



ENERGY SYSTEM COST ALLOCATION AND RECOVERY REVIEW END FUEL POVERTY COALITION RESPONSE

24 September 2025

The End Fuel Poverty Coalition is a [broad coalition of more than 100 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.

This consultation plays a vital role in reforming Britain's energy system. Cost allocation and recovery must not deepen fuel poverty. Instead, Ofgem and government Ministers must ensure vulnerable households are protected, system costs are fairly spread, and reforms support - not undermine - progress towards net zero.

Integration and context

We are concerned that this review is not clearly linked to Ofgem's other workstreams, including reforms to default tariffs, half-hourly settlement, consumer-led flexibility and standing charges. Nor does it address the different challenges between gas and electricity. Without a joined-up approach, there is a risk of duplication or even contradiction.

A clearer strategic vision is needed. This should include:

- Review of existing research, including analysis already undertaken by Ofgem, DESNZ and independent experts.
- Transparency on how changes to standing charges will sit alongside reforms to tariffs, debt protections, and consumer-led flexibility.
- Explicit differentiation between electricity and gas cost allocation, given their diverging trajectories.

Urgent reforms needed

While we appreciate that this is a long-term review, some urgent reforms are needed to ensure fair energy pricing and to protect consumers from unaffordable bills and discriminatory practices. Ofgem and government must:

- **Ban discriminatory tariffs:** ensure all customers can access the best rates possible — for example, households using electric-only heating must not pay more than EV owners on specialist tariffs.
- **Increase transparency in standing charges and infrastructure costs:** essential energy costs should not unfairly burden households with low usage, and investment in infrastructure should be paid for fairly.
- **Ensure affordability and transparency:** Design pricing structures that prevent vulnerable households being disproportionately exposed to market fluctuations.
- **Strengthen consumer protections:** Enforce and enhance supplier obligations to support vulnerable households and require fair repayment plans and improved debt relief options.

Options for cost recovery

We urge **Ofgem and government to work together** to take forward reforms that rebalance costs in ways that protect those least able to pay:

- **Move legacy policy costs into taxation:** The Renewable Obligation and Feed-in Tariff are regressive when recovered via bills. Transferring them to general taxation would provide immediate relief for low-income households.
- **Shift supplier and network allowances:** Some elements currently loaded into standing charges — such as supplier profit allowances, adjustment and headroom allowances — should be reduced or reallocated to unit rates.
- **For network cost recovery,** regional variations should be smoothed out and for costs which can't be funded via general taxation, income-based standing charges could well have some merit if administered fairly.
- **Spread anticipatory network investment:** The large reinforcement required for decarbonisation should be financed over a longer period (ideally by wider government investment, rather than on energy bills) to reduce near-term consumer impacts.

We caution against options that could risk worsening inequality:

- **Time of use–linked standing charges** could reward affluent, flexible households while penalising vulnerable customers (and those without smart meters due to technical constraints) unable to shift demand.
- **Zero standing charge variants** may simply redistribute system costs among fuel poor households rather than addressing wider unfairness (although could be of use to some low income, low energy use households).

These should only proceed if Ofgem can satisfy consumer and charity groups that the adverse distributional impacts of the changes could be offset. The Centre for Sustainable Energy has included thoughts on these steps in its consultation response.

The fairest options remain those that either recover costs via general taxation or via unit rates in ways that explicitly protect low-income and vulnerable households. Ultimately, a social tariff, funded through taxation, is the best long-term solution to protect households at risk of fuel poverty.

Gas system costs

This review must explicitly consider the declining customer base for gas, which risks leaving lower income and more vulnerable households paying a rising share of costs. Ofgem should:

- Model when dual-fuel households will diminish, and how costs will be distributed fairly as electrification progresses.
- Examine international approaches to managing the fair wind-down of gas networks.
- Ensure protections for those unable to switch from gas due to affordability, tenure or technical constraints.

Digital exclusion and smart meter dependency

Any cost-recovery model that relies on smart meters or digital access risks excluding households who do not have them - around 40% today. Many of these households are older, on lower incomes, or otherwise digitally excluded. But these households also include many who are unable to access a fully smart meter due to failures in the roll-out.

Reforms should not assume universal smart meter access by 2030. Safeguards are essential:

- Universal default tariffs that do not depend on smart meter ownership.
- Targeted exemptions and support for those with high essential energy needs (such as households reliant on medical equipment or electric heating)
- Properly funded advice services, able to explain tariff options to vulnerable households

Market-Wide Half Hourly Settlement

The Coalition has already raised concerns in our letter to Ofgem about the distributional impact of Market-Wide Half Hourly Settlement. We stress again that:

- The reforms must not increase costs for those least able to shift demand, including disabled people, pensioners, and households with children.
- Distributional analysis must be transparent and disaggregated by household type, income level, disability status and housing tenure.
- The transition to half-hourly settlement must not leave behind households without smart meters or digital access.
- Consumer protections — including a backstop of fair default tariffs and a social tariff — must be in place before cost-reflective pricing is introduced.

Distributional impacts and protections

Ofgem's assessment framework must explicitly model how reforms affect different household types, including:

- Income deciles, pensioner households and low-income families
- Households with medical or disability-related high energy needs
- Regional differences, particularly where network costs are higher
- Housing tenure and heating type (especially those in all-electric or inefficient homes)

These assessments should be published openly and updated regularly. They should also capture seasonal effects — particularly winter peaks — since annual averages can mask acute risks of fuel poverty and health harm.

Assessment criteria

We support the five proposed criteria but recommend changes:

- **Fairness:** must explicitly recognise vulnerable and fuel poor households, and ability to pay. It should be a safeguard, not a trade-off.
- **Affordability:** should be a standalone criterion.
- **Simplicity and transparency:** bills should become easier to understand, and the system must be clear enough for advice agencies to explain.
- **Net zero:** must explicitly reference electrification and the need to close the “spark gap” between electricity and gas. Costs must not penalise those taking steps to decarbonise.
- **Economic growth:** should be framed through a consumer lens — reducing bills and putting money in people's pockets supports economic resilience and growth.

Role of government

Real reform of standing charges and redistributive mechanisms like a social tariff cannot be delivered by Ofgem alone. They require government action and funding. Ofgem should set

out clearly where decisions fall to DESNZ or HMT and ensure reforms are aligned with wider affordability measures so protections are not left in limbo.

Timelines

Reforms should consider impacts beyond 2035, but also model nearer-term milestones:

- **As soon as possible:** a significant cut in standing charges, with protections for high-need households
- **By 2030:** fair allocation of costs across a reduced gas customer base, with a clear plan for managing the gas wind-down
- **By 2035:** a fully reformed system that supports electrification, fairness, and affordability

We would be grateful if you could continue to keep the Coalition informed about developments in this consultation.

About the End Fuel Poverty Coalition

The End Fuel Poverty Coalition is a [broad coalition of more than 100 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](#), [Age UK](#), [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](#), 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](#), [Energise Sussex Coast](#), Energy Advice Line, Energy Cities, [Epilepsy Action](#), [Exeter Community Energy](#), Fair Energy Campaign, [Fair By Design](#), [Foster Support](#), [Fuel Poverty Action](#), Fuel Poverty Research Network, [Generation Rent](#), [Good Law Project](#), [Groundwork](#), Hackney Foodbank, [Heat Trust](#), [the HEET Project](#), Home Start Oxford, [Independent Age](#), [Independent Food Aid Network](#), [Inner City Life](#), [Joseph Rowntree Foundation](#), [Lambeth Pensioners Action Group](#), [London Borough of Camden](#), London Borough of Lewisham, [Marches Energy Action](#), [Marie Curie](#), [Mencap](#), [Mayor of London](#), [MECC Trust](#), 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](#), [Plymouth Community Energy](#), Redcar & Cleveland Council, [Repowering London](#), Retrofit Bruton, Right To Energy Coalition, [Rossendale Valley Energy](#), [Ryecroft Community Hub](#), [Save the Children](#), [Sense](#), [Severn Wye](#), [Scope](#), [Shaping Our Lives](#), [Social Workers Union](#), [South Dartmoor Community Energy](#), [South East London Community Energy](#), [Southwark Group of Tenants Organisations](#), [South West London Law Centres](#), [Stop The Squeeze](#), [Tamar Energy Community](#), [Thinking](#)

[Works](#), [Uplift](#), [UNISON](#), [Warm & Well North Yorkshire](#), [Warm & Well in Merton](#), [Winter Warmth Network](#), [Young Lives vs Cancer](#), [361 Energy](#).

The Coalition is also part of the [End Child Poverty Coalition](#) and the [Renters Reform Coalition](#). We work closely with [Energy Action Scotland](#), [NEA Wales](#) and the [Fuel Poverty NI coalition](#). The coordination for the [End Fuel Poverty Coalition](#) is provided by social enterprise [Campaign Collective](#).

Contact: info@endfuelpoverty.org.uk