



OFGEM STANDING CHARGES CALL FOR INPUT
Response from the End Fuel Poverty Coalition
17 January 2024

It must be a national priority to bring down energy bills for those who are struggling the most and who are at most risk from the ill effects of living in cold damp homes.

This should be done through a fundamental overhaul of tariffs and standing charges to ensure cheaper energy for those in fuel poverty and safeguards (via a social tariff) to protect those with high energy use due to health or disability circumstances.

The End Fuel Poverty Coalition welcomes the standing charges call for input as a part of this process of reform, although in and of itself, reforming standing charges is only part of the solution.

We would also appreciate more acknowledgement and assessment by Ofgem of how the standing charges regime is expected to develop as time of use tariffs become more prevalent.

We also appreciate that there are areas of reform which could easily cross into Government policy. We have tried to limit our response to the areas Ofgem has responsibility to act on. In many instances what we have called for at this stage is more information in order for NGOs, charities and consumer groups to provide more informed responses at later stages of the consultation process.

We strongly and unanimously support Ofgem taking action on standing charges and urge the regulator to prioritise this work in 2024.

The status quo is unfair and untenable and we do not believe that leaving this issue to market forces will deliver change in the best interests of the consumer. Standing charges hit those with the least money and energy use the hardest, forcing many off supply completely. This dangerous situation cannot be allowed to continue.

We acknowledge and support the considerations set out by all of our members in their response to the call for input, in particular we recognise Age UK and Marie Curie's analysis of the impact of increased unit costs on specific groups.

We believe that Ofgem must set out a clear programme of work to **analyse each aspect of standing charges** (network and grid costs, supplier operating costs, etc) to remove as much cost as possible from them and move more costs onto general taxation (e.g. policy costs, supplier debt protection). We have set out more thoughts on this below.

Secondly, Ofgem must **do more to support calls for tariff reform** (such as a social tariff) and we have set out ways Ofgem can do this through this call for input and subsequent consultation. Ofgem should also model the impact of a social tariff on mitigating any adverse effects from standing charge reform on low income consumers with high consumption.

We also appreciate that **specific tariff types may require different standing charge regimes** and we would encourage Ofgem to examine this in detail.

ANALYSE EACH ASPECT OF STANDING CHARGES

- Ofgem should make a case to the Government for policy costs to be removed (as we have previously argued) and moved to general taxation and provide analysis of the impact of doing so.
- Operating Cost allowances should be examined to ensure customers are getting best value and that excessive marketing costs are removed from energy bills. These should then be moved onto unit costs to normalise the market (c.f. supermarkets have to build customer service into their pricing, but they are not expected to directly pay for the roads or rails their goods travel on). Before proceeding with this recommendation, we would welcome an Ofgem analysis of the market to establish if this means suppliers would try to compete on unit cost more directly - even in current market conditions.
- Smart Meter costs should be reviewed in light of recent reports by the National Audit Office and an agreement reached to ensure best value for money for consumers. Ofgem could also present a case to the Government for these costs to be moved to general taxation as part of wider infrastructure improvements to the grid.
- Network and Transmission costs need to be reviewed separately. The impact of Time of Use Tariffs on the grid costs must be examined. And the development of the "grid of the future" charges (and gas decommissioning) need much closer inspection so that consumers are not paying through bills for:
 - Developments until they are delivered (i.e. reforming the current model so that consumers pay in arrears for improvements, not in advance through estimated costs)
 - Improvements that could be more efficiently funded by central Government infrastructure investment (paid by general taxation)

We have also had advance sight of the next Warm This Winter Tariff Watch Report which will be published on 24 January and will provide more insight in this area. The recommendations made in that report should be implemented in full.

- Debt related costs should not be on energy bills, but instead covered through a Help To Repay scheme. Details of this scheme have been presented to Ofgem and Ministers by the Money Advice Trust and we would urge the regulator and Government to meaningfully engage with them on this issue.

We would advise that Ofgem models each of the suggestions above to provide analysis of their impacts on standing charges to different consumer groups individually and if taken together.

DO MORE TO SUPPORT CALLS FOR TARIFF REFORM

Tariff reform is fundamental to this call for input as the decisions made on standing charges could have far reaching impacts on consumers across the board.

As a first step, we strongly support calls from groups for Ofgem to publish analysis of the changes in bills on its consumer archetypes. If the call for input moves forward to consultation then this analysis will be key to understanding which vulnerable households are

at risk. Without this data many consumer groups have found it difficult to determine whether Ofgem's modelled reforms are acceptable.

In a similar vein, we support National Energy Action's call for Ofgem to fully analyse the spectrum of solutions that are possible to implement.

Specifically we call on Ofgem to analyse the impact of:

- Introducing standing charge freezes.
- Introducing exemptions for gas standing charges for part of the year.
- Partial reallocation of costs from standing charge to unit rate. For instance, policy costs (although see note above about our preferred approach to these costs). A full abolition of standing charges for all households would create risk in the market – so the level of costs being reallocated must be carefully considered.
- Abolish regional charging variations, so everyone pays the same regardless of where they live.
- Implementing standing charge tariff bandings for domestic users based on a consumption threshold – e.g. EAC of 5000 kWh on electricity means higher standing charges.
- Rising block tariff which has progressively higher unit rates for each kWh used in a period – allowing for extremely high users to pay for more network costs (and what mitigations or time limits might be needed if this was to proceed).
- Investigate a targeted standing charge exemption or reduction (e.g. for people on medical equipment or requiring more heating because of a medical condition)
- Consider setting an annual cap on how much a household is expected to contribute towards supplier fixed costs.

As highlighted above, we would also call for Ofgem to analyse the impact of operating costs being moved away from standing charges and the impact that would have on overall bills and for the consumer archetypes.

We welcome the support Ofgem and energy suppliers have shown to date for proposals for tariff reform. We believe that as part of Ofgem's response to this call for input, there is an approach to tariff reform which could be implemented as part of standing charge redesign.

This approach would see the Standard Variable Tariff reformed so that:

- Consumers pay the unit cost ONLY for a set allocation of basic energy use (varying levels of use to be modelled by Ofgem).
- Only *after* this consumption level would consumers pay the unit cost + a standing charge.
- All consumers who rely on energy for medical needs or have challenging financial circumstances would be able to access a social tariff (set at half the prevailing unit cost and with no standing charges added). Alternatively, vulnerable groups could be exempt from standing charges no matter their volumetric use.

We would urge Ofgem to produce modelling for this approach to assess the impact on various groups.

We would also expect Ofgem to establish a formal working mechanism with the NHS, medical experts and the Royal Colleges to take a needs based approach to determining vulnerability.

We appreciate that much of this response recommends further work by Ofgem - and we would urge the regulator's analysts to be careful in the use of mean / median and the implications of these different data points.

Due to the need to model so many variables, Ofgem is the only organisation which will be able to provide the information required for consumer groups and charities to fully assess the impact of various suggestions. But we acknowledge that Ofgem should also work with the research organisations and academics who can help pick up the workload of this modelling so that it does not slow down the process of reform.

Therefore, we would advise that before moving to a full consultation, Ofgem hosts a further series of meetings with consumer organisations, NGOs, charities and researchers to discuss the various modelling requests which have been made and to enable the civil society sector to come together on a preferred option (or series of options).

SPECIFIC TARIFF TYPE REGIMES

For PPM customers, we appreciate that standing charges place an even greater burden on their household finances and the need for reform among this group is urgent. As a temporary solution, we would urge Ofgem to instruct suppliers not to charge standing charges on any day which a prepayment meter records below 5kwh/day for each fuel.

We would also urge Ofgem to discuss with suppliers how households could be moved quickly and efficiently onto a “zero use tariff”, for example if the customer is admitted to hospital or moves to a hospice.

Therefore, in addition to the modelling already requested, Ofgem must assess the impact of:

- Reallocating the standing charge to the unit rate for prepayment households only
- Moving standing charge accrual ‘to the back’ of prepayment meters to minimise impact on self- disconnection.

Ofgem should also use this opportunity to understand if energy firms have consumers with high demand due to medical conditions who have been on pre-payment meters and if they can be brought back onto Direct Debit or Standard Credit terms.

Those using traditional electric heating suffer from both high standing charges and much higher unit rates compared to gas. This forces many to suffer in cold homes, especially dangerous as they tend to be older as well as lower income.

While Ofgem suggests that reducing standing charges would make them even worse off due to even higher unit costs, we would propose the opposite.

At minimum they should be offered the lower rates that the more affluent EV user group gets, not forced to suffer on Economy 7. The current price discrimination against this vulnerable group (who get overcharged for cheaper and greener energy) is cruel and must be stopped by Ofgem.

ABOUT THE END FUEL POVERTY COALITION

We thank Ofgem for the engagement with our group on this issue so far and would welcome the opportunity to discuss any aspect of our response in more detail.

The End Fuel Poverty Coalition is a [broad coalition of more than 70 anti-poverty, health, housing and environmental campaigners, charities, local authorities, trade unions and consumer organisations](#). It is also supported by academics, social enterprises and those working on the front line of fighting fuel poverty.

We believe that everybody has the right to a warm, dry home that they can afford to heat and power.

Members of the Coalition include: [Action with Communities in Rural England](#), [ACE Research](#), [Advice for Renters](#), [AgeUK](#), [All Birmingham's Children](#), [Austerity Action Group](#), [Association of Green Councillors](#), [Association of Local Energy Officers](#), [Association for Decentralised Energy](#), [Asthma + Lung UK](#), [Basingstoke & Deane Borough Council](#), [Beat the Cold](#), [Brighton & Hove City Council](#), [Bruton Town Council](#), [Camden Federation of Private Tenants](#), [Child Poverty Action Group](#), [Church Poverty Action](#), [Chartered Institute of Environmental Health](#), [Chartered Institute of Housing](#), [Community Action Northumberland](#), [Centre for Sustainable Energy](#), [Climate Action Network West Midlands](#), [Debt Justice](#), [Disability Poverty Campaign Group](#), [Disability Rights UK](#), [E3G](#), [EBICO](#), [End Child Poverty Coalition](#), [Energy Saving Trust](#), [Energy Cities](#), [Fair Energy Campaign](#), [Epilepsy Action](#), [Fair By Design](#), [Foster Support](#), [Friends of the Earth](#), [Fuel Poverty Action](#), [Fuel Poverty Research Network](#), [Generation Rent](#), [Good Law Project](#), [Greenpeace](#), [Groundwork](#), [Hackney Foodbank](#), [Heat Trust](#), [Home Start Oxford](#), [Independent Age](#), [Inner City Life](#), [Joseph Rowntree Foundation](#), [Lambeth Pensioners Action Group](#), [London Borough of Camden](#), [London Borough of Lewisham](#), [Marie Curie](#), [Mayor of London](#), [Moorland Climate Action](#), [National Pensioners Convention](#), [National Union of Students / Students Organising for Sustainability](#), [NCB](#), [National Energy Action](#), [New Economics Foundation](#), [National Federation of Women's Institutes](#), [Northern Health Services Alliance](#), [Oxford City Council](#), [Positive Money Tower Hamlets](#), [Redcar & Cleveland Council](#), [Repowering London](#), [Retrofit Bruton](#), [Right To Energy Coalition](#), [Rossendale Valley Energy](#), [Ryecroft Community Hub](#), [Save the Children](#), [Sense](#), [Scope](#), [Shaping Our Lives](#), [Social Workers Union](#), [South East London Community Energy](#), [Southwark Group of Tenants Organisations](#), [South West London Law Centres](#), [Stonewater Housing Association](#), [Stop The Squeeze](#), [Uplift](#), [UNISON](#), [Warm & Well North Yorkshire](#), [Warm & Well in Merton](#), [Young Lives vs Cancer](#).

The coordination for the [End Fuel Poverty Coalition](#) is provided by social enterprise [Campaign Collective](#) and the Coalition is also part of the [Warm This Winter](#) campaign. In Scotland we work closely with [Energy Action Scotland](#). In Wales, we work with [Climate Cymru's Warm This Winter](#) activity and in Northern Ireland with the NEA-backed [Fuel Poverty NI coalition](#).

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