



Department
of Energy &
Climate Change

Domestic Electricity Payments in Great Britain

Assessment of payment timeliness

November 2012

Background

The “Green Deal” is a Great Britain-wide policy of the Department of Energy and Climate Change (“DECC”). The Green Deal framework will tackle a number of the key barriers to the take-up of energy efficiency measures. Households will start with a property assessment by an authorised assessor who will identify measures that need to be installed in a property and how much energy a consumer will save. These energy efficiency measures will be provided by businesses people can trust, installed by authorised professionals, and backed up with a legal framework to protect the consumer. Households are then able to pay for some or all of the improvements over time through their electricity bill. Repayments will be no more than what a typical household should save in energy costs.

Credit rating agencies require evidence of the estimated risk associated with the Green Deal in order to rate finance bodies so they can attract private finance. However, as with any new market, the Green Deal does not have a history of repayment data that financiers can access to assess risk. Therefore, as the Green Deal is designed so that payments are collected via the electricity bill, it may be reasonable to assume that Green Deal repayments will perform in a similar way to historic electricity payments.

Information on historic electricity payments such as late payments and defaults is held by the energy suppliers, but is not readily available to financiers. DECC officials have therefore agreed with proposed Green Deal financiers (such as The Green Deal Finance Company (TGDFC)) and the “big six” energy suppliers (British Gas, EDF Energy, EON, NPower, Scottish and Southern Energy (SSE) and Scottish Power) to publish aggregate historic domestic electricity payment information. These suppliers represent over 99%¹ of the properties receiving electricity and gas in Great Britain.

This report has involved the standardisation of payment definitions (which are not inherently the same in the utility and finance sectors) and protocols that ensure the big six’s commercial confidentiality is respected, but enables financiers to have the information required to have confidence in the Green Deal market.

This report is based on aggregate returns from each of the big six energy suppliers. The return itself consists of the payment history (by payment type) for electricity accounts in four snapshot months: November 2010, February 2011, May 2011 and August 2011. These were broken down by geographical region of the supply address.

Returns from energy suppliers were received by DECC between June and October 2012.

¹ Ofgem ‘The Retail Market Review - Findings and initial proposals’, 21 March 2011, http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/RMR_FINAL.pdf

Contents

Background	2
Key Findings:	4
Main Commentary:	5
Domestic Electricity Payment Amount.....	5
Regional and Seasonal breakdowns:	8
Domestic Electricity Customers:.....	9
Tables.....	10
Table descriptions.....	10
Table 1.1 Domestic Electricity Payment Amount by Billed Period and Payment Type.....	11
Table 1.2 Domestic Electricity Payment Amount by Billed Period and Payment Type.....	12
Table 1.3 Domestic Electricity Payment Amount by Billed Period and Payment Type.....	13
Table 2.1 Domestic Electricity Customers by Billed Period and Payment Type.....	14
Table 2.2 Domestic Electricity Customers by Billed Period and Payment Type.....	15
Technical Annex:	16
Annex A: Definitions.....	16
Annex B: Modelling – Adjusting for missing values	18
Annex C: Data quality assurance	19
Annex D: Reasons for late payment or unpaid	19
Annex E: Reasons for regional/seasonal variations	20
Annex F: Payment type frequency	21
Annex G: Non-Disclosure Agreements.....	22
Acknowledgements.....	22

Key Findings:

The key findings of this report are:

1. Out of £4.1 billion expected to be paid in the four snapshot months combined, 89% was paid within 0-30 days (£3.7 billion), 5% was paid within 31-60 days (£189 million) and 3% was paid after 60 days (£140 million). Three per cent (£121 million) remained unpaid at the point of data extraction. This is made up of £87 million of live debt and £35 million of final debt.
2. £38 million (31%) of the £121 million unpaid in the four combined billing periods were from quarterly cash/cheque, £35 million (28%) were final bills, £19 million (16%) were from budgeting payment schemes and £17 million (14%) were from monthly direct debit despite this being the most common payment type.
3. The three per cent of billed amounts remaining unpaid, relates to two per cent of customer accounts.
4. Customers paying through monthly direct debit had the highest percentage of customers who paid within 0-30 days (between 96% and 98% for the four respective billing periods).
5. Payment profiles between the four billing periods do not vary to a large degree. However, it should be noted that customers in more recent billing periods have had less time to pay compared to earlier billing periods.
6. Payment profiles between regions vary for some payment types. However, monthly direct debit has little regional variability. Given the variation between regions in payment profiles it has not been possible to conclude that any specific regional variations exist.

Main Commentary:

Domestic Electricity Payment Amount

Table 1.1 shows that the amount of money expected by the big six energy suppliers across the four snapshot months is relatively stable with around £1 billion expected in November 2010 and August 2011 and around £1.1 billion expected in February 2011 and May 2011.

In total, over £4.1 billion was to be paid following a bill or as part of a planned scheduled amount either on a live or final account in the four snapshot months combined. 89% was paid within 0-30 days (£3.7 billion), 5% was paid within 31-60 days (£189 million), 1% was paid within 61-90 days (£47million), 1% was paid within 91-180 days (£47 million), 1% was paid after 180 days (£46 million) and 3% remained unpaid at the point of data extraction (£121 million). This is made up of £87 million of live debt and £35 million of final debt.

Monthly direct debit had the highest amount of payment expected of all payment types with around £600 million expected in any of the four months. The majority of money expected by energy suppliers through monthly direct debit is paid within 0-30 days. In any given month no more than £5 million remained unpaid (outstanding, but not necessarily written off).

Table 1.1 also shows that quarterly cash/cheque (QCC) was the payment type with the second highest billed amount, with between £200 million and £300 million expected in any of the four months. As QCC customers are only billed quarterly, only a third of customers are captured in any given month. The amount unpaid is higher than monthly direct debit, ranging from £6.2 million in November 2010 to £11.1 million in May 2011, where customers would have had less time to pay.

Chart 1: Unpaid bills by live payment type, November 2010, February 2011, May 2011, August 2011 combined

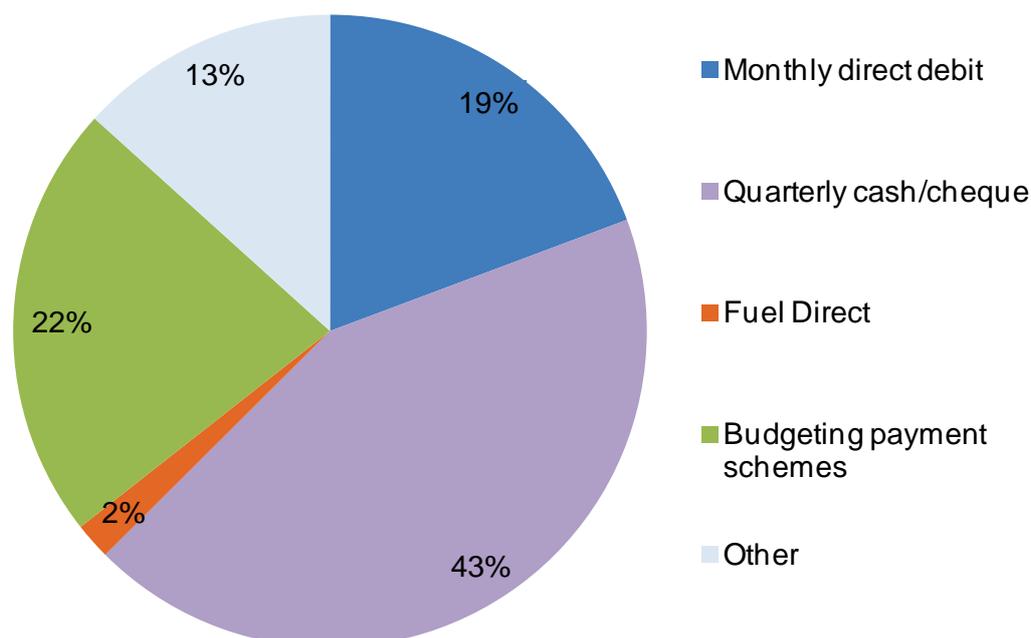


Chart 1 shows a breakdown of the £87 million of live debt (the total amount of unpaid

expected amounts) by payment type. This does not include £35 million of unpaid final payments which is likely to be liable for write off. Over the four snapshot months, budgeting payment schemes account for £113 million of expected payment amounts (around 3% of all payment types), but accounted for £19 million (22%) of all the unpaid live debt.

The amount of unpaid bills are not proportionate to the amount of money expected in each payment type. For example, quarterly cash/cheque has twice the amount of unpaid bills compared to monthly direct debit even though monthly direct debit provides a much larger proportion of payments.

Table 1.2 shows paid and unpaid domestic electricity amounts expected broken down into groups (or “buckets”) denoting when payment was received (in number of days since scheduled payment expected/bill issued), by payment type, for each of the four billing periods, again for both live and final accounts.

Chart 2 shows that there are large differences in the distribution of when payment (live and final) was received across each of the payment types. Customers paying through monthly direct debit had the highest percentage of customers who paid within 0-30 days (between 96% and 98% for the four billing periods).

Chart 2: Domestic electricity payment amount, breakdowns by payment type. November 2010, February 2011, May 2011, August 2011 combined

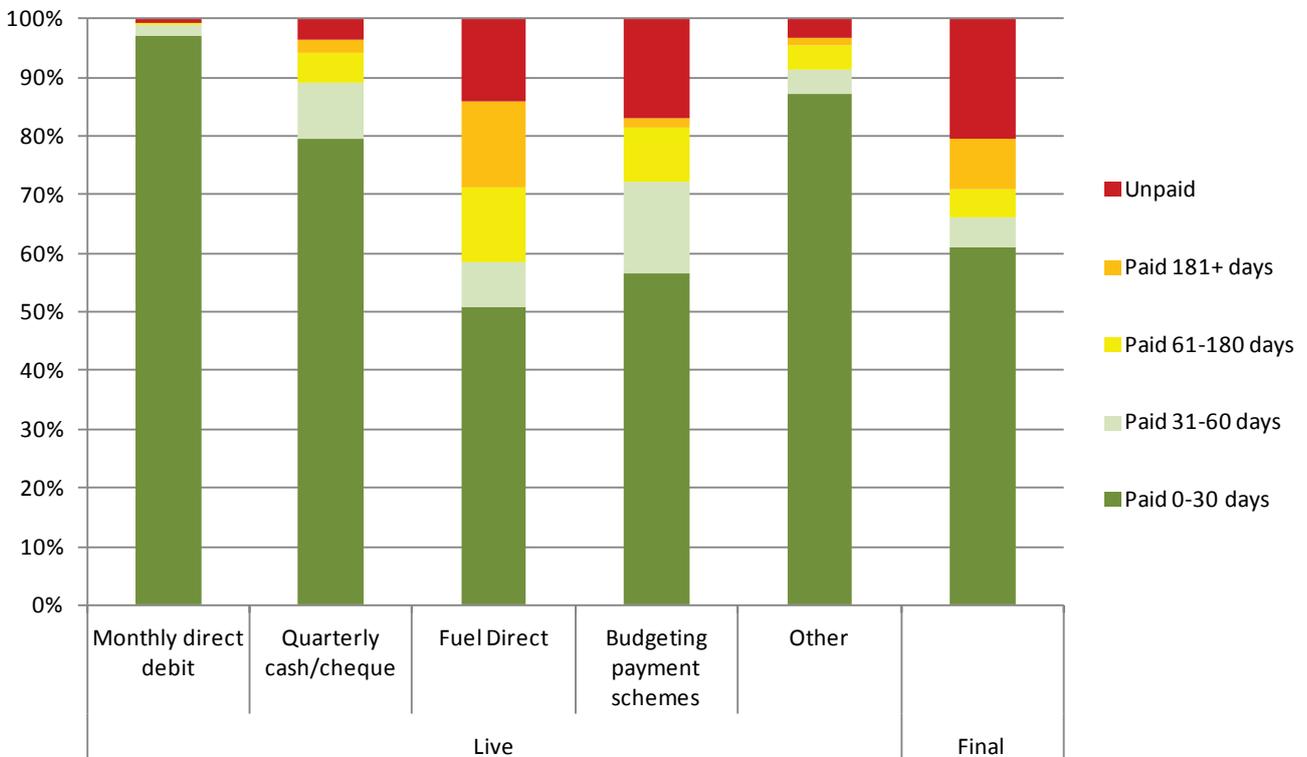


Table 1.2 also shows that budgeting payment schemes had the highest percentage unpaid of live payments. This amounted to 17% when the four months were aggregated.

Final bill payments also have a different payment profile. Around 60% were paid within 0-30 days. However, when the four months were combined, 21% of final bills remain unpaid and

are liable for write-off (or written off). This is higher than any unpaid live payment type and accounts for £35 million.

Billing period will also impact on payments. Payments of 181+ days from November 2010 will have had, on average, three months longer to allow for recovery of payments than from February 2011, six months longer than from May 2011 and nine months longer than from August 2011. This is a limitation of the data. However, the difference in time for payments in the 181+ days buckets can be used to understand how much is paid in each additional three months. It should also be noted that the timing of when DECC received the returns from each individual supplier will have had a minimal impact on the results. Later returns would have had longer to capture payments.

Table A shows the unpaid percentages by each of the payment types for the four months combined.

Table A – Unpaid payment amount percentages by payment type:

Payment Type	Unpaid per cent
Monthly direct debit	0.7%
Quarterly cash/cheque (QCC)	3.7%
Fuel direct ²	14.2%
Budgeting payment schemes	17.1%
Other	3.3%
Final	20.6%
All payment types	2.9%
All payment types adjusted by QCC billing frequency	3.2%

Overall, around 2.9% of all live and final payment type expected amounts remained unpaid. Adjusting the figures to take into account all quarterly cash/cheque payment customers (not just the ones captured in the four snapshot months), results in 3.2% of all bills remaining unpaid. If some of the other payment types were also adjusted to reflect their billing/planned scheduled amount frequency then it is likely that the unpaid percentage would be higher.

See **Annex D** for a summary of the main reasons of late payment or unpaid and **Annex F** on details of payment type frequency.

² Although fuel direct is included in this report, it is not possible to pay Green Deal finances via fuel direct.

Regional and Seasonal breakdowns:

Energy suppliers agreed to supply regional information (at NUTS1 level – see definitions in **Annex A**) to DECC. However, it was also agreed that DECC would not publish statistics that identified a specific region to ensure the published data was not disclosive to any one or more suppliers as this could affect their commercial positions. Instead, it was agreed that DECC could publish regional upper and lower bounds from the Great Britain-wide collection to show how much regional variation there, without identifying the region that is represented by each maximum and minimum figure.

All six energy supplier returns were combined and, from this, a payment bucket was created for each region by payment type for each of the four snapshot months.

Table 1.3 shows the regional minimum and maximum percentage breakdowns of the amount to be paid within the payment type for each month and payment type. No region had less than 94% of monthly direct debit paid within 0-30 days. This was the most consistent payment type across all the regions with very little variability.

This is in contrast to the other payment types which show a greater degree of regional variability as well as variability across the four billing periods. For example, one region reported 26% of payment amount received for fuel direct in 0-30 days in February 2011, whereas another region reported 74% of payment amount received for fuel direct in 0-30 days in May 2011. It should be noted that fuel direct payments contribute less than 0.5% of the total amount to be paid and, for any given region, these percentages could be based on a small number of customers.

Budgeting payment schemes also show differences across regions, particularly in the unpaid category. The minimum unpaid amount in one region was 12% of all budgeting payment schemes bills, but this was as high as 25% in another region.

A similar pattern is observed with final bills where there are regional differences across a number of the payment buckets. Final bills that were paid after 90 days varied from 6% in one region to 20% in another region in November 2010. Final payments also had the highest unpaid proportion, with 36% of final payments in one region remaining unpaid (and therefore liable for write-off) in May 2011.

Given the variation between regions in payment profiles it has not been possible to conclude that any specific regional variations exist. See **Annex E** for some of the reasons behind this variation.

Domestic Electricity Customers:

Table 2.1 shows the number of customers who were billed or on a planned scheduled amount grouped into “buckets” denoting when payment was received (in number of days since scheduled payment expected/bill issued) by payment type, for each of the four billing periods. **Table 2.2** shows the percentage breakdown by payment type and billing period.

There were 71.3 million customers³ who were either billed or had a planned scheduled amount in any of the four snapshot months. This varies slightly from 17.5 million customers in February 2011 to 18.1 million in May 2011 and reflects different billing patterns across the year.

Of the 71.3 million customers captured in the four billed periods, around 1.4 million (2%) were unpaid at the point of the data collection, this equates to three per cent of all the billed amount.

The largest number of unpaid customers were the 123,500 unpaid budgeting payment scheme customers in February 2011. This represents 22% of all budgeting payment scheme customers in that month.

³ Many customers are included in more than one of the four snapshot months. This explains why this total is greater than the number of customers in Great Britain (e.g. monthly direct debit customers are included in all four months).

Tables

Table descriptions

The information is published in five tables (see below).

Table 1.1 and **Table 1.2** present industry-wide information that shows:

- Total amount expected to be paid in November 2010, February 2011, May 2011 and August 2011;
- How much was paid in 0-30 days, 31-60 days, 61-90 days, 91-120 days, 121-150 days, 151-180 days and 181+ days, and how much remained unpaid;
- All payment types⁴ except pre-payment (which by definition cannot default) although this is included within final account which captures all arrears as well as both live and final amounts.
- The expected amount owed which, for a customer with a planned scheduled amount, means the amount they were scheduled to pay even if no bill was issued.
- Percentage breakdowns within each payment type into payment groups (or “buckets”).

Table 1.3 shows:

- The regional minimum and maximum percentage breakdowns of the amount to be paid within the payment type for each month, for each payment type.

Table 2.1 and **Table 2.2** present industry-wide information that shows:

- The number of customers who were billed in November 2010, February 2011, May 2011 and August 2011;
- How many customers paid in 0-30 days, 31-60 days, 61-90 days, 91-120 days, 121-150 days, 151-180 days and 181+ days, and how many customer’s bills remained unpaid;
- Percentage breakdowns of customers within each payment group (or “bucket”).
- A customer is only captured in the payment bucket of when the full amount to be paid was paid. For example, if a customer paid half of their bill in 0-30 days and the remaining half of their bill in 31-60 days, they would only be captured once under 31-60 days.
- If only a partial payment was made, and some expected amount was still outstanding, then this customer would be captured against “unpaid”.

⁴ Payment types refer to the payment type when the bill was issued. Any amount to be paid which was paid after a customer had switched payment type is captured against their original payment type, not their new payment type.

Table 1.1 Domestic Electricity Payment Amount by Billed Period and Payment Type

Great Britain

Pounds ('000s)

Billed period	Payment Type		Payment amount - broken down into 'buckets' denoting when payment received (in number of days since payment expected/bill issued)							Unpaid	Amount to be paid (£)
			Paid								
			0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	181+ days		
November 2010	Live	Monthly direct debit	£583,839	£10,577	£1,340	£564	£255	£136	£374	£4,045	£601,130
		Quarterly cash/cheque	£190,021	£21,136	£5,383	£2,693	£1,655	£1,194	£5,958	£6,199	£234,239
		Fuel Direct	£1,342	£141	£98	£72	£75	£70	£432	£218	£2,449
		Budgeting payment schemes	£14,639	£4,377	£1,884	£604	£216	£116	£411	£4,840	£27,087
		Other	£62,569	£3,126	£1,227	£815	£414	£419	£770	£2,083	£71,423
	Final		£22,711	£1,845	£739	£372	£256	£629	£3,331	£8,195	£38,078
February 2011	Live	Monthly direct debit	£596,313	£7,958	£875	£391	£228	£119	£283	£3,534	£609,701
		Quarterly cash/cheque	£238,778	£28,236	£9,504	£3,878	£2,470	£1,665	£7,261	£9,349	£301,140
		Fuel Direct	£1,457	£241	£121	£100	£86	£107	£520	£467	£3,099
		Budgeting payment schemes	£16,430	£4,208	£1,462	£643	£301	£200	£668	£5,115	£29,029
		Other	£87,755	£4,129	£3,412	£909	£516	£335	£1,219	£2,200	£100,474
	Final		£26,398	£2,245	£735	£500	£288	£835	£3,163	£8,336	£42,500
May 2011	Live	Monthly direct debit	£614,160	£14,316	£1,177	£517	£315	£138	£391	£4,523	£635,538
		Quarterly cash/cheque	£214,765	£27,924	£5,978	£3,477	£2,252	£1,657	£5,969	£11,143	£273,163
		Fuel Direct	£1,606	£224	£123	£96	£89	£95	£467	£449	£3,149
		Budgeting payment schemes	£17,818	£4,632	£1,671	£654	£331	£193	£480	£4,775	£30,554
		Other	£85,079	£3,785	£1,427	£969	£515	£388	£1,246	£3,079	£96,488
	Final		£30,469	£2,438	£812	£506	£359	£265	£4,015	£9,265	£48,129
August 2011	Live	Monthly direct debit	£613,153	£17,478	£1,396	£601	£240	£155	£405	£4,633	£638,061
		Quarterly cash/cheque	£166,463	£20,131	£4,065	£2,432	£1,504	£1,256	£3,576	£10,860	£210,286
		Fuel Direct	£1,389	£261	£99	£84	£80	£68	£257	£482	£2,721
		Budgeting payment schemes	£15,125	£4,530	£1,469	£504	£173	£111	£205	£4,679	£26,796
		Other	£64,984	£3,288	£1,535	£978	£557	£412	£902	£4,169	£76,824
	Final		£22,782	£1,966	£679	£427	£242	£222	£3,637	£8,754	£38,710

Table 1.2 Domestic Electricity Payment Amount by Billed Period and Payment Type

Great Britain

Per cent within payment type

Billed period	Payment Type		Payment amount - broken down into 'buckets' denoting when payment received (in number of days since payment expected/bill issued)							
			Paid							Unpaid
			0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	181+ days	
November 2010	Live	Monthly direct debit	97%	2%	0%	0%	0%	0%	0%	1%
		Quarterly cash/cheque	81%	9%	2%	1%	1%	1%	3%	3%
		Fuel Direct	55%	6%	4%	3%	3%	3%	18%	9%
		Budgeting payment schemes	54%	16%	7%	2%	1%	0%	2%	18%
		Other	88%	4%	2%	1%	1%	1%	1%	3%
	Final	60%	5%	2%	1%	1%	2%	9%	22%	
February 2011	Live	Monthly direct debit	98%	1%	0%	0%	0%	0%	0%	1%
		Quarterly cash/cheque	79%	9%	3%	1%	1%	1%	2%	3%
		Fuel Direct	47%	8%	4%	3%	3%	3%	17%	15%
		Budgeting payment schemes	57%	14%	5%	2%	1%	1%	2%	18%
		Other	87%	4%	3%	1%	1%	0%	1%	2%
	Final	62%	5%	2%	1%	1%	2%	7%	20%	
May 2011	Live	Monthly direct debit	97%	2%	0%	0%	0%	0%	0%	1%
		Quarterly cash/cheque	79%	10%	2%	1%	1%	1%	2%	4%
		Fuel Direct	51%	7%	4%	3%	3%	3%	15%	14%
		Budgeting payment schemes	58%	15%	5%	2%	1%	1%	2%	16%
		Other	88%	4%	1%	1%	1%	0%	1%	3%
	Final	63%	5%	2%	1%	1%	1%	8%	19%	
August 2011	Live	Monthly direct debit	96%	3%	0%	0%	0%	0%	0%	1%
		Quarterly cash/cheque	79%	10%	2%	1%	1%	1%	2%	5%
		Fuel Direct	51%	10%	4%	3%	3%	3%	9%	18%
		Budgeting payment schemes	56%	17%	5%	2%	1%	0%	1%	17%
		Other	85%	4%	2%	1%	1%	1%	1%	5%
	Final	59%	5%	2%	1%	1%	1%	9%	23%	

Table 1.3 Domestic Electricity Payment Amount by Billed Period and Payment Type

Great Britain, Regional Ranges

Per cent within payment type

Billed period	Payment Type		Payment amount - broken down into 'buckets' denoting when payment received (in number of days since payment expected/bill issued)									
			Paid								Unpaid	
			0-30 days		31-60 days		61-90 days		91+ days			
			Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
November 2010	Live	Monthly direct debit	94%	98%	1%	5%	0%	0%	0%	0%	0%	1%
		Quarterly cash/cheque	76%	88%	6%	12%	1%	3%	3%	6%	1%	4%
		Fuel Direct	37%	73%	4%	10%	2%	6%	10%	44%	3%	15%
		Budgeting payment schemes	46%	66%	11%	21%	5%	8%	3%	10%	12%	25%
		Other	81%	93%	2%	8%	1%	3%	2%	5%	1%	7%
	Final	46%	70%	3%	6%	1%	3%	6%	20%	17%	34%	
February 2011	Live	Monthly direct debit	97%	98%	1%	2%	0%	0%	0%	0%	0%	1%
		Quarterly cash/cheque	75%	84%	7%	11%	2%	4%	4%	6%	2%	5%
		Fuel Direct	26%	64%	6%	16%	2%	6%	8%	48%	5%	30%
		Budgeting payment schemes	50%	67%	11%	20%	4%	6%	3%	12%	12%	24%
		Other	82%	92%	3%	7%	2%	5%	2%	4%	1%	4%
	Final	52%	71%	4%	7%	1%	2%	7%	16%	15%	28%	
May 2011	Live	Monthly direct debit	94%	98%	1%	4%	0%	0%	0%	0%	0%	2%
		Quarterly cash/cheque	73%	85%	7%	12%	2%	3%	4%	6%	2%	6%
		Fuel Direct	34%	74%	5%	19%	1%	7%	9%	41%	6%	24%
		Budgeting payment schemes	51%	69%	11%	20%	4%	7%	3%	12%	12%	19%
		Other	84%	92%	2%	8%	1%	2%	2%	4%	1%	6%
	Final	48%	70%	4%	6%	1%	2%	8%	14%	16%	36%	
August 2011	Live	Monthly direct debit	94%	97%	2%	5%	0%	0%	0%	0%	1%	1%
		Quarterly cash/cheque	74%	86%	7%	11%	1%	2%	3%	5%	3%	8%
		Fuel Direct	34%	69%	7%	20%	1%	5%	6%	33%	6%	28%
		Budgeting payment schemes	52%	70%	12%	23%	3%	6%	2%	7%	12%	22%
		Other	80%	90%	2%	9%	1%	3%	2%	5%	2%	9%
	Final	48%	67%	5%	6%	1%	2%	8%	15%	18%	35%	

Table 2.1 Domestic Electricity Customers by Billed Period and Payment Type

Great Britain

Billed period		Payment Type	Number of customers - broken down into 'buckets' denoting when their final payment was received (in number of days since payment expected/bill issued)							
			Paid							Unpaid
			0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	181+ days	
November 2010	Live	Monthly direct debit	13,476,311	188,619	17,695	7,170	3,034	1,465	3,632	75,832
		Quarterly cash/cheque	1,765,094	165,039	43,837	30,489	17,994	11,056	49,094	49,316
		Fuel Direct	16,355	1,718	1,027	534	538	593	3,993	2,806
		Budgeting payment schemes	369,406	79,791	30,646	8,694	2,354	1,065	8,542	80,093
		Other	673,327	46,126	18,336	10,919	5,795	4,738	10,405	34,029
	Final	338,377	25,503	8,675	4,350	2,795	4,767	21,812	77,083	
February 2011	Live	Monthly direct debit	13,480,851	177,734	12,261	4,948	2,781	1,407	3,162	65,910
		Quarterly cash/cheque	1,569,757	160,413	59,976	30,404	20,369	12,233	48,804	52,299
		Fuel Direct	13,851	3,248	877	724	511	610	3,419	3,870
		Budgeting payment schemes	334,127	63,176	22,220	8,007	2,966	1,949	12,843	123,488
		Other	621,930	45,633	28,741	8,838	5,326	3,236	10,252	26,450
	Final	287,369	24,519	7,243	4,549	2,615	4,856	18,878	69,831	
May 2011	Live	Monthly direct debit	13,736,759	302,918	15,954	6,718	3,593	1,686	3,891	82,240
		Quarterly cash/cheque	1,624,154	182,042	39,705	31,692	20,747	13,295	43,411	70,818
		Fuel Direct	17,060	2,008	782	644	566	608	3,130	3,865
		Budgeting payment schemes	382,286	71,092	23,500	7,809	2,324	3,278	4,955	77,614
		Other	713,022	47,621	16,610	11,098	6,904	5,061	14,595	36,908
	Final	323,243	27,433	8,183	5,009	3,045	2,252	23,511	65,813	
August 2011	Live	Monthly direct debit	13,536,754	359,465	18,876	7,116	2,979	1,915	3,884	92,437
		Quarterly cash/cheque	1,639,860	176,188	38,511	30,866	18,143	12,424	27,247	83,644
		Fuel Direct	16,722	3,509	798	673	640	561	2,121	5,031
		Budgeting payment schemes	358,778	71,053	25,379	7,938	1,852	1,171	2,331	80,397
		Other	664,326	50,538	20,314	16,431	9,374	6,879	13,297	57,501
	Final	320,268	27,830	8,693	4,447	2,467	2,151	23,623	67,113	

Table 2.2 Domestic Electricity Customers by Billed Period and Payment Type

Great Britain

Per cent within payment type

Billed period	Payment Type		Percentage of customers - broken down into 'buckets' denoting when their final payment was received (in number of days since payment expected/bill issued)							
			Paid							Unpaid
			0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	181+ days	
November 2010	Live	Monthly direct debit	98%	1%	0%	0%	0%	0%	0%	1%
		Quarterly cash/cheque	83%	8%	2%	1%	1%	1%	2%	2%
		Fuel Direct	59%	6%	4%	2%	2%	2%	14%	10%
		Budgeting payment schemes	64%	14%	5%	1%	0%	0%	1%	14%
		Other	84%	6%	2%	1%	1%	1%	1%	4%
	Final	70%	5%	2%	1%	1%	1%	5%	16%	
February 2011	Live	Monthly direct debit	98%	1%	0%	0%	0%	0%	0%	0%
		Quarterly cash/cheque	80%	8%	3%	2%	1%	1%	2%	3%
		Fuel Direct	51%	12%	3%	3%	2%	2%	13%	14%
		Budgeting payment schemes	59%	11%	4%	1%	1%	0%	2%	22%
		Other	83%	6%	4%	1%	1%	0%	1%	4%
	Final	68%	6%	2%	1%	1%	1%	4%	17%	
May 2011	Live	Monthly direct debit	97%	2%	0%	0%	0%	0%	0%	1%
		Quarterly cash/cheque	80%	9%	2%	2%	1%	1%	2%	3%
		Fuel Direct	60%	7%	3%	2%	2%	2%	11%	13%
		Budgeting payment schemes	67%	12%	4%	1%	0%	1%	1%	14%
		Other	84%	6%	2%	1%	1%	1%	2%	4%
	Final	71%	6%	2%	1%	1%	0%	5%	14%	
August 2011	Live	Monthly direct debit	97%	3%	0%	0%	0%	0%	0%	1%
		Quarterly cash/cheque	81%	9%	2%	2%	1%	1%	1%	4%
		Fuel Direct	56%	12%	3%	2%	2%	2%	7%	17%
		Budgeting payment schemes	65%	13%	5%	1%	0%	0%	0%	15%
		Other	79%	6%	2%	2%	1%	1%	2%	7%
	Final	70%	6%	2%	1%	1%	0%	5%	15%	

Technical Annex:

Annex A: Definitions

<p>Amount expected to be paid</p>	<p>The amount that each energy supplier expects to receive from customers following either the issuance of electricity bills or the planned scheduled amount on every day of November 2010, February 2011, May 2011 and August 2011. Although there are cases where billed amounts differ from amounts expected (such as monthly direct debit where there may be a standard charge that does not correlate to the amount of electricity consumed), it is in all cases the monetary amount that the energy supplier expects to receive that is important.</p> <p>This is known as the “planned scheduled amount”, i.e. the amount that was billed not taking into account any previous debit/arrears or intended pre-payments. However if a direct debit bill was issued for the planned scheduled amount, and that this was paid off instantly (in 0 days) as the customer had enough credit built up to pay this off, then this should be captured and included within the 0-30 days payment bucket. This includes the amount expected to be paid for a customer with a planned scheduled amount, even if no bill was issued. Prepayment meter data is excluded.</p>
<p>Budgeting payment schemes</p>	<p>Refers to payments made by customers who pay by weekly/fortnightly/twice monthly payment schemes, and flexible payment methods such as using a payment card/book to make frequent cash payments (which is the same meaning as for Ofgem’s ‘Monitoring suppliers’ performance in relation to domestic customers’ guidance⁵).</p>
<p>Domestic (electricity) customer</p>	<p>A customer supplied or requiring to be supplied with electricity at domestic premises but excludes such customers in so far as he is supplied or requires to be supplied at premises other than domestic premises⁵.</p>
<p>Domestic premises (supplied with electricity)</p>	<p>A premises at which a supply of electricity is taken wholly or mainly for domestic purposes except where that premises is a non-domestic premises⁵.</p>
<p>Final debt</p>	<p>This includes outstanding payments due from customers who are no longer resident in the property in which electricity was supplied to them whilst they were resident. This also includes outstanding payments from customers who are still resident in the property in which electricity was supplied, but who have changed energy supplier - this will be smaller due to restrictions on customers switching who have outstanding debt. This includes data from pre-payment meters.</p>
<p>Fuel Direct</p>	<p>Payments by customers that are on Fuel Direct, a scheme administered by the Department of Work and Pensions to allow for payments to gas and electricity suppliers from sums which are deducted at source and social security benefit. This is calculated as the consumption charge (tariff x kWh usage) plus any standing charge. Discounts will be treated as payment⁵.</p>
<p>Live bills</p>	<p>All domestic electricity bills where:</p> <ul style="list-style-type: none"> Accounts are non prepayment (i.e. Key, Token or Smartcard Meter) Accounts only contain one supplied service account (i.e. THTC removed) Account is not a final bill for the service account Type equates to ‘Billing’ (i.e. normal bill not re-bill and is not a one off or off cycle/ ad-hoc statement) Bill has not been cancelled or re-billed at any point (thus later voiding it) The payment plan at point of billing equates to the definitions listed below Account remains active at point of data extraction

⁵ Ofgem, ‘Monitoring suppliers’ performance in relation to domestic customers’ November 2007.
<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Documents1/Monitoring%20Suppliers%20Performance%20Guidance.pdf>

Live debt	Outstanding payments due from customers who are still resident in the property in which they are being supplied with electricity by the same energy supplier. This includes monthly direct debit, quarterly cash/cheque, fuel direct, budgeting payment schemes, and other. Data will exclude pre-payment meter data as payments are not outstanding.
Monthly direct debt	Concerns payments by customers who pay by direct debit on a monthly basis (budget payment plan of 'monthly direct debit').
Number of customers	The number of bill-payers who have been issued with bills or are on a planned schedule payment type. The date of a final payment for an outstanding charge will be recorded. If a customer pays, but has a balance remaining, they will be counted under 'Unpaid'.
Other (payment method)	Should include any payments customers make using a payment method not covered elsewhere such as monthly standing order, monthly payment schemes (cash or cheque) and quarterly variable direct debit. Details on social tariffs, which may or may not be a non-standard payment scheme, can be provided as well as the annual questionnaire to BIS and Ofgem ³ .
Payment amount	The amount paid to the energy supplier in November 2010, February 2011, May 2011 and August 2011 in either of the following scenarios: <ul style="list-style-type: none"> • the planned schedule scheme amount in that given month (if one exists); or • following the issuance of an electricity bill in that given month (if there is no planned scheduled scheme). The number of days in outstanding relates to the number of days since the planned scheduled amount was due, or the date of the bill in November, February, May or August, regardless of whether payment was made within standard terms. This should not include arrears from previous bills or credits.
Prepayment meter	Refers to payments by customers who pay for energy by inserting electronic tokens, keys or cards into a Prepayment Meter. This customer therefore needs to be provided with a network of outlets where tokens can be purchased, or cards and keys can be charged up. This network of outlets needs to be linked to a payment settlement system for suppliers (which is the same meaning as Ofgem's 'Monitoring suppliers' performance in relation to domestic customers' guidance (see link above)
Quarterly cash/cheque	Refers to payments by customers who pay by cash, cheque, debit or credit card after receiving a quarterly bill (i.e No payment plan at point of billing). This does not include customers who make payments in cash with a payment card or paying in book ³ .
Regions/ Country	Regions and Country as defined using Nomenclature of Units for Territorial Statistics – level 1. See definition at http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:NUTS Northern Ireland is excluded from this data collection.
Total amount to be paid	The sum of paid value columns 0 – 30 days to 181+ days and Unpaid (Outstanding but not written off and or liable to write off) will equate to the total 'Amount to be Paid' within each payment type.
Unpaid	This is the expected amount (planned scheduled amount) that had been billed (or expected at a given date), which was still to be paid at the point of this data collection. This includes both live unpaid bills, which are outstanding, but not written off, as well as final unpaid bills which are likely to be liable for write off. This would include full unpaid bills as well as any partially unpaid payments (remainder of the billed balance not covered by the payment(s) made.

Annex B: Modelling – Adjusting for missing values

Some basic modelling was applied to some of the returns submitted by energy suppliers. This was to make returns more consistent in their interpretation of the agreed definitions and, in some cases, to account for large numbers of missing customers (for example, as a result of customer accounts being migrated to a new data system). In order to make figures more representative at a Great Britain-level (when all energy suppliers' returns were aggregated together) individual returns were scaled up using additional information from suppliers on the actual number of customers who were billed/had a planned scheduled amount. These customer numbers include all customers where a planned scheduled amount was due in that month (even if no bill was issued).

These scaling factors were applied to each payment type, in each region, in all four snapshot months, for both payment amounts and customers.

In one case, the exact number of customers was not known. Published Ofgem figures⁶ were used to estimate the number of customers in those unknown payment types to scale for cases where the actual number was unknown.

These modelled figures were included at an aggregated Great Britain-level in Tables 1.1 to 2.2. All modelled changes have been agreed with the relevant energy supplier.

⁶ Ofgem, 'Monitoring company performance – quarterly reporting', September 2010, <http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Documents1/Q3%202010%20external%20data%20report.pdf>;

Ofgem, 'Monitoring company performance – quarterly reporting', December 2010, <http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Documents1/Monitoring%20company%20performance%20-%20Q4%202010%20data%20report.pdf>;

Ofgem, 'Monitoring company performance – quarterly reporting', June 2011, <http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Documents1/External%20data%20report%20-%20Q2%202011.pdf>;

Ofgem, 'Monitoring company performance – quarterly reporting', September 2011, http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Documents1/Q3%202011_external%20data%20report.pdf.

Annex C: Data quality assurance

All values submitted to DECC by energy suppliers were checked and verified with individual energy suppliers against the definitions in **Annex A** and, for consistency, between suppliers. This included checks against other external published Ofgem figures⁷, including Ofgem's monitoring company performance – quarterly reporting. This ensured that the market coverage of supplier data was in line with our expectations based on publicly available market share statistics.

Monthly direct debit values for one energy supplier only included payments against 0-30 days for where a payment had been made. Monthly direct debit value for another supplier only included payments against 0-30 days and 31-60 days. If a payment was still outstanding or had been paid after 30 days (in the first case) or 60 days (in the second) then this was captured against unpaid as the energy supplier was not able to track these accounts after they had been switched from monthly direct debit to another payment type. This may result in the unpaid amount being overestimated.

In addition, one energy supplier was only able to capture monthly direct debit customers against the 0-30 days payment period and had no customers recorded as unpaid. This has not been adjusted for in this report so the actual number of unpaid customers will be higher.

Annex D: Reasons for late payment or unpaid

There are four main reasons for late payment or for the expected amount to have remained unpaid. These are:

- a) Rejected direct debit
- b) Dispute
- c) Lack of Affordability/Inability to pay ("Can't pay")
- d) Avoidance ("Won't Pay")

Debt is attributable only to the customer and not the property - as such, landlords are not liable for tenant debt. Recovery rates on occupier debt are extremely low.

There are differences between more and less affluent areas. Collection rates are lower in areas where there are a high proportion of privately rented properties and social housing, although social housing performs much better than privately rented due to the lower churn of tenants. In some areas, suppliers may also have a higher proportion of unpaid payments due to having a higher proportion of legacy accounts that have never churned and have been prevented from moving due to debt. The effect of this is becoming less and less over time.

⁷ Ofgem, 'The Retail Market Review – Findings and initial proposals' 21 March 2011, Page 50 (Figure 1): http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/RMR_Appendices.pdf

Annex E: Reasons for regional/seasonal variations

The distribution of suppliers' share of accounts at a national level does not reveal the strong regional structure of the energy sector. This is particularly true in the electricity market where the regional monopoly that existed in the sector prior to market liberalisation means suppliers still retain a large proportion of customer accounts in certain regions. Variations exist and can be attributable to several factors:

- Number of customers for each payment type within each region.
- Number of customers will fundamentally influence billed amount over an average period
- Some customers overpay in summer months to build credit towards higher winter bills. This effect is seen mostly in customers with payment arrangements such as monthly direct debit and regular cash payments.
- Non-linear distribution of billing will give different seasonal clustering across individual regions. By electing to examine four snapshot months from a 12 month cycle, the proportion of population billed within each region is likely to differ.
- Some regions are subject to localised temperatures which may affect consumer consumption behaviour.
- Distribution of losses is non-seasonal and moves in response to market changes, price shifts or external economic factors.

Annex F: Payment type frequency

This collection on domestic electricity payments only covers four snapshot months (November 2010, February 2011, May 2011 and August 2011) and billing/scheduled payment frequency is therefore important. As this has not been adjusted for, some payment types may have been over-represented for the period (if billing/scheduled payment frequency is more regular than monthly) and/or under-represented for the period (if billing/scheduled payment frequency is less regular than monthly). The payment frequency of the five categories of live debt are as follows:

- Monthly Direct Debit - payments by customers who pay by direct debit on a monthly basis.
- Quarterly cash/cheque - payments by customers who pay by cash, cheque, debit or credit card on a quarterly basis.
- Fuel Direct - payments made by customers who pay by weekly/fortnightly/twice monthly payment schemes and flexible payment methods.
- Budgeting Payment Schemes - payments made by customers who pay by weekly/fortnightly /twice monthly payment schemes and flexible payment methods.
- Other - includes any payments customers make using a payment method not covered elsewhere such as monthly standing order, monthly payment schemes (cash or cheque) and quarterly variable direct debit.

Annex G: Non-Disclosure Agreements

Non-disclosure agreements (NDAs) were signed with all of the big six so DECC statisticians were able to process energy supplier returns to aggregate and publish industry-wide information, with deletion of the underlying energy supplier data. As part of the quality assurance process DECC ensured energy suppliers were content with this report and that it did not undermine their commercial positions.

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