. Some felt that a longer expiry date or even no expiry date was needed in case harder to reach customers didn't receive the voucher until close to suggested expiry date of 31 March 2023.

One respondent also suggested it may be beneficial to the customer to provide vouchers in October but with staggered expiry dates through the winter so the customer would have a choice over how to spread the benefit across their energy costs for that period.

As with question 11, some respondents raised concerns about vouchers and/or SAMs not being redeemed. In relation to the expiry date question specifically, a number of charities noted that there may be unusual personal circumstances that arise that mean customers are unable to redeem their vouchers quickly. For example, hospitalisation for an extended period.

Government response

As the EBSS grant has been increased and will now be provided to customers on a monthly basis over six months, BEIS recognises that the validity period for vouchers and SAMs will need to extend beyond 31 March 2023 to ensure customers have time to use all their vouchers, particularly those delivered in the later Scheme months.

We expect the vast majority of customers to top up their meters within each Scheme month and to have consumption above the EBSS amount. However, we recognise that a small number of customers may not. As set out below, customers with the same gas and electricity supplier may also be able to top up their gas meter instead if their electricity consumption is low.

We recognise that a very long validity may discourage customers from using their vouchers immediately. Therefore, in line with stakeholder requests to ensure EBSS is aligned with other schemes such as the Warm Home Discount, vouchers should be valid for three months from the relevant Qualifying Date.

Suppliers will be required to make additional attempts to reach customers who have not topped up using their voucher or SAM by the cut-off date. This reduces the need to extend voucher validity beyond three months, however we would still seek to secure this as an option for customers who wish to budget the EBSS across the winter.

In these circumstances, suppliers should make contact with the customer to understand why vouchers have not been redeemed. Once informed they have been received but waiting to redeem a new voucher would not need to be issued.

Suppliers must reach all their customers, with those not reached by exception only. Further detail on exceptions will be set out in the Guidance.

Question 13

Do you agree with the proposal that vouchers and/or SAMs should be provided in five vouchers of £40 each?

Consultation position

In the case of vouchers, the consultation proposed that suppliers should provide customers with five separate vouchers of £40 each (due to a top-up cap of £49) as soon as possible after the Qualifying Date. Vouchers or SAMs will be sent to customers via text, email or post to the contact details registered to the account. This was based on the original proposal of £200 support for households over the winter.

Summary of stakeholder responses to consultation

In general, suppliers asked for greater flexibility in how to deliver the SAMs/vouchers for prepayment customers in order to minimise the administrative costs of delivering EBSS for this customer group. Whilst they recognised that some meters may have a limit of £49 and therefore understood the government's aim with the proposed breakdown, they noted that this is not universal across all meters or suppliers. Therefore, it may be possible for some suppliers to provide customers with vouchers of a larger amount and in some cases, customers can choose what proportion of the voucher to load on to the meter. Some individuals also noted that providing multiple vouchers would likely be more costly for suppliers and this should be avoided if possible.

Government response

We recognise the concerns around the administrative costs of delivering multiple vouchers. However, to provide parity across payment types, we will be requiring suppliers to provide EBSS on a monthly basis as set out in table 1 through the methods set out above. In line with stakeholder feedback, the practicalities of how this will be done may vary. For example, a supplier could provide a double-barcoded letter or vouchers or SAMs. It will be up to suppliers to minimise their administrative costs.

Suppliers must reach all their customers, with those not reached by exception only, and communicate with their customers in the most appropriate way accounting for customer needs and circumstances.

Question 14

Do you agree that traditional prepayment customers should be able to use vouchers for both electricity and gas (dual fuel vouchers)?

Consultation position

The consultation asked for views on whether traditional prepayment customers should be able to use vouchers for both electricity and gas.

Summary of stakeholder responses to consultation

There was broad agreement amongst respondents that traditional prepayment customers should be able to use their EBSS vouchers for both gas and electricity. One respondent noted that this may be useful where a customer has low electricity usage and therefore spends a higher proportion of energy costs on gas.

One supplier suggested that using the vouchers towards gas would incur additional administrative costs and therefore should be avoided.

Government response

As standard, fuel credit vouchers are applicable to both electricity and gas PPMs. We do not propose that this should be changed for the delivery of the EBSS.

We are exploring options to work with suppliers, PayPoint, Payzone and Post Office to allow vouchers to be used at different suppliers, for example if a customer has electricity and gas PPMs with different suppliers.

If customers move from PPMs to credit meters, we expect suppliers to redeem any remaining vouchers and apply them as credit to the new account.

Question 15

Do you agree with the proposal for how to cost-effectively encourage traditional prepayment customers to redeem the Scheme vouchers/SAMs?

Consultation position

For traditional PPMs, the consultation recognised that the Scheme's delivery relies on customer action to ensure vouchers and SAMs are processed. There may be customers who are unable routinely to open post or emails, or who may not have access to a smart phone or computer. These customers are therefore at greater risk of missing out on the benefits of the Scheme by not being able to access the voucher, compared to customers for whom the credit is applied automatically by the electricity supplier. We are exploring ways in which we can support customers to access vouchers through targeted campaigns and messaging. Ahead of the Qualifying Date, suppliers will be expected to continue encouraging customers to consider moving to smart PPMs, which will increase the number of households who will be eligible to receive support remotely and automatically.

Summary of stakeholder responses to consultation

Some suppliers felt that they would be best placed to reach customers as they will have their contact details, and some of these respondents noted that this would need to be supported by government to ensure consistent messaging. Some suppliers also noted that encouraging

voucher/SAM redemption will incur administrative costs for them and they should therefore be able to decide on the most efficient customer contact for them as an individual business.

A number of respondents also suggested that the government and suppliers should work with selected third parties in order to reach as many people as possible, including organisations which have regular contact with consumers. Suggestions included charities, Citizens Advice and PayPoint.

Government response

How we will ensure consistent communications from all suppliers

We are providing set text for suppliers and other stakeholders to use with customers. Suppliers will have flexibility to adapt customer messaging to fit in with their preferred format and communication style. However, they will be asked to keep adaptations to a minimum. We have previously provided two tranches of text in March and May and we are providing further text to issue from August onwards. Suppliers themselves are keen to provide clear communication in order to minimise impact on their call centres and to balance the communication of higher prices. We are asking suppliers to:

- Include a prominent HMG-branded paragraph explaining the £400 discount
- Explain that this is a government-backed scheme in all their communications about the £400 discount, including HMG branding / logo under the Help for Households brand to help with customer recognition
- Refer to the grant consistently as the Energy Bills Support Scheme discount to help with consistency and recognition
- Include the discount in bill data to show the discount being applied wherever possible
- Provide information about the discount on their social media channels, websites and other communications
- Signpost to further GOV.UK information if customers want to find out more

How we will promote uptake for traditional PPM customers

While suppliers are the front-line communicators for PPM customers, we are conscious that there is a significant community who do not regularly use technology, are unaware of who their energy supplier is and/or do not read printed material received in the post.

We are therefore using a very broad suite of communications channels, including social media, to seek to reach all customers. In addition to the charity and consumer groups focused on energy, we will work with a wide range of stakeholders, including charities representing communities more vulnerable to energy prices, local authorities (to include libraries, community centres, nurseries), DWP channels, faith groups, the rural network and food banks to disseminate information about the Scheme and how it works. There will also be media messaging including via popular programmes, and other influencers.

Question 16

a. Are you aware of any consumer groups who will not be reached by applying the reduction to electricity accounts?

b. Please provide details of which group(s), why they will not be reached and how you would suggest we reach them?

Consultation position

The consultation document set out a number of categories of energy consumers who would not be eligible for support under the Scheme due to the way the grant is due to be delivered. This included those without a domestic electricity supply contract, often because they pay an intermediary for their electricity or are not connected to any electricity network. For example, park homes residents, or households who are connected to a private network, such as a combined heat and power network – CHP. The consultation stated that the government would examine further how to provide support to consumers who would not be eligible for EBSS.

Summary of stakeholder responses to consultation

Responses to these questions agreed that certain groups would likely not receive the grant due to their lack of a domestic electricity contract. In addition to those mentioned in the consultation document, responses also mentioned those in supported living and student accommodation with inclusive bills, and those living above commercial premises who pay the latter for their electricity.

In general, responses agreed that it was important for these energy consumers to also receive the support offered by the Scheme to a similar timeframe, and that many of these consumers would be vulnerable. Several responders expressed the view that this ineligibility was fortunate, as it would also have meant these consumers would be exempt from the (now removed) levy requirement.

Government response

As set out in question 1, for affected households without a domestic electricity supply contract, funding will be made available as soon as possible. We are developing approaches that will ensure they receive £400 equivalent support for energy bills in this winter, working with local authorities, the devolved administrations and commercial partners. An announcement with details on how and when these households across Great Britain can access this support will be made this autumn.

Question 17

Do you agree with the proposed approach to providing the grant to customers with different forms of energy debt?

Consultation position

In line with previous schemes, such as the Warm Home Discount, the consultation proposed that the reduction could be used to reduce some outstanding debt balances. For customers with an agreed repayment plan, where a set amount or percentage of any customer payment goes towards repaying a customer's debt, we propose that the reduction may also be used towards debt repayment in the previously agreed proportions. If an account is in arrears, we proposed that the credit can reduce these arrears.

Summary of stakeholder responses to consultation

Charities and some individuals who responded to this question felt it was important that the government mandate that EBSS payments can only be used towards future energy costs in order for the Scheme to meet its stated policy aim.

Some suppliers suggested that they would have operational difficulty in distinguishing between debt and bad debt.

There was also a suggestion from some respondents that the government should allow for flexibility and that it should be for the supplier and/or customer to decide whether the grant is used towards energy debt.

Government response

BEIS recognises the operational difficulties in separating payments towards ongoing usage and suppliers' needs to operate within BAU processes where possible to ensure scheme deliverability.

However, it is a priority for this scheme to ensure households can use their EBSS grant to enjoy increased consumption, not just reduced debt. As this scheme starts at the end of summer, we understand that arrears should be at a minimum for most customers.

We therefore expect and encourage suppliers to make it their priority to work actively to move customers with large arrears balances onto repayment plans wherever possible. This should be in line with suppliers' normal business processes in complying with supply licence condition 27, including Ofgem's Ability to Pay Principles of: (a) having appropriate credit management policies and guidelines; (b) making proactive contact with customers; (c) understanding individual customers' ability to pay; (d) setting repayment rates based on ability to pay; (e) ensuring the customer understands the arrangement; (f) monitoring arrangements after they have been set up; and (g) re-engaging with a customer after an initial occurrence of a failed repayment arrangement.

This will help to ensure that, while EBSS will be allowed to contribute to debt and arrears, arrears balances should be minimised, and only an amount affordable for the customer should go towards debt.

Question 18

Do you agree with this definition of bad debt?

Question 19

Please provide evidence of how many domestic electricity customers currently have bad debt and how this might change over the next year. Please provide quantification and methodology where possible.

Consultation position

Bad debt is defined as the unrecoverable debt that suppliers intend to write off.

The policy intention of this scheme is that the grant should not be used to pay off bad debt that would otherwise have been written-off by the supplier and should go towards ongoing energy usage where possible. However, stakeholders indicated through engagement ahead of the consultation that this may not be feasible for suppliers to implement. The consultation therefore proposed that bad debt should be dealt with separately between the supplier, customer, and other relevant parties.

The consultation also asked for evidence on the number of domestic electricity customers in bad debt, this question was specifically aimed at suppliers.

Summary of stakeholder responses to consultation

A range of views were put forward on the definition of bad debt. A number of respondents picked up on the phrase 'intend to' in the definition of bad debt put forward in the consultation. These respondents said that bad debt would only become bad debt once it has been written off and deemed unrecoverable rather than where there was an intention to write off. A number of suppliers responded to this question and said that bad debt is only written off where there is no live customer account. Therefore, for these suppliers, there could not be an overlap between an eligible EBSS customer also being considered to be in bad debt as there would not be an account to deliver the grant to.

Some suppliers responded to question 19 and provided information on how many electricity customers currently have bad debt and how this may change over the next year. Given the sensitive nature of this commercial information the government has not summarised it for the purposes of this response, but has taken it into account in finalising the policy position on bad debt.

Government response

BEIS welcomes the feedback we received and we are grateful for further engagement we have since had with suppliers. We acknowledge that, for a number of suppliers, customer debt is only deemed unrecoverable where there is no live customer account, and therefore there could not be an overlap between EBSS payments and bad debt.

As set out in response to Q18, we expect suppliers to make efforts to comply with supply licence condition 27 and move customers onto repayment plans where relevant.

Question 20

Do you agree with the way in which we are proposing to fund suppliers?

Consultation position

The consultation set out that a Payment Body would be responsible for transferring Exchequer funds to suppliers, enabling suppliers to fulfil their obligations under the Scheme. In deciding on who would fulfil the grant delivery function in the Scheme, government would consider the ability to best protect public money, ensure reasonable and proportionate protections from the risk of fraud, and minimise administrative costs.

To enable suppliers to provide the payment to their customers as soon as possible from the Qualifying Date, the government's proposal in the consultation was that a snapshot of each supplier's portfolio would be provided to government with an estimate of the number of eligible customers in their portfolio. The consultation proposed using existing reporting systems such as the Electricity Central Online Enquiry Service (ECOES) to attain this and taking the snapshot as close to the Qualifying Date as is feasible. This snapshot would be used to calculate the funds to be made available to each supplier for them to provide the grant to their customers.

On the Qualifying Date, the consultation set out that all suppliers would then be required to record and provide an exact breakdown of customer numbers by payment type to the government. The consultation also proposed that suppliers should make arrangements to ensure that Scheme funds are segregated from other company funds. Sufficient funds would be made available to suppliers on the Qualifying Date to allow suppliers to provide the Scheme to their customers.

Summary of stakeholder responses to consultation

A number of respondents, mainly suppliers, raised concerns that the proposed requirement for Scheme funds to be segregated from other funds could amount to escrow, which they would be unsupportive of owing to the very high associated costs and prohibitive operational procedures.

Some suppliers also mentioned an alternative funding mechanism that would involve suppliers being able to draw down at the point at which costs are incurred. This is in response to concerns that the Scheme could affect supplier cashflow where a larger amount is paid out and then reconciled at a later date. In general, suppliers also felt that there was insufficient detail in the proposal on funding suppliers.

Some individual respondents who addressed this question raised concerns around suppliers benefiting from the transfer of funding from the government before passing it on to customers.

Government response

We have had extensive meetings with suppliers and other stakeholders on the issue of how the grant will be funded and provided to suppliers. We have listened to suppliers' concerns around their ability to cashflow the sums of money involved in providing EBSS, set against the prohibitive cost of formal bankruptcy remote arrangements if suppliers are paid up front.

To avoid distortions in the market, we believe a fair approach is one which is consistent across suppliers, minimises cash flow risks, minimises reconciliation risks, and is consistent with the principles of 'managing public money'. BEIS will therefore provide all suppliers delivering EBSS with funding in advance of payments being made to individual customers.

On the fifth working day of the month before each Qualifying Date, suppliers will submit an initial estimate of the number of eligible customers they expect to be serving at the next Qualifying Date. Payment of funds, sufficient to provide the EBSS payment to the number of customers identified in the initial estimate, will be made by BEIS, on or before the last day of the month before that Qualifying Date. Suppliers will be required to receive EBSS funds into a separate named bank account, only to be used for EBSS purposes. This account will be fully auditable through the reconciliation process and will remove any risk of positive cash flow benefit for suppliers. Regular reconciliation exercises will follow EBSS delivery, confirming suppliers' actions and taking account of changes in customer numbers since the initial estimates.

While the grant has doubled to £400, moving to monthly payments with regular reconciliation considerably reduces the risks associated with managing public money.

Question 21

Do you agree with the proposal that suppliers should be required to report on delivery of the funds after the six-week period and the associated reconciliation process?

Consultation position

The consultation set out that there will be a reconciliation and reporting process, and proposed that after the six-week period suppliers would be required to report on the funds they have received against grants delivered by payment type and advise government of any variances.

Suppliers would then be required to either return any funds not delivered to HMG, or additional funds would be provided to cover any payments legitimately made in excess of the initial allocation provided by HMG.

For very difficult to reach customers, the consultation proposed that suppliers would have until 31 March 2023 to make further attempts to deliver the grant to eligible customers.

Summary of stakeholder responses to consultation

There was strong support in the responses for suppliers to be required to report on the delivery of funds after six weeks and that there should be a reconciliation process. Points were also

raised about the possibility that harder to reach customers may not receive the grant within the six-week timeframe, and some suggested that suppliers should also provide information on the number of customers they have not been able to contact.

Some responses from suppliers, industry trade bodies and individuals also highlighted that supplier reporting requirements should be simple, not unduly onerous and not create overlap with Ofgem reporting requirements, in order to minimise the supplier administrative burden.

Government response

The move to six qualifying dates means suppliers will receive necessary funds each month and will need have made reasonable attempts to reach their customers by the cut-off date each month. There will be six interim reconciliations ('mini reconciliations') and one full reconciliation in order to ensure suppliers have spent the money allocated to them and understand why if not. These mini reconciliations will happen after the end of each Scheme Month and one large full Scheme reconciliation will happen at the end of Scheme delivery during summer 2023.

Recovering the grant through a new levy

Questions 22 – 34: Combined Government Response

In February, the government announced the design features of the EBSS. This included a mechanism to recover the cost of the EBSS grant through a levy that would collect £40 a year from domestic electricity meter points over a five-year period.

Since its announcement in February, the government has worked closely with stakeholders to develop the EBSS and its delivery mechanisms. The BEIS technical consultation formed a key part of this engagement.

The consultation posed two approaches for the levy: a supplier-based route, and a Distribution Network Operator ('DNO') based route. This was accompanied by nine technical questions related to the levy and the payment body intermediary who would administer the levy.

We received over 176 responses that answered or partially answered questions 22-34. Many of these responses were broad in their outlook and focused primarily on the concept of including a levy within the Scheme, as opposed to the technical requirements needed to create a new levy.

Recurring themes found across the responses included: a preference for a DNO-based levy approach, concerns the levy would place an unmanageable burden on future consumers (including those who had not received the grant), advocating the inclusion of an 'opt-out' element to the Scheme, and a common view that customers should be informed about the levy through new information included in future electricity bills.

In response to substantial changes in global energy prices, the government made the decision to remove the levy from the EBSS's design. This was announced on 26 May, following closure of the consultation on 23 May.

Compliance, enforcement and sanctions

Question 35

For the transfer of grants to suppliers, do you agree that the proposed reporting requirements strike the right balance between having the ability to effectively monitor delivery of the Scheme whilst imposing the least reporting burden on suppliers?

Question 36

Do you agree that these reporting requirements should be set out in the Ministerial direction?

Consultation position

The consultation proposed that on the Qualifying Date suppliers would be required to report on the number of meter points broken down by specific payment types:

- Number of those on prepayment meters
- Number of those who are considered vulnerable
- Number of those who pay by Direct Debit
- Number of those who are credit customers

The consultation also proposed supplier reporting requirements for at the end of the agreed payment period. These proposed requirements were:

- The number of their eligible meter points that received the reduction.
- The number of eligible meter points (by payment type) that did not receive the reduction.
- The number of eligible meter points (by payment type) to whom the supplier has not been able to provide the reduction.
- The reasons for non-delivery in all cases.
- What steps they have taken, or intend to take, to reach their eligible meter points that have not yet received the reduction.
- The monetary total of the undistributed reduction.
- The spend on new energy usage vs settling customer debt.

We proposed in the consultation that the EBSS Direction would include two categories of reporting requirements for suppliers:

Required reporting: To provide assurance to BEIS that suppliers have fulfilled their obligations under the Direction in delivering the Scheme to eligible meter points. Where possible, we would seek to match the reporting in both content and format to that required by Ofgem in order to minimise additional administrative burdens.

Requested reporting: alongside the mandatory reporting above, BEIS would also be seeking regular management information from suppliers on a more informal basis to assist in Scheme delivery. This would allow us to respond to any problems within the Scheme in a quick and effective way.

Summary of stakeholder responses to consultation

There was a range of views from respondents related to the proposed reporting requirements, and whether they strike the right balance between having the ability to effectively monitor delivery of the Scheme whilst imposing the least reporting burden on suppliers.

Some respondents asked that the government provide greater clarity on a number of reporting requirements and definitions. In particular:

- The requirement to report on ‘vulnerable’ customers.
- Greater specificity on reporting on the delivery of PPM vouchers.
- Greater specificity on what is classified as ‘reasonable attempts’ to reach customers.

Suppliers who responded to the question noted the existing reporting pressures suppliers are under. Supplier responses were unanimous in requesting a streamlined reporting process to ensure data requests are not duplicated or asked for at the last minute. To ease pressure on suppliers, one respondent requested a proposed fixed reporting framework, which would not change without reasonable notice and lead time. There was also a request for BEIS to share a timeline of report publications by day, and one request that suppliers should not have to report to both BEIS and Ofgem.

Some respondents asked for additional data to be collected (subject to it not increasing the delivery costs of the Scheme) such as, to:

- Monitor whether a household contains at least one-person aged 60+.
- Monitor how much of the reduction is applied to debt with an arrangement to repay, arrears and bad debt. It was suggested that suppliers should be required to justify decisions to spend the payment on settling bad debt.

Respondents agreed with the consultation proposal for Scheme reporting requirements to be set out in the Direction, on the basis that they reflect supplier obligations and allow a flexible approach to the development of relevant details of the Scheme reporting requirements. One respondent suggested that the Direction was not required, as the existing process already set out in the distribution licence covered the appropriate reporting requirements.

Suppliers urged that reporting requirements should be set out as soon as possible to allow suppliers to develop and test reporting processes.

Government Response

The reporting data requests will include as a minimum the categories set out in the consultation document and above. Based on the feedback from the consultation and bilateral engagements with suppliers, reporting requirements for the Scheme will be set out in the Direction and the Scheme Guidance.

We have listened to suppliers' feedback that reporting requirements should be as streamlined as possible, and reporting should not be duplicated or requested at the last minute. Where possible, Ofgem will collect data using existing processes and this will be shared with BEIS using information sharing gateways. If additional data is needed, suppliers may be required to share this additional data with BEIS. We appreciate the operational difficulties of providing last minute data requests and wherever possible we will work to providing suppliers with sufficient lead in time.

Following feedback from the consultation, the government has chosen to remove the requirement to collect data on 'vulnerable customers' due to the variation in the working definitions of vulnerability used by suppliers. However, we will be monitoring the impact of the Scheme on all citizens including the most vulnerable through the monitoring and evaluation of the Scheme.

We have listened to the feedback on the need to clarify the reporting specifications in relation to the delivery of PPM vouchers and what classifies as 'reasonable attempts' to reach customers. This will be set out in guidance for suppliers.

On top of this, suppliers will be required to report on operational and financial data, and data required for compliance and enforcement. Full details will be set out in the Direction and Scheme Guidance.

Based on the feedback from the consultation and bilateral engagements with suppliers, reporting requirements for the Scheme will be set out in the Direction and the Scheme Guidance.

Question 37

Do you agree that the proposed reporting requirements for the levy strike the right balance between having the ability to effectively ensure money is recovered and imposing the least reporting burden on DNOs?

Consultation position

The consultation proposed that, for every quarter, the responsibility will be on DNOs to comply with the obligations to collect and pay the levy. These proposed obligations included:

- paying the levy by a specific due date.
- provide accurate information, such as data for determining levy contributions.

Summary of stakeholder responses to consultation

There was a range of views from respondents about the proposed DNO reporting requirements for the levy. Additional information was requested on the reporting requirements and mutualisation. One stakeholder noted that they believed Ofgem licence conditions are already sufficient for compliance and enforcement without additional reporting requirements. It was requested that both BEIS and Ofgem commit to a single set of reporting requirements and do not change these throughout the Scheme.

Government response

In response to substantial changes in global energy prices, government made the decision to remove the levy from the EBSS's design. This was announced on 26 May, following closure of the consultation on 23 May.

Question 38

Do you agree that Ofgem's current powers, and approach to enforcement of licence conditions, should be mirrored for this Scheme?

Consultation position

The consultation proposed that any breaches of the supply licence conditions, or DNO licence conditions, would be enforced according to Ofgem's Enforcement Policy which can be found here: <https://www.ofgem.gov.uk/publications/enforcement-guidelines>. Ofgem are already able to impose financial penalties of up to 10% of a licensee's turnover, make consumer redress orders and issue provisional/final orders, where appropriate, for breaches of relevant conditions and requirements under the Gas Act 1986 and the Electricity Act 1989. The consultation set out that the government did not intend to ask Ofgem to create any new enforcement or sanctions regime for the Scheme, as we believed the current approach to be proportionate and effective.

Summary of stakeholder responses to consultation

Ofgem noted that key design principles have a bearing on their approach to the enforcement of their licence conditions and an associated compliance and enforcement regime. Therefore, material changes to Scheme design will require review and may necessitate a change in implementation approach by Ofgem.

Some stakeholders agreed that Ofgem's current powers should be mirrored for this Scheme, and no additional powers should be put in place, some citing that additional enforcement frameworks would only increase costs. Others noted that given the unprecedented nature of the Scheme, coupled with the short lead time, Ofgem must take a pragmatic approach to enforcement.

Government response

The government will not ask Ofgem to create any new enforcement or sanctions regime for the Scheme, as we believe the current approach is already proportionate and effective. Any

breaches of the new supply licence conditions will be enforced according to Ofgem’s Enforcement Policy.⁷

Dealing with the costs of implementing the Scheme

Question 39.

- a. Do you agree with the additional costs set out in table 3?
- b. Are there any other costs of administrating the Scheme we should consider?

Consultation position

The consultation recognised that there will be administrative costs incurred by government and industry to deliver the Scheme and set out that we were working to understand the ways in which suppliers’ and DNOs’ systems and processes operate. To keep the Scheme as simple as possible, we aimed to design the Scheme in a way which fits with current processes and aligns with industries “business as usual” processes. High implementation costs may undermine the value of the payment if suppliers chose to recoup costs through increasing prices.

The consultation included the table below of potential additional activity and costs, and asked for views on whether this was an accurate list and whether there were any other costs that should be considered.

Process	Potential additional costs
Grant out	<p>Undertaking initial fund allocation process between government and energy suppliers and process the receipt of fund</p> <p>Delivering payments to customers by:</p> <ul style="list-style-type: none"> Bulk uploading of credits onto customers’ accounts. Enabling billing systems to notify customers of the credit Manual processing in dealing with exceptions from electronic processes. Special actions required, for example printing and postage of vouchers Undertaking assurance on payments out to consumers and reporting this to the Payment Body.

⁷ <https://www.ofgem.gov.uk/publications/enforcement-guidelines>

<p>Levy in</p>	<p>Adjusting future consumer bills to incorporate the repayments, enabling billing systems to apply the repayment.</p> <p>Collecting and processing payments from consumers:</p> <p>Accounting and due diligence on payments received from standard credit and direct debit accounts</p> <p>Special actions required to receive/ recover re-payments from hard-to-reach consumers</p> <p>Accounting and due diligence on money collected and making repayments to the designated body/organisation.</p>
<p>Other</p>	<p>Initial familiarisation with the EBSS</p> <p>Introduction of procedures and associated training</p> <p>Additional customer contact (e.g., telephony and associated staffing costs)</p> <p>External specialist support</p>

Summary of stakeholder responses to consultation

Respondents had specific feedback to the additional costs set out in the table. One respondent noted that they would not conduct additional due diligence on normal customer payments beyond their normal business practices.

There were also a number of additional costs that respondents noted. These related to delivering the levy and recovering standing charges. Multiple respondents noted increased Ombudsman costs for suppliers from complaints which are raised when a supplier has correctly applied the Scheme. Multiple respondents also noted increased costs for different meter types, in particular delivering and promoting PPM vouchers to customers. One respondent also noted costs related to manually emailing voucher codes to off-network smart meters. A few respondents raised that the Scheme set up would coincide with Faster and More Reliable Switching, which is going live in July 2022. This will take up operational bandwidth across suppliers and will also enable customers to move more quickly between suppliers.

Government response

We have noted the additional costs of administering the Scheme as set out in the summary above. BEIS is working with suppliers to ensure administration costs are kept as low as possible. Suppliers will be instructed in the Direction to pass on the full £400 value of the Scheme to their customers. Further detail on expected Scheme administration costs will be set out in the impact assessment.

Costs related to delivering the levy will no longer apply. In response to substantial changes in global energy prices, government made the decision to remove the levy from the EBSS's design. This was announced on 26 May, following closure of the consultation on 23 May.

As the Scheme has changed since the initial consultation and the levy will no longer be administered, we are not expecting customers to issue complaints about receiving the grant from their suppliers.

As the Scheme will now run on a monthly basis, the government recognises that this will increase the cost of delivery, particularly for suppliers with customers predominantly on PPMs.

The government will not be reimbursing costs incurred by suppliers in providing the EBSS grant to their eligible customers. Through entering a regulated competitive energy market, suppliers accept that their costs will include delivering and complying with regulatory requirements. By bearing the cost of delivering the Scheme, suppliers will have an incentive to minimise those costs (for example by driving down procurement costs).

If delivering EBSS materially impacts efficient suppliers' costs to serve customers, suppliers have the ability to demonstrate this to Ofgem, who may consider what level the price cap should be set at to allow efficient suppliers to finance their activities, and whether to amend the price cap methodology to allow for the cost of delivering EBSS.

Question 40.

a. Which element of the additional costs would you consider to be the largest or most burdensome?

b. How could these costs be reduced?

Consultation position

In relation to the table on additional costs, the government also asked for views on which additional cost would be the largest or most burdensome and how these costs could be mitigated.

Summary of stakeholder responses to consultation

Respondents indicated that the largest and most burdensome cost would be:

- Customer communications.
- Delivery / posting of vouchers to PPM customers (and additional costs for customer communications for PPM vouchers, which has been separated out from other customer types as they expect the communications to be delivered with the EBSS vouchers themselves).
- Training staff.
- Any changes made to existing supplier operational processes, such as: a requirement to change the existing Direct Debit (DD) process, a requirement to send bespoke

communications to customers to notify them of the payment rather than through existing pricing communications such as bills and DD payment change notices.

Respondents also referenced the increased costs of customers not paying back the levy.

Respondents noted that these costs could be reduced by:

- The supplier-to-customer communications approach not being prescriptive and aligning with the principle-based approach of existing supply licence conditions. For example, communicating to customers either by paper or email, depending on the preference of each customer.
- Delivering the grant to traditional PPM customers via separate vouchers increases the costs. Some stakeholders requested a non-prescriptive approach to delivering to these customers which would reduce the overall Scheme costs.

Government response

We have noted the additional costs of administering the Scheme as set out in the summary above. BEIS is working with suppliers to ensure administration costs are kept as low as possible. Suppliers will be instructed in the Direction to pass on the full value of the Scheme to their customers. If delivering EBSS materially impacts on efficient suppliers' costs to serve customers, suppliers have the ability to evidence this to Ofgem, who may consider whether to adjust the price cap methodology to allow for these costs.

BEIS will work with suppliers to ensure that there is a consistent approach to supplier-to-customer communications, to ensure that messaging and terminology is consistent for customers. BEIS is not expecting suppliers to change their approach to communicating with their customers, and the supplier-to-customer communications approach will align with existing supply licence conditions.

Costs related to delivering the levy will no longer apply. In response to substantial changes in global energy prices, government made the decision to remove the levy from the EBSS' design. This was announced on 26 May, following closure of the consultation on 23 May.

Question 41

a. Do you agree that the administrative processes required to implement the Scheme are similar to elements of other policies such as the Government Electricity Rebate, Warm Home Discount and the Green Gas Levy?

b. If not, why do you think the Scheme will differ?

Consultation position

The consultation proposed that the 2014 Government Electricity Rebate (GER) and payments to the core group (automatically eligible) within the Warm Home Discount (WHD) could be used as a close proxy to the anticipated costs incurred by industry. The GER cost to industry

was estimated at £18 – £28 million and the WHD at £7.2 million to deliver support to around 2 million consumers.

The consultation also proposed that the levy elements of policies such as the Green Gas Levy could be a close proxy for the type of processes which would need to be set up in order to deliver this element of the Scheme. The estimated Green Gas Levy cost to the gas industry for familiarisation, reporting and making payments on a metered point bases was £0.6–2.3 million in the first year and £0.2–0.4 million in follow-on years.

Summary of stakeholder responses to consultation

Respondents disagreed that administrative costs were similar to elements of other policies such as the GER, WHD and the Green Gas Levy. They noted that EBSS was more complex because of reprofiling direct debits, potential increased customer contact, the administrative process related to issuing PPM vouchers, and the compressed timelines to design and implement the Scheme in time for October.

Government response

The government has listened to this feedback and is aware that the costs associated with administering EBSS are expected to be greater than policies such as the GER and WHD. The Green Gas Levy is no longer relevant as EBSS no longer contains a levy.

BEIS is engaging with suppliers on a regular basis to ensure administration costs are kept as low as possible. The government will not be reimbursing costs incurred by suppliers in providing the EBSS grant to their eligible customers. Through entering a regulated competitive energy market, suppliers accept that their costs will include delivering and complying with regulatory requirements. By bearing the cost of delivering the Scheme, suppliers will have an incentive to minimise those costs (for example by driving down procurement costs).

If delivering EBSS materially impacts efficient suppliers' costs to serve customers, suppliers have the ability to demonstrate this to Ofgem, who may consider what level the price cap should be set at to allow efficient suppliers to finance their activities, and whether to amend the price cap methodology to allow for the cost of delivering EBSS. Ofgem will request substantial evidence and proof of the net supplier costs of introducing the scheme. The evidence will be assessed to determine if it represents a material or systematic cost increase to suppliers. This could be considered in amending the price cap.

Suppliers will be instructed in the Direction to pass on the full value of the Scheme to their customers.

Question 42

Do you expect the administrative burden and cost to consumers to differ between a scenario where the levy is collected via energy suppliers vs by network companies?

Consultation position

The consultation posed two approaches for the levy: a supplier-based route, and a Distribution Network Operator ('DNO') based route. This question sought views on whether and how the administrative costs would differ between the two approaches.

Summary of stakeholder responses to consultation

Stakeholders agreed that the supplier approach would be more costly and create an additional administrative burden compared with the DNO approach which utilises an existing process. However, it was noted that a supplier approach would offer the ability to target cost recovery.

Government response

This question no longer applies. In response to substantial changes in global energy prices, government made the decision to remove the levy from the EBSS's design. This was announced on 26 May, following closure of the consultation on 23 May.

Question 43

a. Can you provide a quantification of all, or any, of the elements outlined in table 3 and other costs you anticipate?

b. Can you provide any further reasoning about the costs involved in delivering payments to customers?

Consultation position

The consultation set out and asked supplier to provide a quantification of series of potential additional costs suppliers may incur as part of delivery of the Scheme. These costs included:

- the funding allocation process,
- changes to billing systems and processes
- issuing SAMs or vouchers
- customer payment assurance
- accounting and due diligence
- familiarisation with the Scheme
- additional customer contact
- external specialist support.

The consultation also asked for other reasons that costs could be incurred during delivery of the Scheme.

Summary of stakeholder responses to consultation

Three respondents responded to this question and provided a quantification of costs. Given the sensitive nature of this commercial information, the government has not summarised it for the purposes of this response but has considered the responses in finalising the policy position on administrative costs.

The answers indicated that respondents thought the largest proportion of administrative costs would be vouchers for PPM customers, with customer comms being the second largest cost for delivering the grant. After these two costs, respondents also indicated high costs for complaint handling charges from Ombudsman charges, and costs for Distribution Use of System Collateral for collecting the levy.

Respondents noted that costs would become clearer once the policy has been finalised and the price cap has been adjusted. If the Scheme was expanded or repeated, stakeholders would expect non-fixed costs to change in proportion to the demand. Customer contact would also be impacted by Scheme expansion or repetition.

Government response

We have noted the anticipated supplier costs associated with administering the Scheme. BEIS is working with suppliers to ensure administration costs are kept as low as possible. As set out above, suppliers will be instructed in the Direction to pass on the full value of the Scheme to their customers.

Question 44

Do you agree with the way in which we are planning to treat supplier costs?

Question 45

Do you agree with our assessment on how energy suppliers and network operators would expect to recover any additional administrative costs due to the Scheme?

Consultation position

The consultation proposed that suppliers would be required to pass on the full value of the October reduction to their customers.

We looked at existing industry practice and how best to minimise the cost of the Scheme in setting out the position in the consultation of supplier and network operator administrative costs. The consultation set out that in entering a regulated competitive energy market, suppliers accept that their costs will include delivering and complying with regulatory requirements. It is assumed that suppliers will look to deliver these requirements as

competitively as possible by seeking the lowest cost of delivery. If government were to compensate suppliers for their costs, there would be no incentive to keep them to the minimum. Requirements would need to be put in place to ensure suppliers sought efficiencies where possible. This would also entail a more in-depth and burdensome audit process to establish whether the costs incurred by suppliers were reasonable in the circumstances.

The consultation proposed that reasonable costs should be incorporated into any future default tariff cap levels set by Ofgem, to ensure these costs do not impact the competitiveness of the energy market. We committed in the consultation to continue to work with Ofgem to ascertain the most appropriate way to incorporate these costs and welcomed any views or considerations we should account for in this process.

Summary of stakeholder responses to consultation

There was a range of views from respondents on question 44 on the approach to treat supplier costs. Three respondents strongly disagreed with the consultation approach that supplier costs should be passed through to their customers in the case that the levy was applied to the Scheme. They noted that customers could end up paying more than the grant received. They suggested that instead of passing this cost on to customers, HM Treasury should cover the costs instead. This issue was raised especially in relation to consumers in fuel poverty or at risk of fuel poverty.

On the other hand, most suppliers agreed with the consultation expectation that supplier costs should be included in the Default Tariff Cap review process. However, one supplier was critical of large upfront administrative costs involved with delivering the Scheme. There was also a request for more details on how costs would be managed with fixed-term contracts already sold to customers, and costs associated with collecting the levy.

Some respondents felt they were unable to answer question 45 until more detail had been provided on how supplier costs would be recovered. Whilst others agreed with this approach on principle.

One respondent suggested that the government should consider providing additional funding to suppliers with traditional PPM meter cohorts, as a result of the additional admin costs related to delivering the Scheme to this cohort.

Government response

We have noted the concerns that respondents had with passing supplier costs on to customers in the case that the levy was applied to the Scheme. In response to substantial changes in global energy prices, government made the decision to remove the levy from the EBSS's design. On this basis, customers will no longer be at risk of paying more than the grant they received. This was announced on 26 May, following closure of the consultation on 23 May.

BEIS is working with suppliers to ensure administration costs are kept as low as possible. As set out above, suppliers will be instructed in the Direction to pass on the full value of the Scheme to their customers.

As set out above, government will not be reimbursing costs incurred by suppliers in providing the EBSS payment to their eligible customers. Through entering a regulated competitive energy market, suppliers accept that their costs will include delivering and complying with regulatory requirements. By bearing the cost of delivering the Scheme, suppliers will have an incentive to minimise those costs (for example by driving down procurement costs).

If delivering EBSS materially impacts suppliers' cost to serve customers, suppliers have the ability to demonstrate this to Ofgem, who may consider whether to amend the price cap methodology to allow for these costs.

Question 46

Do you have any other concerns regarding the costs of implementing the Scheme that have not been addressed in this consultation?

Consultation position

The consultation sought views on implementation costs that respondents felt had not been addressed elsewhere in the consultation.

Summary of stakeholder responses to consultation

Respondents noted costs associated with recouping the levy. This included costs for suppliers associated with Fixed Term Supplier contracts with domestic customers whose tenure goes beyond 1 April 2023, when recovery of the levy was proposed to commence. Relatedly, some suppliers asked the government to consider a licence change to allow for in-contract price increases to allow for levy collection in these cases and to avoid suppliers taking the cost on themselves or recovering cost from their broader customer bases.

Respondents also noted the additional costs associated with reprofiling Direct Debits for the six-month period proposed in the consultation as opposed to the usual 12 monthly cycle. Some suppliers also noted that additional costs could arise from potential increased customer contact related to the Scheme. In addition, a small number of respondents suggested there may be an increased number of customer complaints to the Ombudsman, which would also amount to additional administrative costs.

One respondent noted the additional pressure on suppliers during the period of implementing EBSS, which coincides with Faster and More Reliable Switching, smart meter rollout, WHD and WHD Scotland, ECO4 and price cap changes. These schemes require specialised support and divert resource away from EBSS implementation.

Government response

In relation to costs associated with delivering the levy, in response to substantial changes in global energy prices, government made the decision to remove the levy from the EBSS's design. This was announced on 26 May, following closure of the consultation on 23 May.

As covered at question 6, the government will not be requiring energy suppliers to reprofile their customers direct debits for the six-month period of EBSS payments. Instead, EBSS payments will be made, either as a reduction to the monthly Direct Debit amount collected or as a refund to the customer's bank account, following Direct Debit collection during each month of EBSS delivery.

Suppliers will be instructed in the Direction to pass on the full value of the Scheme to their customers.

Annex A: List of Respondents

A total of 233 responses from organisations and individuals were received, of which 195 responses came from individuals, the names of which have not been included in the list below.

AgeUK	Money Advice Trust
Bulb	National Energy Action
Centrica	Octopus Energy
Child Poverty Action Group	Ofgem
Christians against poverty	Ombudsman Service
Citizens Advice	OVO
Committee on Fuel Poverty	Scope
Contact	Scottish and Southern Electricity Networks
Deanland Wood Park Residents Association	Scottish Power
E	Shell
EDF	SO Energy
Electricity North West	SP Power Networks
EnergyUK	SSE
Energy Action Scotland	Step Change
E.ON	UK Power Networks
Energy Networks Association	Utilita
Good Energy	Utilities Warehouse
Independent Networks Association	Wales and West Utilities
Macmillan	Western Power Distribution

This consultation response is available from: www.gov.uk/government/consultations/technical-proposals-for-the-energy-bills-support-scheme

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