



## END FUEL POVERTY COALITION STANDING CHARGES POSITION & OFGEM CONSULTATION RESPONSE

20 September 2024

### Background

Gas and electricity bills consist of two main components: standing charges and unit costs.

Unit costs are the price paid for each unit (kWh) of energy consumed.

In contrast, standing charges are a fixed daily fee that covers suppliers' fixed costs, such as policy, infrastructure, and network expenses.

Customers pay this daily fee irrespective of their energy usage.

Although Ofgem does not require suppliers to impose a standing charge, these charges are almost universal across tariffs. Standing charges typically have a greater impact on electricity bills than gas bills and can accrue as debt even when energy consumption stops.

These charges have [increased dramatically](#) in recent years - gas up 16% and electricity up 150% since the start of the energy bills crisis.

Therefore, standing charges are an unfair flat tax on every energy consumer. Every household pays significant sums just to be connected to the grid, even if they use no energy.

In the past there has been caution about reform due to the potential impact of change on households with a high dependency on energy for medical needs or those living in energy inefficient housing.

In the last consultation exercise, the Coalition called for Ofgem to provide further detailed analysis of these options to ensure that these groups are not penalised. Our submission to the Call For Input can be read here ([pdf](#)).

Since then a report by [Future Energy Associates](#) for the Warm This Winter campaign has indicated that reform of standing charges may actually be possible in a fair way.

But to deliver on this, it will need Ofgem, the new Government, energy industry and consumer groups to work together to make it happen. The prize of cutting standing charges in half should be one which new Ministers seize upon.

The new Government hopes to reform standing charges to reduce the burden on lower income households.

We welcome the work Ofgem has been undertaking to review each aspect of standing charges, including network and grid costs, supplier profit, supplier operating costs and policy costs. Yet problems remain, such as inefficiency in customer service, billing errors, a flawed smart meter roll out, high operating costs and high profits in trading, network and transmissions firms.

*[Recommendation 1: We urge the regulator to continue this work to review and bring down costs - setting affordability of bills as the primary focus of each review.](#)*

## What would the Coalition prefer to see?

In an ideal world, the Government and regulators would work together to bring about fundamental reform of tariffs and charges to deliver a fairer system, such as a social tariff or energy for all / rising block tariff approach .

If the current system were to continue, then there are still options that could be delivered to bring down standing charges:

- Transfer five elements of standing charges (the adjustment allowance, headroom allowance, profit allowance, payment uplift and levelling costs) entirely to the unit rates.
- Shift some policy costs, particularly legacy policies such as the RO and FIT, to general taxation. There is some justification for maintaining ECO costs on bills to provide certainty of funding, but these should ensure they work for low income households. Warm Home Discounts should be removed from bills and funded either by general taxation or an energy industry contributions scheme.
- Revise the ratio of energy firm operating costs paid through standing charges versus unit rates to increase the amount on unit costs, thereby delivering an incentive to the energy market to drive down excess costs such as marketing.
- Reduce the standing charge elements of network costs by 10%, funded by excess shareholder profits.
- If all these options were taken together (i.e. changes to standing charges and unit costs) these proposals would reduce the total energy bill for the average household by £202.32 a year.

The impact of these changes would be that standing charges for every household with electricity and gas connections could plummet from £334.08 a year to £183.02 – a reduction of almost half (£152.06 / 46%).

For electricity the standing charge would reduce from £219.42 to £149.17 per year (32% reduction) and for gas the standing charge would reduce from £114.66 to £33.85 per year (71% drop).

Over 90% of previous respondents to Ofgem consultations argued that standing charges are unfair and two-thirds of public responses explicitly called for their abolition. There is a real public mandate for radical change and Ofgem should be doing much more to use its influence with Ministers to press this point.

Our preferred position is one supported by the public.

*Recommendation 2: We would urge Ofgem to make representations to the Government to deliver this fundamental overhaul, in standing charges to bring down energy bills immediately.*

## What is likely?

We appreciate that our preferred approach (above) would require Government funding from general taxation, investment funded by borrowing or further levies on energy sector profits. Sadly, it is understood that the Chancellor is likely to resist such changes.

Therefore, it now seems that the Government will support [Ofgem's proposal](#) for moving daily standing charges towards unit costs. This is referred to as a volumetric standing charge and would shift from a daily charge to one based on volume of energy consumed. This would mean the more energy you use the more you pay in standing charges.

Ofgem has demonstrated that this proposal would be progressive overall, with higher benefits accruing for those on lower incomes. Therefore, we cautiously welcome the proposals as a step in the right direction.

However, we share the concerns of Scope and others that for disabled people the picture is more complicated.

Ofgem outlined some of the differential impacts if there was to be a 50% shift of standing charges into volumetric costs. The regulator assessed electricity and gas separately. The below impacts are effectively doubled if standing charges were fully integrated into volumetric charges.

For electricity, overall estimates show that 11.3 million households would be net losers from the policy (with it adding an average of £20.96 to their annual bill). This compares with 15.7 million who would be net beneficiaries (with their bills going down by an average of £15.07). For gas, 14.3 million households would lose (an average annual bill increase of £6.85) and 8.3 million would gain (a decrease of £11.84). Overall, the analysis shows this would lead to a lowering of the average annual electricity bill by £16.92, and gas bills by £7.44, after equivalising for income.

*Recommendation 3: We request that Ofgem operates an “open book” approach to this consultation and publish further details of these calculations for researchers to examine.*

While progressive overall, the proposal does produce differential impacts within certain consumer cohorts.

For example, Ofgem needs to avoid developing a system which encourages people to cut back on energy use to dangerous levels. With the abolition of the Winter Fuel Payments, this could be especially likely among households who are unable to heat their living rooms to 23°C and 18°C in other rooms for 16 hours in a 24 hour period, which is the level recommended by [public health experts](#) for older and disabled households, and that is enshrined in fuel poverty strategies in Wales and Scotland.

For the lowest income quartile 1.2 million electricity and 1.8 million gas customers would be net losers from this policy, compared to 5.5 million and 3.7 million gainers respectively. For households with someone claiming disability benefits the policy would add an average of £10.87 to their annual electricity bill and reduce their gas bill by 46p. This analysis only accounts for the average disability benefit recipient though. Within the wider disabled population there are thousands who face far higher energy bills than the average. The loss for them would be substantively higher because they tend to use more energy.

If Ofgem’s proposal was enacted it would put a heavier price burden on disabled people and people with a terminal illness or life limiting condition. This would be especially true for medical equipment users who, according to Scope, may face a disability premium running to hundreds of pounds (for example running a home dialysis machine adds [hundreds of pounds](#) to bills but is [cheaper](#) for the NHS than hospital care).

Freedom of Information requests by Marie Curie found that few NHS Trusts have the resources or the ability to pay for the increased costs of running vital life preserving equipment in people’s homes.

*Recommendation 4: Ofgem should contact the Department of Health and work with Ministers across Government to ensure funding is in place to cover the increased costs associated with at home care.*

Mitigation efforts for electricity-dependent households should not solely focus on those medically reliant on it, as outlined by Ofgem’s involuntary prepayment code. Other groups, such as the blind, partially sighted, and people with learning disabilities, also have higher electricity needs. Blind individuals rely on devices like tablets and smart speakers for

independence, while consistent lighting is crucial for safety. People with learning disabilities may require higher energy use for mobility and hygiene. Addressing the needs of these diverse groups is essential to prevent risks like falls, injuries, or compromised independence due to energy costs.

*Recommendation 5: Ofgem must conduct an Equalities Impact Assessment of any proposed changes and this analysis must use a broader definition of disability, such as the 2010 Equality Act definition. Any impact assessments must also be completed on a quarter by quarter basis and not just an annual one so we can appreciate how difficult winters may be.*

Yet, at the same time, many people on lower incomes who have lower usage are unfairly penalised by daily standing charges. This is why the Coalition's preferred reform of Standing Charges should be combined with the work to reduce costs and profits in the energy system to bring down bills.

### **How can Ofgem / The Government improve the proposals put forward?**

Ofgem must address the disability premium and ensure that any reforms reduce the cost burden instead of worsening it. It must also use the Equalities Act definition of disability as outlined above in Recommendation 5.

*Recommendation 6: Ofgem should mitigate the impact of standing charge reform by providing targeted exemptions from volumetric standing charges for disabled people, people with health conditions, those who are terminally ill and those with other vulnerabilities.*

Ofgem could learn from programmes delivered by Ofwat to deliver this, but if an exemption is not technically possible, the government and Ofgem should also consider imposing a limit on the amount of standing charge costs added via the move to volumetric charging. Ideally this would be targeted (so for example, those private residences with swimming pools do not become exempt), but it could be a universal ceiling.

*Recommendation 7: For prepayment meter customers, standing charges should be abolished and costs moved entirely onto the unit rates while more support is given to PPM customers in debt.*

However, this must come alongside an expansion of the list of customers who are deemed unsuitable for PPM installation and more rigorous checks to ensure those with health or disability needs are not on a PPM.

There is also scope for further quick wins on PPMs. This includes moving standing charge debt to the "back of the meter", so customers only pay off the debt after they have used the energy they need. Or Ofgem could mandate a maximum weekly amount that can be charged for standing charge debt. This would function as a second weekly repayment rate, which accumulates in addition to the weekly repayment rate for debt.

*Recommendation 8: Reform would be safer if it was matched by improved affordability support for disabled people with higher energy needs. This must include social tariff to provide vulnerable, low income, fuel poor and multi-rate electricity households with affordable tariffs.*

Failing that the Warm Home Discount should be expanded by adding disability benefits to eligibility for core group 2 of the scheme. It should also be increased in value, especially for those on multi-rate tariffs (e.g. economy 7 or 10) or with a medical need for electricity. This should be funded via an industry wide scheme whereby suppliers cover the cost of this move through funding set aside for customer support.

*Recommendation 9: Given standing charges are also a key driver of debt, part of this reform must include a 'help to repay' scheme for those already in debt.*

### **What can be done in the longer term?**

Of course, even making these changes to the proposed reforms will only go so far and with more costs associated with improvements to the energy network on the horizon, Ofgem will need to stand firm on the side of the consumers. This means protecting energy bills in general from being the “dumping ground” for industry costs or Government policies. Ofgem must remain alert to future risks to energy affordability and continue to work with consumer groups to highlight cost implications of Government and industry developments.

With a social tariff supported by all of Ofgem’s stakeholder groups and with data and resources needed to assess the impact of options held by the regulator, Ofgem should take more of a lead on its development. End Fuel Poverty Coalition members have ideas to help with this, but as charities are restricted in the funding available to pay for research and data-based projects.

*Recommendation 10: Ofgem should meet with charities and develop a plan to support the funding of research into social tariff proposals and how it can be paid for.*

### **\* About the End Fuel Poverty Coalition**

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.

The End Fuel Poverty Coalition campaigns to influence government and other bodies to take action to end fuel poverty and thereby improve people’s health and quality of life as well as seeking to reduce the cost of living, create jobs and negate carbon emissions in the process.

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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](#), [Carers Trust](#), [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](#), [Energy Saving Trust](#), [Energy Cities](#), [Exeter Community Energy](#), [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](#),

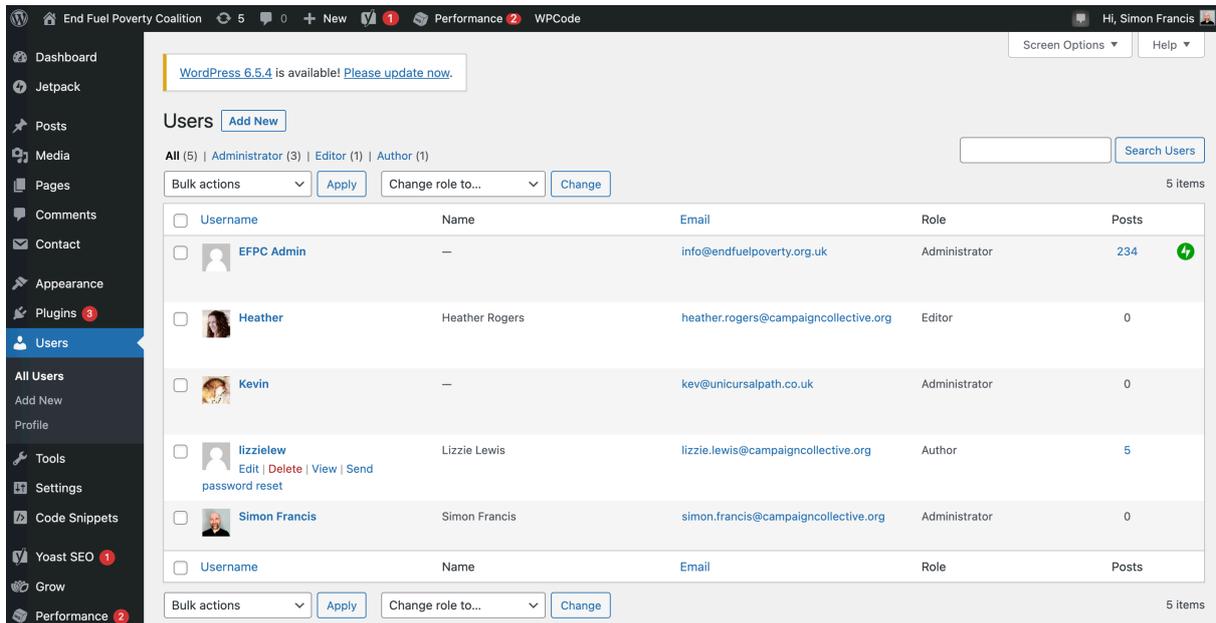
Hackney Foodbank, [Heat Trust](#), Home Start Oxford, [Independent Age](#), [Inner City Life](#), [Joseph Rowntree Foundation](#), [Lambeth Pensioners Action Group](#), [London Borough of Camden](#), London Borough of Lewisham, Marie Curie, [Mayor of London](#), Moorland Climate Action, [National Pensioners 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 Coalition is also part of the [Warm This Winter](#) campaign, the [End Child Poverty Coalition](#) and the [Renters Reform Coalition](#). 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](#). The coordination for the [End Fuel Poverty Coalition](#) is provided by social enterprise [Campaign Collective](#)

Contact: [info@endfuelpoverty.org.uk](mailto:info@endfuelpoverty.org.uk)  
c/o Campaign Collective, 2-5 Rock Place, Brighton, BN2 1PF, UK

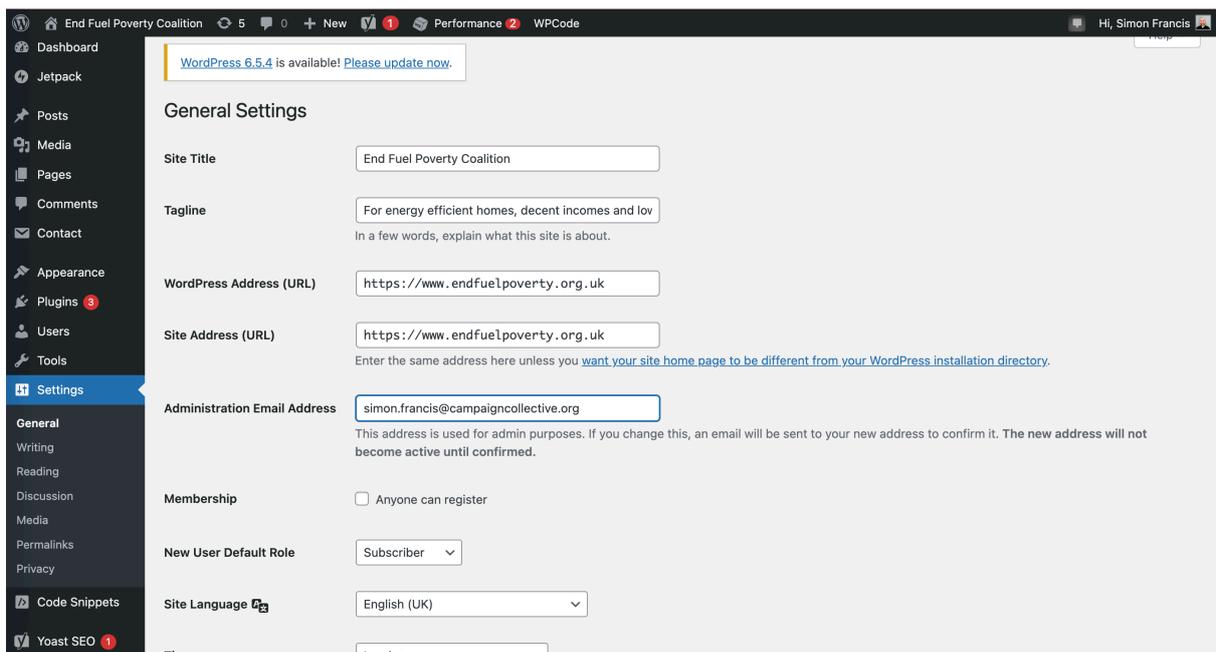
Inquiry reference 413030045058096

## Ownership of domain



The screenshot shows the WordPress 'Users' management page for the 'End Fuel Poverty Coalition' site. At the top, there is a notification for 'WordPress 6.5.4 is available! Please update now.' Below this, the 'Users' section is active, showing a list of 5 users. The user list includes 'EFPC Admin' (Administrator, 234 posts), 'Heather' (Editor, 0 posts), 'Kevin' (Administrator, 0 posts), 'lizzielew' (Author, 5 posts), and 'Simon Francis' (Administrator, 0 posts). The interface includes a sidebar with navigation options like Dashboard, Jetpack, Posts, Media, Pages, Comments, Contact, Appearance, Plugins, and Users. The 'Users' sidebar menu is expanded, showing options for 'All Users', 'Add New', 'Profile', 'Tools', 'Settings', 'Code Snippets', 'Yoast SEO', and 'Grow'. The main content area has a search bar and bulk action controls.

<input type="checkbox"/>	Username	Name	Email	Role	Posts
<input type="checkbox"/>	EFPC Admin	—	info@endfuelpoverty.org.uk	Administrator	234
<input type="checkbox"/>	Heather	Heather Rogers	heather.rogers@campaigncollective.org	Editor	0
<input type="checkbox"/>	Kevin	—	kev@unicursalpath.co.uk	Administrator	0
<input type="checkbox"/>	lizzielew	Lizzie Lewis	lizzie.lewis@campaigncollective.org	Author	5
<input type="checkbox"/>	Simon Francis	Simon Francis	simon.francis@campaigncollective.org	Administrator	0



The screenshot shows the 'General Settings' page in WordPress. The site title is 'End Fuel Poverty Coalition'. The tagline is 'For energy efficient homes, decent incomes and lov'. The WordPress Address (URL) and Site Address (URL) are both 'https://www.endfuelpoverty.org.uk'. The Administration Email Address is 'simon.francis@campaigncollective.org'. The Membership section has 'Anyone can register' unchecked. The New User Default Role is 'Subscriber'. The Site Language is 'English (UK)'. The interface includes a sidebar with navigation options like Dashboard, Jetpack, Posts, Media, Pages, Comments, Contact, Appearance, Plugins, Users, Tools, and Settings. The 'Settings' sidebar menu is expanded, showing options for 'General', 'Writing', 'Reading', 'Discussion', 'Media', 'Permalinks', 'Privacy', 'Code Snippets', and 'Yoast SEO'. The main content area has a search bar and a notification for 'WordPress 6.5.4 is available! Please update now.'

