



Department for Work & Pensions

**THE RT HON THERESE COFFEY MP Secretary of
State for Work and Pensions**

Caxton House
Tothill Street
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Jonathan Brearley
Chief Executive, Ofgem
10 South Colonnade
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Dear Jonathan,

FUEL DIRECT: SUPPLIER CONVENTION OF LICENSING CONDITIONS

On April 1, DWP made a temporary change to the policy of allowing ongoing energy consumption payments directly from certain benefits. The change ensured only claimants could create new arrangements to pay energy bills directly from their benefit, and only claimants could increase the level of existing payments. This change was communicated to energy suppliers.

Without intervention, energy suppliers would have asked DWP to make significant increases to the 100,000 existing arrangements in place in April. Claimants may not even have been aware these requests were being made. The increase in the price cap and our own data suggests the average increase to have been more than £110 per month. Increases of this level could have left some DWP claimants without enough benefit award to meet other essential day to day needs.

DWP fully recognises that some DWP claimants with existing arrangements may not feel able to increase them given wider cost of living pressures. Some claimants with existing arrangements may choose not to increase them and as a result accrue more energy debt. However, these are budgeting choices that millions of households will be making in the coming months. It was Government's view that the risks of not intervening outweighed the consequences of doing so.

Feedback from energy suppliers has generated real concern. Some suppliers have stated it is no longer commercially viable to offer Fuel Direct if they cannot control both the application and monetary value of ongoing consumption payments. At least two suppliers have suggested they no longer intend to offer Fuel Direct as a payment option to claimants in debt, and in recent meetings with my officials, asked energy UK if they would support the lobbying of OFGEM to relax supply licence conditions. We have also heard detailed examples of claimants in arrears already being told that ongoing consumption payments are no longer available, and the only option for them was a pre-payment meter.

I recognise that energy suppliers were unlikely to be supportive of this change, however the stance taken by some energy suppliers is unacceptable. Suppliers have an obligation to support customers in payment difficulty whether it be DWP claimants or anyone else. Customers should be confident that their energy supplier will support them in any way possible should they have energy arrears or difficulty to pay. If suppliers are not doing so, this appears to be a direct contravention of a supplier's Supply Licence Conditions (278a) that require suppliers to support customers in payment difficulty.

I appreciate OFGEM's support in ensuring DWP claimants will continue to be supported during these challenging times and in ensuring energy suppliers fulfil their statutory requirements.

I look forward to receiving your urgent reply.

Yours Sincerely,

Therese Coffey