



National Energy Action (NEA) response to Ofgem's Forward Work Programme 2024/25 Consultation

About National Energy Action (NEA)

National Energy Action¹ works across England, Wales, and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

Background to this response

National Energy Action has previously worked with Ofgem to secure some key improvements in the treatment of domestic customers. In particular, we worked collaboratively to:

- Ensure that the review of involuntary prepayment was as successful as possible to ensure that vulnerable households were not put in situations that would potentially harm them.
- Continue to develop the price cap to make sure that it is fair for consumers, particularly focusing on reducing payment premiums in the market.
- To ensure that reforms to the retail market do not have an adverse impact on vulnerable energy consumers.

This has been in the context of soaring energy prices. Due to sustained high energy prices, National Energy Action estimates that the number of households in fuel poverty across the UK sits at 6.5 million households this winter.³

While National Energy Action acknowledges that Ofgem has limited abilities to reduce the impact of increasing energy costs, our response seeks to identify areas in which Ofgem does have the agency to help vulnerable energy consumers through the energy crisis.

Our response to this consultation

The proposed forward work plan has a wide-ranging set of priorities for Ofgem to form a work programme in the years ahead, and National Energy Action understands the significant challenge that Ofgem faces in helping the country to achieve its energy objectives. We are pleased to see that Ofgem is considering updating its Consumer Vulnerability Strategy, and that making changes to the fairness of energy prices remains firmly in Ofgem's plans.

Vulnerable consumers

National Energy Action is pleased that Ofgem is considering updating its Consumer Vulnerability Strategy. We believe this is justified in the face of energy prices increasing significantly past the point of expectations when the last update occurred in 2019.

The original Strategy was split into five different themes, each of which remain important.

- Improving identification of vulnerability and smart use of data.
- Supporting those struggling with their bills
- Driving significant improvements in customer service for vulnerable groups.
- Encouraging positive and inclusive innovation
- Working with partners to tackle issues that cut across multiple sectors

National Energy Action believes that each of these themes remains important. The review of the strategy must however consider the balance of work between these themes in a new context of high energy prices, historically high debt and sustained high levels of fuel poverty. National Energy Action believes that there is merit in structuring the strategy to focus much more on the actions that Ofgem can take to tackle energy affordability than the previous strategy.

Below, we address the items that we believe should be priorities for Ofgem when it comes to addressing consumer vulnerability, focused around each of the above themes.

Improving identification of vulnerability and smart use of data.

To date, Ofgem has stopped short of requiring energy suppliers to identify where households have a financial vulnerability, for example, where they are unlikely to be able to afford to pay their bills because of an individual circumstance. This is becoming ever more important as prices remain high, and the ways in which financial vulnerability affects energy customers becomes inflated. National Energy Action has investigated whether such a requirement would be viable and has found that some suppliers have been doing so independently in a temporary way during the pandemic. We have also found that, in general, energy suppliers would support bringing financial vulnerability into the Priority Services Register.

Such identification would serve two purposes. Firstly, it would help energy suppliers to find their customers who need the most financial help, so that they could either provide that help themselves, or signpost them to a third party. Secondly, it would mean that those households that are financially vulnerable would not need to continually relay their situation to their energy supplier, an experience that can be exasperating and upsetting.

Additionally, National Energy Action was recently pleased to see that Ofgem had written to energy suppliers expressing concerns over the rollout of smart meters to legacy prepayment customers. This remains an important part of both tackling energy affordability and reaching net zero in a fair and affordable way. We hope that Ofgem continues to monitor the actions that suppliers are taking in this area and take appropriate action if sufficient progress is not made.

Supporting those struggling with their bills

Since the launch of the Consumer Vulnerability Strategy 2025, Ofgem has implemented significant new rules relating to energy debt. These new licence conditions mean that suppliers must take account of their indebted customers' ability to pay, both in terms of payment mechanism and payment amount, when setting repayment plans. This means that no household should have an unaffordable debt repayment plan with their supplier. Ofgem has started enforcement action against these rules in several cases.

Aside from these new conditions, we are pleased that Ofgem must be aware of the role that it plays in providing solutions to the current situation regarding high energy prices, including raising awareness of existing schemes. We are also pleased that Ofgem has said that it would help the UK government to investigate a new social tariff to help make energy more affordable for a discrete and well-defined set of energy customers.

There are however several other ways by which Ofgem could help struggling households:

- Continuing to develop the price cap, including:
 - Reducing the premiums faced by households paying through prepayment and standard credit.
 - Reducing standing charges, particularly for prepayment customers. A summary of our views on standing charges can be found in Annex 1.
 - Reducing geographical inequalities in the price cap.
 - Addressing unfairness within the treatment of Economy 7 and Economy 10 tariffs in the price cap.
- Building on the recent supplier winter commitment on debt by introducing new protections and solidifying voluntary commitments. The aim of this would be to reduce the wider burden of energy debt on customers by ensuring suppliers promote a range of debt repayment options and ensure they are taking more active steps to identify and reduce problem debt for their customers.
- Working with government to correct the negative distributional impact of how policy and regulated costs are currently recovered by energy suppliers and energy networks.
- Realising the full role of energy networks to support vulnerable customers and investigate how to repurpose help for fuel poor households in creative ways.

Driving significant improvements in customer service for vulnerable groups.

In the Consumer Vulnerability Strategy 2025 Ofgem set out that it wanted energy companies to have a corporate culture that focuses their efforts to identify and support consumers in vulnerable situations; industry to have systems to better target and to tailor their customer service to consumers with specific needs; new companies entering the market to provide the level of customer service needed by consumers

in vulnerable situations; consumers to be effectively identified as eligible for priority services; and for them to receive consistent and high quality priority services in a timely way; and consumers to have easy access to relevant information on how well energy suppliers support consumer needs. This will allow them to take this into account when switching.

Ofgem's compliance reviews have shown there are significant deficiencies in customer service across the market. This must be a key plank of any future Vulnerability Strategy, and improvements could include:

- Confirming that call centres are adequately resourced and skilled.
- Enhancing visibility and accessibility of current assistance available to their customers
- Ensuring that ability-to-pay processes are fully embedded across all relevant teams, promoting a range of debt repayment options, and helping customers reduce problem debt.

Encouraging positive and inclusive innovation

Ofgem has made significant steps with energy networks in encouraging inclusive innovation, The network innovation allowance is now specifically aimed at innovating for consumers in vulnerable situations, for example. However, the same cannot be said for energy suppliers, with no requirement to innovate in the interests of the most vulnerable.

We believe that the smart meter rollout is an area which could see significant innovation, particularly through smart prepayment, which has shown considerable benefits over legacy prepayment.

Working with partners to tackle issues that cut across multiple sectors

In the Consumer Vulnerability Strategy 2025 Ofgem set out that it wanted:

- To achieve greater understanding and consistency across essential services markets for more joined up action to improve the experience of consumers in vulnerable situations.
- To further improve our information sharing approach with the third sector, which will help target our policy, compliance and enforcement actions and support organisations who provide advice to energy consumers.
- To continue improving the operation and effectiveness of the government social programmes.
- To work with government on common consumer challenges to complement its social policy measures.

While there has been some progress in sharing information across sectors, for example more regular engagement with the third sector, there is still a lack of information available through robust social obligations reporting. This hinders our ability to effectively advocate for the needs of fuel poor and vulnerable households in the energy market.

Further addressing self-disconnection

While Ofgem has now taken some positive action on the forced installations of prepayment meters, National Energy Action continues to be concerned about the scale of self-disconnection that we have seen in recent years. Evidence from Citizens Advice⁴ has shown that self-disconnections have soared, and National Energy Action would welcome working with Ofgem to develop a strategy to significantly reduce self-disconnections over a short/medium-term period.

To reduce the number of legacy prepayment meters being installed⁵:

- DESNZ and Ofgem should direct suppliers to prioritise replacing legacy prepayment meters in their smart meter rollouts as a priority.
- Ofgem should ensure that medically vulnerable households are moved away from prepayment meters by their supplier.
- Ofgem should more proactively enforce the New and Replacement Obligations to ensure that new traditional prepayment meters are not being installed.

To ensure that support can be targeted on households that self-disconnect:

- Ofgem should work with suppliers to identify households that self-disconnect.

- Ofgem should work with energy suppliers to introduce a “financial vulnerability flag”.

To address the price structure of energy for prepayment customers:

- Ofgem should work with HM Treasury and DESNZ to reduce the levels of standing charges for prepayment customers.

To address the debt burden for prepayment customers:

- Ofgem continue to proactively enforce the ‘ability to pay’ licence conditions.

To ensure that struggling households pay an affordable price for energy:

- Ofgem should work with UK government to investigate the potential for a new social tariff for energy.

Maximising network companies’ role in tackling fuel poverty

National Energy Action has supported Ofgem’s intention to introduce new licence conditions for how GDNs and DNOs treat their customers in vulnerable circumstances, and also the use of new funding for vulnerability that GDNs can now access.

The main area that Ofgem can influence here is how work on vulnerability is funded through price control structures. National Energy Action strongly believes that the approach that has been taken in RIIO GD2, with a ‘use it or lose it’ pot of money (the Vulnerability and Carbon Monoxide Allowance (VCMA)) has been the most productive route to ensuring that networks maximise their ability to help their vulnerable customers. The mix of guaranteed funding, along with a reputational incentive associated with the transparency of spend (and the annual showcase), provides a significant overall incentive to both ‘go the extra mile’ and has led to collaboration between GDNs in a way that did not happen with financial incentives. We encourage Ofgem to continue this approach through RIIO GD3 and adopt it for RIIO ED3.

Set out how the new distributional analysis tool will be used to ensure fair decision making

Last year, Ofgem followed through with the commitment to create a tool to perform distributional analyses on its own policy decisions. This was extremely welcome, and it was good to see it in action with regards to the work on standing charges. National Energy Action asks that in the final forward work programme Ofgem sets out how it will continue to use this tool and how it will ensure that it remains up to date. Without proper funding to use and update it, its utility will slowly degrade and the progress that has been made may be lost.

Regulating heat networks

Ofgem’s appointment through the Energy Act 2023 as the regulator for heat networks is welcome. The task of regulating the growing heat networks sector and ensuring consumer protections are in line with other domestic energy markets should be an important part of Ofgem’s future work.

Consumers of heat networks do not have protection against poor standards of service and receive little support with regard to vulnerabilities. There is likely a higher proportion of vulnerable households supplied by heat networks than in the energy sector, demonstrating a need for the swift introduction of consumer protection measures. This should be guided by the Consumer Vulnerability Strategy, and it may therefore be sensible to include more reference to the regulation of heat networks in an updated strategy, if developed.

Fuel poverty and Ofgem’s net zero duty

In the Energy Act 2023, Ofgem was given a new ‘net zero duty’, enshrining in law a requirement for Ofgem to support the UK government to deliver its legal obligation to reach net zero by 2050, as required by the Climate Change Act 2008. The Climate Change Act 2008 itself places further duties on organisations delivering net zero to duly consider impacts on fuel poverty.

With this in mind, National Energy Action believes that Ofgem should build two things into its work plan over the next year:

1. To continue work that started in 2023 to measure the impact on fuel poverty of Ofgem’s policy proposals. This has been done, for example, in the consultation to consider removing the premium

faced by prepayment customers in the market. However, it would help Ofgem's contribution towards a fair and affordable net zero if this analysis was done more structurally within a broader spectrum of Ofgem's work.

2. To consider the role that Ofgem has in ensuring the delivery of energy efficiency, particularly in fuel poor homes. This would build on, and go further than, Ofgem's work through e-serve to administer ECO4. Ofgem should consider more fully whether energy networks should be allowed to become more active within the domestic insulation space, particularly in light of the removal of FPNES funding for GDNs, which could be replaced by a new funding stream to help the same households through increased energy efficiency (rather than a new gas connection).

The rise in standing charges

Standing charges, particularly for electricity, have increased significantly over a few years. Dual fuel households are currently paying upwards of £300 a year before they've even used a unit of energy.⁶ Currently, there are significant differences in the rate of charges just because of where you live and how you pay your bills. There is, however, no difference in the rate you pay depending on house size or energy use. This means many low-income households who use no or little energy and live in smaller homes, pay the same as someone in a 10-bed mansion. The current system is clearly unfair and needs reform. While there are a lot of wider considerations for how standing charges could be reformed, our key focus as a charity is to see reforms to standing charges for prepayment customers. As we outline below, this is the area in which reforms are most necessary.



The table above highlights that despite a recent small reduction, low-usage households on standard credit and prepayment meters have been hit harder by higher standing charges. Despite many people on prepayment meters cutting their energy usage to the point it could be dangerous to their physical or mental health, charges for these customers have almost doubled over the same period. Given the extent of public concern with these issues, we stress the need for the review to produce some fairer outcomes.

Drivers of standing charge increases

The purpose of the standing charge is to recover fixed costs for network access, forward-looking costs for network expansion, policy costs and operational costs. Several factors have influenced the increase in standing charges. Primarily, the shifting of network costs from the Unit Rate to the Standing Charges as part of the Targeted Charging Review (TCR – 2019) has driven the increase. Important drivers also include the cost of failed energy suppliers being recovered through standing charges, and the impact of inflation on fixed costs.

Electricity standing charges are likely to rise further. This will depend on decisions that will be made about how the costs through the SAR regime for Bulb, which collapsed in summer 2021, will be recovered, and whether an Energy Intensity Industry Levy (EIIL) is introduced in 2024. Also, network costs will continue to rise, at least at the pace of inflation (even if the overall level of the price cap falls), meaning standing charges are likely to continue becoming a greater proportion of energy bills over time under a business-as-usual scenario.

The need to act

Beyond the overall increases to standing charges, for households with low levels of electricity consumption, a greater proportion of their energy bill is going towards paying fixed costs, despite having a lower demand and therefore using less of the electricity networks' capacity. The current approach to standing charges benefits high-usage households (who are more likely to live on higher incomes) while negatively impacting low-income, low-usage households.

For prepayment households, a higher standing charge means a greater barrier for getting back on supply when they disconnect. Standing charges accrue on prepayment meters as a debt that must be cleared before energy can be accessed again. A high standing charge also drives worse coping/self-rationing strategies. In addition, some of the most deprived areas of the country have higher standing charges, compared to more affluent areas due to the regional differences in how costs are recovered across Great Britain.

Standing charges are effectively a minimum monthly cost for energy, regardless of how much energy is used. As standing charges have risen, we have noticed a greater propensity to adopt "not coping strategies".⁷ Through our clients and advisers, we have heard of many cases where high standing charges have generated decisions to avoid using energy. Some extracts from those conversations can be found below.

Extracts from conversations with clients

'[I go] to friends, like, to stay warm with friends for a bit, [rather] than in my home.'

'When the kids are at their dad's I'm expected to maybe sit in the cold because I can't afford to put the heating on when there is just me here.'

'When there's absolutely no gas, I've known myself go without for two weeks ... absolutely freezing cold.'

Comments from our advisers

'I've had some really sticky cases specifically to do with just standing charge debt. This is where social tenants had their gas capped by the landlord because they don't have the money on the meter to do the check. The debt is building up, but it's just

Opportunities to improve conditions for fuel poor households

Given the level of public concern about the extent and unfairness of standing charges, Ofgem must take action to reduce the impact of standing charges on low-income households. We also believe that government must play an important role over the longer-term. Government involvement is especially important for considering how policy costs are recovered. For instance, policy costs such as the Green Gas Levy could be removed from prepayment standing charges for gas. Below are some of our considerations regarding standing charge reform:

1) Leave it to the market

In the Call for Input documentation, it is implied that energy suppliers already have the means to offer tariffs with standing charges set at any rate. NEA recognises that one supplier is already offering tariffs with no standing charges however it is unrealistic to assume other energy suppliers, with very different customer profiles would accept the commercial risk of adopting this model. In addition, given the current pressing concern highlighted above, it is also unreasonable for their customers to have to wait until their energy suppliers voluntarily decide to do so. We therefore do not believe that Ofgem should place the responsibility on energy suppliers to offer lower standing charges.

2) Unit rate reallocation

Some stakeholders have advocated for a full reallocation of costs from standing charges to unit rates. While it may be appropriate to shift some costs to the unit rate, without any deliberate mitigation, this option would negatively impact low-income households that have high levels of energy consumption. This higher consumption is often because of a reliance on energy for health purposes and could result in negative outcomes such as rationing medical equipment or reducing use of space heating. If this option was to be considered, NEA would stress the need to reconsider recent reforms to the Warm Home Discount scheme, or to provide additional new forms of support, given many disabled, high-usage households, are not eligible or receiving rebates during winter.

There are also regional differences to the impact of a unit rate versus standing charge split. In the north of Scotland, for instance, a higher proportion of households use electric heating. A reallocation of standing charge costs to the unit rate would therefore directly impact the cost of heating for these households. This impact on these households would be disproportionate and would require different forms of support to be made available for them. To address regional differences, Ofgem could consider introducing regional Typical Domestic Consumption Values (TDCVs) to allow for a more accurate split in unit rate/standing charge cost allocation based on local consumption data.

A unit rate reallocation would carry less risk for prepayment households. Through recent policy work and the introduction of new rules around involuntarily installing prepayment meters, households that have certain kinds of medical dependency on energy are exempt from prepayment.⁸ This should therefore minimise the number of households that would be worse off from a reallocation of costs from the standing charge to the unit rate.

3) Cross subsidy across payment types

The Energy Price Guarantee (EPG) is currently providing some relief to reduce the burden of standing charges for some cohorts. The EPG however expires in April 2024, and Ofgem is currently considering making permanent the levelisation of standing charges between prepayment and direct debit customers. By itself, this measure would save prepayment households around £50 per year relative to the 'do nothing' approach and is therefore welcome. However, if standing charges continue to rise significantly, this level of cross subsidy may start having negative impacts on other customers.

4) New approaches

As a minimum, NEA expects Ofgem to take action to continue to reduce the impact of standing charges on prepayment households. It is, however, clear that some of the current reform options have benefits but also drawbacks. NEA would like to see Ofgem prioritise analysis of low-risk options such as mandating that standing charges accrue at the back of the meter. By this, we mean that standing charges accrued during periods of self-disconnection should be repaid through the debt repayment rate mechanism as opposed to being paid off in full before a households can access supply again.

At the end of this document, we have outlined a summary of further options that could create new approaches for how standing charges operate. While we acknowledge that these options too may have pros as well as cons, we hope they will be considered by Ofgem as credible means to address the current unfairness of the existing system.

References and Notes

¹ For more information visit: www.nea.org.uk.

² NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

³ NEA (2023) [Fuel Poverty Monitor 2021-2022](#)

⁴ [Kept in the Dark, Citizens Advice, 2023](#)

⁵ NEA (2023) [Fuel Poverty Monitor 2021-2022](#)

⁶ [Energy price cap level from January to March 2024](#), Ofgem, 2024

⁷ See <https://www.nea.org.uk/not-coping-strategies/> for more information about “not coping” strategies

⁸ [New prepayment meter rules](#), Ofgem, 2023