

From: Nicola.meyrick@ecotricity.co.uk
To: StandingCharges@ofgem.gov.uk
Dated: 19th January 2023
Ref: Standing charges - call for input

Dear James

As a pioneer in the green energy sector since 1995, with over 165,000 domestic and non-domestic supply accounts and more than 100MW of self-developed renewable generation capacity, Ecotricity pride ourselves on providing a great customer experience to our customers and our committed to providing fair and transparent prices to our customers.

Please find our response to the points raised within the standing charge call for input below.

Q1: What are the barriers to suppliers using the existing flexibility under the price cap?

At Ecotricity, we aim to provide tariffs that are simple for our customers to understand. Introducing flexibility through multi-tier tariffs could make it confusing to customers, especially as the price cap changes four times a year. A multi-tier tariff would require customers to calculate their usage regularly in order to understand when it fell within each consumption banding.

In order to maintain a position of clarity for consumers, with regards the comparison between different tariff types (i.e. – those with or without standing charges), comparison platforms would need to be adequately updated and consumers required to have a greater understanding of their energy bill.

With the emphasis on ensuring vulnerable customers are offered the tariff most suitable to their needs, it is essential that suppliers are aware of those customers that would be considered in one of the vulnerable categories. Effective data sharing across industries, as denoted within the Data sharing in a digital future and the current work ongoing with the water industry, this should enable a greater ability to identify these customer groups and provide targeted tariff options.

Q2: Why are suppliers not innovating on standing charges for tariffs not covered by the price cap?

A tariff structure based on the principles of a standing charge and unit rate is simple to understand for consumers at present and enables easier comparison of the tariffs on offer across different suppliers.

It is also worth noting that the ability of suppliers to offer tariffs with no standing charges has been restricted following the Retail Market Review.

We do expect to see innovation in tariff offerings across suppliers as the market continues to drive towards a net zero future and with the introduction of initiatives such as market wide half-hourly settlement, however there is currently limited availability for innovation with a price cap that sets a ceiling on profit of 2.4%.

Q3: What changes could Ofgem make to improve provision for lower standing charges under the cap.?

It has been detailed within the Call for Input that the charges per domestic site (typically around 12p a day for transmission and 6p a day for distribution charges at current rates) are combined in the standing charge rate alongside other fixed elements such as SOLR costs. Providing transparency of these costs and breaking down how much they contribute to the standing charge would provide greater clarity for consumers.

Alternatively, proportions of these cost elements could be removed from the standing charge and included in the unit rate, however we appreciate that this would not benefit all consumers and could be particularly adverse for those vulnerable customer groups with high consumption requirements without additional intervention.

Q4: As a result of TCR and changes to the recovery of residual costs, domestic consumers with very low consumption now bear a share of fixed network costs which is more in line with the cost of maintaining access to gas and electricity networks. Is this fair?
Should more be done to shield these customers from these costs?

Ecotricity believe that this subsection of customers could be identified and, dependent on their circumstances (i.e. - vulnerable customer groups), provided a different option to shield them from the higher disproportionate charges against their energy costs.

With the drive towards Net Zero, consumers are encouraged to install generation and reduce consumption at their property which will, in turn reduce UK demand. This will also have an impact on the Network cost recovery in the event of the removal of the standing charge; creating a risk that not all cost would be recovered.

Q5: What are the reasons for regional variations in electricity standing charges?

The Distribution Network companies set charges on a regional basis, which suppliers must recoup through customer bills. Whilst we do not have a detailed understanding of the DNO (Distribution Network Operators) business model, we anticipate the variance in cost will be based on the level of network works required over a time bound period of time and the regional value of works to complete this.

Q6: Can we learn from other sectors about how to improve suppliers' tariff offering in the UK energy market?

Due to the nature of the energy market and the service it provides to consumers, it is challenging to translate to other retail sectors in terms of learnings. It is an essential service and as such must ensure provision for all consumer groups.

Q7: Why do so few suppliers offer multi-tier or zero standing charge tariffs to their customers?

We believe that customers are familiar with the construct of a standing charge and unit rate-based tariff at present and the introduction of multi-tier tariffs could make comparisons between tariffs/suppliers more complex for customers to understand what is most suitable to their needs.

Q8: Why are zero standing charge tariffs no longer offered in the market, with the exceptions cited in this paper?

The Retail Market Review made it challenging for suppliers to offer consumers a tariff with no standing charge

Ecotricity aim to support customers in providing easy to understand tariffs, which are reflected within their bills, allowing for easy comparisons against other tariffs where required.

Q9: What measures could Ofgem take to improve the range of tariffs available to domestic retail customers?

The current licence conditions of the energy price cap make it challenging for suppliers to offer innovative tariffs. At present only tariffs offered on a fixed basis would be excluded from the price cap obligations, limiting the flexible options a supplier could provide to consumers.

The increase in smart meters and half hourly data provision will allow suppliers to have greater insight into different subsets of consumer energy use and therefore target specific tariff types at these user groups.

Q10: Why do no suppliers offer rising block tariff products at present?

Rising Block tariffs would increase complexity of tariff comparison to customers when attempting to ensure they are on the best tariff for them in accordance with our Standard of Conduct. It would require very engaged customers to be able to calculate and ensure these were the best tariffs for their consumption.

Q11: How significant an impact does standing charges have on customers' incentives to use energy efficiently?

Ecotricity do not have any available insight to provide an accurate comment on this topic.

Q12: Are there any forms of intervention in standing charges that Ofgem might consider that would minimise the risk of producing negative outcomes for some customers?

There is a need for costs to be recovered, whether this be through standing charges, unit rates or an alternative method. It is therefore hard to see an avenue where a subset of consumers is not adversely affected by the route chosen.

Lower (or no) standing charge where costs are included in unit rates (making these higher) will benefit low use consumers at the expense of high consumers. Whilst higher standing charges and inversely lower unit rates will benefit high use consumers at the expense of low consumers, whilst also potentially discouraging consumers in the move towards energy efficiency and the drive towards net zero.

Q13: How can we identify the complex needs of vulnerable customers and ensure that they are able to receive tariffs that benefit them the most?

There needs to be an emphasis placed on ensuring all vulnerable customers are offered a tariff to suit to their needs. In order to ensure this, it is essential that suppliers are aware of the vulnerable customer groups within their customer portfolio. Effective data sharing across industries as denoted within the Data sharing in a digital future and the current work ongoing with the water industry, we should have greater ability to accurately identify these consumer groups and in turn provide more targeted tariff options.

Standing charges in the non-domestic retail market

Q14: What issues affecting standing charges in the non-domestic retail sector should we consider further?

There are industry changes in play to mitigate some of the harshest impacts of the TCR (i.e.- very peaky customers) (DCP412).

A full review of the TCR charges is part of the proposed DUoS SCR and will provide further insight into how these charges have affected standing charges.

Should you require any further information, please let me know,

Yours faithfully



Nicola Meyrick
Head of Regulation and Compliance
For and on behalf of Ecotricity