

Response ID ANON-NWYC-1QP2-5

Submitted to Standing charges: domestic retail options
Submitted on 2024-09-19 17:17:50

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.:

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:

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.:

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.:

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.:

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 are interested to see Ofgem's proposals around enabling greater diversity in standing charges for default tariffs. As a national older people's poverty charity, we encourage Ofgem to consider the unintended impacts on older customers in financial hardship.

Certain groups of older customers living on a low income may not be able to take advantage of the benefits of greater default tariff diversity, due to being less likely to actively engage with the energy market. This could be attributed to several potential factors, including digital exclusion, having a disability or long-term health condition that limits their ability to engage with the market, and the effects of the loyalty penalty which can be exacerbated by the poverty premium and the previously mentioned factors.

Digital exclusion is a particular issue for older customers compared to younger age groups. Ofcom found, that in 2023, 10% of those aged 65 - 74 and 29% of those aged 75+ did not have internet access at home, which was the highest proportions of any age group . For some older customers, the cost of broadband can be a barrier. Polling Independent Age commissioned in April 2023 found that among respondents aged 65 and over with a household income below £15,000, 9% had cancelled their internet or phone services over the winter months to save money. Another 4% had already cancelled it before the winter for the same reason. Digital exclusion is likely to limit some older customers' ability to actively engage with the energy market, for example by using price comparison websites. Efforts to produce greater diversity in standing charges for default tariffs could lead to many digitally excluded older people – who may not be actively participating in the market – being less likely to switch to beneficial tariffs or inadvertently being stuck on tariffs which could result in them having higher energy bills.

Many disabilities and long-term health conditions impact an individual's ability to engage with the energy market, and so the benefits of greater diversity in standing charges for default tariffs may not be experienced by older customers in this position. We found in our 2023 non-representative survey that 27% of respondents aged 65 and older with a household income of below £15,000 and a disability or long-term health condition had last made changes to their energy service either, between 5 and 10 years ago or more than 10 years ago. An additional 16% had never made changes to their energy service .

Relatedly, Ofgem should consider how they can mitigate the potential effects of a return of the 'loyalty penalty'. Before the energy crisis which saw competition in the energy market substantially reduce, we had heard from many older people on a low income who had not made changes to their energy tariff for many years, and so were potentially subject to the additional costs of the 'loyalty penalty'. In 2018, Citizens Advice estimated that the additional cost of the 'loyalty penalty' in the energy market was £110 a year .

Additionally, as digital exclusion, and/or having a disability or long-term health condition, can affect an older customer's ability to engage with the energy market, these factors also both contribute to the effects of the loyalty penalty. Ofgem should consider the potential impact that the loyalty penalty

returning to the energy market could have on the many older people in financial hardship who are already struggling to afford their energy bills, potentially facing these additional costs by remaining 'loyal' to their current energy tariff.

Customers who are among those most vulnerable to the affordability impacts of standing charges, may also be among those least able to take advantage of tariffs that would work best for them, and as a result could remain on tariffs that exacerbate their ability to pay for their energy. As Ofgem further develop their approaches to reforming standing charges, they should consider the potential negative impacts that greater diversity in standing charges for default tariffs could have on customers who are less able to engage with the energy market, and put in place mitigations so that customers living on low incomes are not disadvantaged as a result of facing barriers to market engagement.

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.:

About you

11 What is your name?

Name:

Independent Age

12 What is your email address?

Email:

Policy@independentage.org

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:

Independent Age

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.

Charity

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

16 Tell us which sector you work in.

Other (please specify)

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

Independent Age is a national older people's charity that supports people facing financial hardship in later life. We offer free and impartial advice and information, and give grants to community organisations. In addition, we use the knowledge and understanding gained from our frontline services and research to improve policy for the older people we support.

For more information about Independent Age, please visit www.independentage.org. Registered charity number 210729.

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. :