

Sent by email to StandingCharges@ofgem.gov.uk

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Dear Ofgem

Standing charges: domestic retail options

Thermal Storage UK recommends that Ofgem considers how any changes to the recovery of fixed costs will impact the transition to low carbon transport and heating. In particular, we recommend that Ofgem ensures that people switching to electric heating and electric vehicles - which significantly reduces their carbon emissions - do not end up paying more than their fair share of fixed costs. This includes those installing heat pumps and / or heat batteries. We note that Ofgem recognised this particular issue in deciding not to pursue more fundamental reform of standing charges at this time.

We welcome Ofgem committing to look again at the allocation of electricity network costs. We recommend that these costs increasingly incentivise people and businesses to consume more electricity at times when the electricity network is less utilised - for instance at night - and when the electricity generation is low carbon. As the proportion of electricity bills that are made up of fixed standing charges increases, the lower the incentive on customers to try to flexibly consume electricity.

Ultimately, we recommend that the electricity system moves towards greater price transparency, with less cost smearing and greater incentives on people to use electricity at the best times and to use their energy as efficiently as possible. This flexibility is what reforms such as market-wide half-hourly settlement, smart metering, time-of-use smart tariffs and perhaps in future zonal pricing seek to enable in an electricity system with significant intermittent generation. This flexibility becomes more important as we increasingly electrify heat and transport, in turn increasing peak demand particularly in winter. This system undoubtedly also needs support mechanisms for people who are unable to use electricity at the best times or use energy as efficiently as possible. Such support is best provided through well-targeted government support, rather than dampening electricity price signals or failing to tax the carbon emissions from fossil fuels.

Best wishes

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Thermal Storage UK