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Darren Jones MP
Chair of the BEIS Select Committee
House of Commons
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Dear Mr Jones,

Firstly I would like to thank you for the opportunity to give evidence to the Committee on Tuesday 19th April as part of your inquiry into Energy Pricing and the Future of the Energy Market. It is clear that there is significant action Government should now be taking to support households through rising energy prices in the short term, whilst taking proactive longer-term steps to fix a market that in 2021 saw 29 suppliers fail costing households an estimated £5 billion.

During the session I promised to write to the Committee with more detail on the possibility of rising customer debt as a result of increasing prices and in particular the percentage of our current customer base in debt.

I can confirm that 10.9% of our customer accounts have a negative balance i.e. are either in arrears (not yet in a payment arrangement) or repaying a debt (in a payment arrangement). 7.4% of our total customer accounts do have a payment arrangement in place and are actively repaying a debt, whilst 3.5% of our customer accounts are in arrears but not yet in a payment arrangement.

Our internal modelling suggests that over 20% of E.ON customers will now be spending more than 10% of their household budget as a result of April's price cap increase. As I said to the Committee, if October's price cap rises as many are forecasting it to, to around £3,000 a year, our modelling suggests 40% of our customer base could be in fuel poverty. Additionally, a further 30% would be hovering just below but close to the threshold of spending more than 10% of their household budget on energy bills.

To reiterate the point I made to the Committee, this is simply unsustainable for our customers and for our business. Indeed without further intervention by Government our customer debt is forecast to increase 50%, over £800 million, should the price cap increase once again in October.

The Committee also asked me about the cost of administering the Government's rebate scheme due to begin in October, we forecast this to be £1.5 million.

In the short term there are some steps I believe the Government should take to support households through this time of crisis:

1. Targeted support for vulnerable customers via a £310 increase in the Warm Homes Discount
2. Temporary removal of VAT from energy bills for 12 months from October (~£100 saving)
3. Government funding of Supplier of Last Resort (SoLR) levy claims and some network costs for 12 months from October (~£200 saving)
4. Permanently moving green levies from the electricity bill and moving them into Government expenditure (~£150 saving)

In the longer-term, and taking into account the wider remit of your inquiry, there are also some simple steps Government and Ofgem could take to help right some of the wrongs of the retail market:

1. Ring fence customer credit balances and introduce a more frequent payment of industry costs
2. Reform the SoLR process so that it acts for the benefit of customers not investors
3. Consider a social tariff to protect those who need it most
4. A national focus on energy efficiency
5. Reform of the wholesale market

I trust the above information is helpful for your inquiry into Energy Pricing and the Future of the Energy Market. We firmly believe that strong action is needed now from Government and Ofgem to fix the regulatory and policy failures of the past years and ensure a strong, stable energy retail market that works for the benefit of all. I look forward to seeing the findings of the Committee.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'M. M. M.', with a long horizontal stroke extending to the right.