

## Standing Charges: Call for Input

Dear Ofgem,

Christians Against Poverty (CAP) would like to thank Ofgem for conducting this review into standing charges. CAP understands that there are a number of trade-offs the regulator must consider before deciding how to progress. With stripped back support from the Government for energy this winter, and with households struggling with the cost of living, it should be ensured that any pricing policy is assessed on how it will impact low income households. Whatever policy and decision is made, it should prioritise the households who are struggling the most, or work in tandem with policies designed to support low income and vulnerable households.

Allocating a certain amount of a tariff to network costs is not the problem, instead issues arise when low income households are unable to afford the energy they use. As a result many will reduce their consumption in order to reduce their expenditure, and this approach has limited impact because the standing charge is a set amount per day, whether it's used or not. At its core, the issue here is affordability and this issue is one that is best addressed by the Government (see final paragraph).

As a national debt advice organisation, CAP sees the disproportionately negative impact standing charges can have on households. For instance, the accruing of debt over summer on Prepayment Meters (PPMs) when families have turned off their central heating can be particularly challenging when temperatures drop and households have to pay back this unexpected debt. This winter many low income households struggled to get their homes warm when temperatures dropped because of the debt they had to repay first. For the average consumer, standing charges and unit rates simply make up the overage cost of your energy usage. For the low income consumer, one of these rates sits within your control and the other does not. For people who need to control their spending, having a set rate accruing per day which cannot be influenced, can be stressful. That said, CAP would like to see a world where everyone can afford to use energy. No one should be in a position where they are unable to afford to heat their home, cook a hot meal or turn on the lights. Self-disconnecting or rationing is not a long term solution for households unable to afford their energy, and it has long-term detrimental effects on people, such as on health, impacting socialising and connections and on children's development.

CAP would like Ofgem to note that the levels of most standing charges are currently too high and can lead to longer periods of self-disconnection, as debt on the meter can accrue quicker. It is interesting to learn that standing charges as a component of tariffs are optional

for suppliers, yet the vast majority of tariffs are designed in this way. Whether the tariff is made up of standing charge and unit rates or not, CAP understands the cost of energy will remain relatively unchanged. Therefore, once agreement over what are the key issues Ofgem are trying to resolve through this consultation are agreed, there could be emphasis on suppliers to do more. There's opportunity for suppliers to design tariffs for low income households where the amount they pay for energy is more flexible, where standing charge rates are lower or non-existent.

CAP understands that standing charges help to pay for the network infrastructure and are a vital part of the energy ecosystem. Yet is it fair that low income households have to pay the same amount as a wealthy household, and a bigger proportion of their annual income? Looking at other public services and infrastructure, low income households will pay less tax for roads, schools and hospitals, and those who are able to shoulder more costs do. Is there a way to design standing charges that are based on income rates?

Whilst not the main emphasis of this consultation, the ongoing challenge for the energy sector is ensuring that low income households are able to afford their energy consumption. This issue could be addressed in part by Ofgem policy decisions, but the wider social issue is that many households do not have enough to live on. CAP would encourage Ofgem to continue to raise this issue to Government, championing energy sector innovation such as a social tariff, or wider, increased levels of social security, which would go a long way to solving this problem.

**This response has been written by CAP's Social Policy Manager.**

## About Christians Against Poverty (CAP)

With a vision to see transformed lives, thriving churches and an end to UK poverty, Christians Against Poverty (CAP UK) is a national charity that equips local churches to deliver a range of services.

CAP Debt Help provides holistic support for families and individuals facing problem debt with a free face-to-face service – tackling both financial difficulty and the wider emotional impact. CAP tackles the causes and consequences of UK poverty through free community groups, also run through local churches. This includes Job Clubs, Life Skills groups and the CAP's Money Management course.

All CAP's services are free of charge and available to everyone, regardless of age, gender, faith and background. To find out more, visit [capuk.org](http://capuk.org).

## Requests for further information

This response has been written by Kiri Adams, Social Policy Manager for Christians Against Poverty (CAP).

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