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Date: 19<sup>th</sup> January 2024

Dear James Crump,

### **Standing Charges: Call for Input**

Calderdale Council takes the view that utility bill standing charges unfairly disadvantage low users and should be kept to the minimum charge required to maintain a live connection in a home. We see no justification for the disproportionate increase in electricity standing charges over the last year.

In this response, we will set out why we believe utility bill standing charges should be significantly reduced and address the issues raised in OFGEM's discussion paper, Standing charges – Call for Input.

Recent data analysed shows that 28.9% of households live in fuel poverty in Calderdale (Low Income High Cost measure).<sup>1</sup> Increases in the cost of living have seen increasing numbers of residents approach front line services to seek help with their fuel bills. Since launching the main fuel voucher scheme in Calderdale in November 2023, Newground Together have received 338 referrals for support. Many individuals accessing the service are already in a negative fuel budget. It is predicted this winter is going to be much harder for households, despite Government initiatives.

High and increasing standing charges are a highly inefficient way of shielding vulnerable high electricity use customers. The Council believes it would be more efficient to target support directly to those vulnerable high electricity users through mechanisms such as a social tariff.

### Responses to individual questions

Q1: What are the barriers to suppliers using the existing flexibility under the price cap?  
Not answered

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

Not answered

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<sup>1</sup> [Anti-poverty | Calderdale Data Works](#)

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

We believe that OFGEM should limit the scope of the standing charge to covering the minimum cost of keeping a customer connected to the network. We believe that it is far less regressive for wider network costs and supplier of last resort costs to be apportioned to domestic customers according to their energy usage. Residents who are on low incomes and have comparatively high heating costs (for example those with electric heating) often ration their heating use, therefore to have a high fixed standing charge which limits the amount of heat people obtain for their money, makes it more likely that they will ration their heat, potentially exacerbating health issues.

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?

We believe it is important to remember that even before the Targeted Charging Review (TCR) and associated changes, households with a very low fixed consumption already bore a share of network costs. Whilst there is a cost of maintaining a meter, connection and billing services to a particular property, we see no logical reason why policy costs, supplier of last resort, transmission costs and distribution costs shouldn't be apportioned by energy consumption. In the case of transmission and network costs, the network infrastructure will need to have a greater capacity to serve higher energy use customers, therefore it is fairer that these costs are apportioned by energy use.

Table 1 shows that residents in Yorkshire are paying higher standing charges on average than other parts of the country (£203.39 compared to £137.71 in London and £158.37 in the Eastern Region).

Given that Calderdale is ranked 74<sup>th</sup> most income deprived out of 316 local authorities ([ONS 2019 data](#)) it is unacceptable that local residents should be disadvantaged both with higher than average standing charges to begin with in addition to a proportional increase in these standing charges through the TCR.

We accept that a smaller proportion of low income and vulnerable households could potentially lose out from having these charges apportioned by energy consumption, however we believe that there are far more efficient ways to support these households, for example through a social tariff, than maintaining high standing charges.

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

Not answered

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

Not answered

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

Not answered

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

Not answered

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

Not answered

Q10: Why do no suppliers offer rising block tariff products at present? Would these products offer benefits to consumers?

We believe that rising block tariffs would add unnecessary complication to domestic tariffs, although they may have some benefit in driving efficiencies for larger non-domestic users.

Q11: How significant an impact do standing charges have on customers' incentives to use energy efficiently? What evidence can you provide that this is the case?

Not answered

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?

The discussion paper notes that residents who use electricity for heating are more likely to lose out from changing from volumetric charging. We would point out that a large proportion of residents with electric heating in Calderdale use storage heaters and economy 7 tariffs. For these properties, it might be appropriate to only apportion the network charges to the peak day rate units.

We know that many low income residents ration heat to the detriment of their health, therefore having a large standing charge on the electricity tariff of a household that uses electricity as their main form of heating is likely to present an obstacle to them using their electricity for heating as they have to pay more standing charge before they access usable units of electricity.

Section 5.26 of the paper states that over five times as many residents would benefit from a shift to volumetric charging than would lose out, therefore it must surely be more efficient to intervene to assist the 1.2 million customers who would lose out than the 5.5 million who are disadvantaged by the status quo.

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 are various options for ensuring that vulnerable customers receive appropriate tariffs:

- Energy suppliers have access to their priority services register to identify those with the most complex needs, for example those who require continual electricity supply for medical equipment.
- Energy suppliers have access to data matching services which can identify residents in receipt of income related benefits.
- Energy suppliers have experience of administering ECO schemes which require eligibility verification.
- Energy suppliers and data from the gas network providers could be used to identify off gas properties without economy 7 tariffs.

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

Not answered

We look forward to receiving the feedback from the stakeholder engagement in due course.

Yours sincerely

*Jenny Lynn*

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Communities Portfolio Holder