

Submitted to Standing charges: domestic retail options
Submitted on 2024-09-19 13:02:33

Case for change

1 Do you have any views on our case for change?

Please use this text box to tell us about any views you have on our case for change.:

We do agree that there is a case for change. As we stated in our response to the call for information, we believe that standing charges should be limited to the minimum level of cost required to keep a customer connected to the network and that it is less regressive for wider network costs and supplier of last resort costs to be apportioned to domestic customers according to their energy usage.

We are concerned that the TCR review in 2019 shifted too high a proportion of costs to the standing charge and remain concerned that the network cost element of these is likely to increase and lead to standing charges becoming more regressive (Sections 2.37, 2.8).

Considerations for moving operating costs from standing charges to unit rates

2 What are your views on the range (£20 to £100) of operating costs we are considering shifting from standing charges to unit rates? Should it be higher? Within this range, is there a value you would favour and why?

Please use this text box to tell us your views.:

We believe that for domestic customers, standing charges should be confined as closely as possible to the costs necessary to maintain resident's access to the network, i.e. those described as operating costs in this consultation. Therefore, according to Figure 2.1, the £121 apportioned to electricity network costs should be transferred to unit rates.

As noted in section 3.3, operating costs currently reflected in the standing charge are a relatively stable element of it and are a fair representation of the cost of maintaining an individual household's access to the energy networks. We also note OFGEM's calculation that some low-income residents with high energy use would lose out from shifting costs to the unit rate (section 2.28) therefore leaving operating costs as a standing charge would mitigate the effect on those residents.

Our main concern is that OFGEM acknowledges that network costs are likely to increase over time (Sections 2.37, 2.8), therefore simply leaving them as a standing charge whilst shifting an arbitrary amount of the operating cost to unit charging, is not a long-term solution to the problem and will see high standing charges re-emerge as a problem for domestic customers in the future.

3 What are your views on the trade-offs and impacts we have identified for consumers and suppliers? Should any of these take more or less significance in our assessment, and are there any important impacts we have not considered?

Please use this text box to tell us your views on the trade-offs and impacts we have identified for consumers and suppliers:

In section 3.2, OFGEM states that it does not consider it feasible to transfer a greater proportion of the standing charge than £100 to unit pricing due to the magnitude of detriment to low-income customers with high demand. We believe that it would be better to target assistance directly at these residents, than to tolerate increasingly regressive standing charges across the whole consumer base. In the original call for input, you stated in section 5.26 that five times as many domestic residents would benefit from a shift to volumetric charging as would lose out, therefore it would seem more efficient to target support towards the minority of domestic residents who would lose out from switching network costs to volumetric charging, than to support the large proportion of domestic residents who lose out from having this as part of the standing charge.

We note the detailed analysis undertaken in Appendix 2 and also that larger properties will tend to lose out from a switch to volumetric charging, however with the status quo, low income households in smaller properties are being required to subsidise the higher energy costs of those in larger properties through high standing charges. Where there are residents in larger properties who genuinely require a subsidy towards their energy costs, this seems like a very inefficient way of providing it.

We welcome OFGEM's decision to levelise standing charges between pre-payment and other customers due to the high proportion of vulnerable pre-payment customers who were disproportionately disadvantaged by higher standing charges.

4 What are the changes required, if any, to the price cap to facilitate a reduction in the level of the operating costs charged through the standing charge?

Please use this text box to tell us what changes are required, if any.:

In our response to Q2, we stated that the standing charge should be confined as closely as possible to the operating costs required to maintain a resident's access to the energy networks. We would therefore expect the standing charges to reflect a lower proportion of the price cap. We recognise that this could lead to an increase in the remainder of costs within the price cap, however this should be proportional to the decrease in the element relating to the standing charge.

Increasing consumer choice through tariff diversification

5 Could mandating suppliers to have at least one low or no standing charge tariff available to customers help promote competition in this area of the market?

Not Answered

Please use this text box to give us more details about your answer.:

Rather than seeing this as an area of competition, we would rather action be taken to ensure that standing charges are limited as closely as possible to cover those costs associated with maintaining access to the energy networks for all domestic customers. This would help to avoid standing charges becoming an area of unnecessary tariff complication for residents.

That said, we believe that OFGEM should investigate mandating zero standing charge tariffs for pre-payment meter customers as standing charges accrue while the meter is out of credit, creating a barrier when residents re-connect. In this instance, care would need to be undertaken to ensure that the unit tariff isn't increased dis-proportionately as a result.

6 How could we create flexibility in how costs are recovered between the unit rate and standing charge without reducing the protection provided by the cap?

Please use this text box to suggest ways we could create flexibility in cost recovery without reducing protection provided by the cap.:

No response

7 In exploring alternative approaches to price cap compliance, what, if any, safeguards would be needed to protect vulnerable consumers?

Please use this text box to give us your views on the safeguards needed to protect vulnerable customers.:

We agree with the proposal outlined in section 4.42 of the consultation to enable pre-payment customers to be able to smooth their spend by allowing standing charge debt or arrears to be paid off over a longer period.

8 What are the key considerations we should take into account in developing options for smoothing spend for prepayment meter customers?

Please use this text box to suggest key considerations we should take into account in developing options for smoothing spend for prepayment meter customers.:

We agree with the proposal outlined in section 4.42 of the consultation to enable pre-payment customers to be able to smooth their spend by allowing standing charge debt or arrears to be paid off over a longer period. This method would give residents more control over how they pay off standing charge debt and arrears when they arise, rather than mandating higher standing charges in the summer months.

Network and policy cost allocation

9 Do you have any views on our considerations for the allocation of network and policy costs?

Please use this text box to give us your views.:

We welcome OFGEM's decision to revisit the TCR undertaken in 2019. We know that lower income households are already more price sensitive and more likely to use less energy than they need to, to save money, therefore any action that increases the fixed element of their energy bill will only exacerbate this problem as these residents will likely further self-ration their energy use to control the element of the bill that is responsive to energy use.

For this reason, we don't believe that it is appropriate to recover network costs through domestic standing charges. This is all the more urgent as network costs are likely to continue to rise.

We recognise that transferring such costs might have unwanted repercussions for the non-domestic sector, in which case OFGEM might consider having a separate arrangement for non-domestic customers.

We do welcome proposals to remove regional differences in network costs.

About you

11 What is your name?

Name:
Robert Curtis

12 What is your email address?

Email:
robert.w.curtis@leeds.gov.uk

13 Are you responding as an individual or an organisation?

Organisation

14 If you're responding on behalf of an organisation, please tell us the name of the organisation.

Organisation:

Leeds City Council, Leeds Affordable Warmth Partnership

15 If responding on behalf of an organisation, please tell us what type of organisation you represent. If you are responding as an individual you can leave this blank.

Local authority

If you answered 'other', please use this text box to tell us which organisation you represent. :

16 Tell us which sector you work in.

Electricity and gas

If you answered 'other', please use this text box to tell us which sector you work in. :

17 Do any of your responses contain confidential information?

No

If any of your responses contain confidential information, please use this text box to clearly explain which parts of your response you wish to be kept confidential. We will publish your name as part of the response unless you tell us not to. :

Feedback

18 How easy was the information to understand?

Easy

Please use this text box to tell about any other comments you may have.:

19 How easy was it using this platform (Citizen Space)?

Easy

Please use this text box to tell about any other comments you may have.: