

Citizens Advice response to Ofgem's consultation on Supplier GSOP Payments Inflation Uplift



June 2024

Citizens Advice welcomes this consultation and supports the proposal to uplift the supplier GSoP payment levels in line with inflation. We agree with the preferred option.

Question 1: Do you agree with our rationale and assumptions for the supplier GSoP payment level uplift?

We agree with the rationale and assumptions for the supplier GSoP level uplift. Given the high level of inflation over the past three years, uplifting the GSoP payment level is a sensible step. The Guaranteed Standards payments are an important consumer protection mechanism and uplifting the payment level in line with inflation should help to raise standards by incentivising supplier compliance.

As energy costs are significantly higher than they were in 2019 (the point at which the 2015 uplift was forecast to), the cost to consumers when things go wrong (e.g. a supplier issuing a final bill late) is likely to now be higher than when the GSoP payment was last uplifted. Although we understand that the compensation payment is not intended to cover financial loss to the consumer, affected consumers will benefit directly from this decision and the payments will better reflect the increased cost of living.

We agree with the proposal to use the same baseline and measure of inflation as the DNO GSoP update in 2023. Rounding the level to the nearest £5 increment is clear and easy for consumers to understand.

Question 2: Do you agree or disagree with our preferred option for uplifting payments?

We agree with the preferred option for uplifting payments using historical inflation and the future inflation forecast to set the supplier payment level at £40 until 2027. Although this departs from the decision taken for the networks GSoP payment level uplift by not introducing an annual adjustment mechanism, it is a reasonable choice given the additional resource that an adjustment mechanism would require for no greater consumer benefit in the medium term. Regular review will be crucial to mitigate the risk of the payment level falling out of step with inflation and Ofgem should consider putting in place an automatic adjustment mechanism if this occurs before 2027.

Question 3: Are there any factors that we have not considered for each of the options under consideration?

No answer.

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We provide free, confidential and independent advice to help people overcome their problems. We are a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

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