

# Call for Input Response

## Standing Charges

**Office of Gas and Electricity Markets (Ofgem)**

**January 2024**

### **About Mencap**

Mencap's vision is for the UK to be the best place in the world for people with a learning disability to live happy and healthy lives. We do this by supporting the 1.5 million people with a learning disability in the UK and their families, improving access to health and care services, education, and employment. A learning disability is caused by the way the brain develops before, during or shortly after birth. It is always lifelong and affects intellectual and social development.

### **Introduction**

Alongside unit (kWh) rates, standing charges make up the two core components of electricity and gas bills and are charged a daily fixed amount regardless of how much energy a customer uses. Since 2021, standing charges have increased significantly, with the nil consumption rate increasing by £100 in just two years.<sup>1</sup>

Standing charges are particularly punitive for customers on lower incomes who use very little energy, forcing many off supply. Customers who have self-disconnected are also badly affected, as standing charges continue to accrue after a person has stopped using their electricity and gas, meaning that they build debt even when they are not heating and powering their homes.

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<sup>1</sup> Ofgem, 2023. Standing Charges Call for Input. Ofgem. [Online]. Available at: <https://www.ofgem.gov.uk/publications/standing-charges-call-input> [Accessed 09/01/24]. Pg13.

However, as noted in the call for input, the proposed shift to volumetric measures could in turn penalize customers on lower incomes who use high amounts of energy. This would include a high number of people with a learning disability, who are more likely to be on low-incomes<sup>2</sup> and have higher energy use than non-disabled households.<sup>3</sup> The mobility and hygiene needs of people with a learning disability can require increased consumption of electricity, for example, to run electric wheelchairs, or frequent use of washing machines. Some people with a learning disability have additional health barriers, requiring medical equipment like oxygen concentrators or feeding pumps which require constant charging. Many people with a learning disability also have important non-medical, sensory needs that might involve significantly increased use of electrical devices, or they may need their homes to be heated to a high temperature for longer because they have 24-hour carers. A shift towards a volumetric method of recouping fixed costs, instead of via daily standing charges, could create an additional burden for their households.

This would occur in a context where almost half of all low-income disabled households are in arrears with at least one household bill<sup>4</sup> and where many people with a learning disability have already taken drastic action: over a third (38%) of Mencap survey respondents hadn't put the heating on despite being cold and over a quarter (26%) reported not switching the lights on to save money.<sup>5</sup> This is particularly concerning, given the clear link between learning disability and health conditions that are exacerbated by living in a cold home.<sup>6</sup>

Ofgem has rightly recognised the distributional effects of shifting standing charges to volumetric costs, noting that the proposal produces adverse impacts for vulnerable customers with high energy needs, like those reliant on medical equipment or electric heating to keep warm. These customers would see an increase in their bills by twice as much as gainers would see their bills fall. Indeed, one of the scenarios highlighted in Ofgem's proposals details how a person receiving disability benefits, on a prepayment meter and with high gas and electricity consumption would see an increase in their bills of £71.09 per annum.<sup>7</sup> Whilst this increase is modest when compared with annual bills for the average customer, it is easy to imagine that it could represent a significant sum to a person with a learning disability who can neither reduce their energy consumption nor increase their income to pay for higher charges. We are mindful that these findings will also mask bigger swings for some disabled households, who could see their costs spiral even further due to particularly high energy needs.

Furthermore, we share Ofgem's concerns that (without adequate protection) proposed changes could have serious implications on the behavior of disabled customers and their households, inadvertently

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<sup>2</sup> NHS Digital 2021 ([Measures from the Adult Social Care Outcomes Framework, England - 2020-21](#))

<sup>3</sup> Scope, Cost of living: the impact for disabled people. (2022) <https://www.scope.org.uk/campaigns/research-policy/cost-of-living-report/>

<sup>4</sup> Joseph Rowntree Foundation, 'Our social security system must support households with a disabled person to afford the essentials', August 2023, <https://www.jrf.org.uk/cost-of-living/our-social-security-system-must-support-households-with-a-disabled-person-to-afford#:~:text=Almost%20half%20of%20all%20households,households%20without%20a%20disabled%20person>

<sup>5</sup> Mencap, Cost of Living web survey, January 2023 ~2,000 respondents .

<sup>6</sup> and increased vulnerability to cardiovascular and respiratory LEDR, Health Equity

<sup>7</sup> Ofgem, Standing Charges: Call for Input, January 2024,

*‘incentivizing a vulnerable customer not to use energy when it was necessary, with potentially severe health effects.’<sup>8</sup>*

## **Summary of response**

We acknowledge the significant strain that increased standing charges have placed on household budgets (particularly amongst those that are lower down the income distribution, and who consume less energy) and the need to reform standing charges.

However, Mencap is concerned about the impact that volumetric charges could have on the households of people with a learning disability if robust protection processes are lacking. In our view, Ofgem does not yet have the tools to adequately identify and ultimately protect low-income, disabled energy consumers and their households from proposed changes.

If Ofgem moves forward with this work, we would nevertheless encourage them to explore the mitigations and measures suggested by sector colleagues, such as Age UK’s standing charge cap, an exemption or reduction in standing charge costs for certain customer groups, and to continue calls for a social tariff for disabled and low-income customers.

## **Call for Input Questions**

### **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?**

As noted above, in our view Ofgem and energy suppliers do not currently hold the appropriate data to adequately identify disabled, low-income customers and therefore protect them from the negative outcomes of a shift to volumetric charges. However, if Ofgem chooses to move forward with a consultation on this matter, they should analyse the feasibility of the following interventions suggested by sector colleagues which could potentially reduce the negative consequences for some customers:

1. Ofgem should consider setting an annual cap on the maximum amount a household would be expected to contribute towards supplier fixed costs. Once customers meet the annual threshold for contributions then the volumetric standing charge could be removed from the rest of their energy bill. This would mean people with a learning disability using medical equipment or with far higher energy needs who are struggling on a lower income won’t continue paying these charges on their higher energy consumption.
2. Ofgem must also directly protect customers with vulnerabilities from the potential effects of this policy through a targeted standing charge exemption or reduction. Ofgem must assess whether the data that suppliers hold on customers is robust enough to do this.
3. Ofgem should recognise that standing charges effectively smooth fixed costs throughout the year and that a volumetric charge could concentrate the additional cost over the winter months when energy use is higher, which may lead to more people with a learning disability/their

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<sup>8</sup> Ofgem, Standing Charges: Call for Input, January 2024 <https://www.ofgem.gov.uk/sites/default/files/2023-11/Standing%20Charges%20-%20Call%20for%20Input.pdf>

families turning down or turning off their heating as temperatures drop. Ofgem would need to mitigate this risk and consider options such as concentrating volumetric standing charges over warmer months via the price cap.

4. Ofgem must also do more to support calls for tariff reform such as a social tariff and should model the impact of a social tariff on mitigating any adverse effects from standing charge reform on low-income consumers with high consumption, such as disabled households.

### **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?**

Protecting people with a learning disability and their households from the unintended consequences of volumetric standing charges would require a system where they could be identified based on their characteristics, income or energy usage. There are a variety of tools that Ofgem could use to do this, but each have issues that would need to be addressed and Ofgem would need to analyse the adequacy of these combined methods before moving forward with this work:

- The **Priority Services Register** is a well-established tool that could partly help to identify customers with extra needs who need to be protected from the impact of volumetric charges. However, sign-up can be inaccessible for some people with a learning disability and the PSR does not capture financial vulnerability. If Ofgem moves forward with this work, the PSR must be reformed to improve the identification of households who should be exempt from volumetric standing charges. In addition, energy companies should go beyond just recording the disability or medical condition of customers with vulnerabilities and should instead record actionable support needs as well. More work should be done to make customers aware of the PSR and broader referral pathways would also have to be created to reduce the burden on disabled customers to come forward directly. This would allow health and social care providers and trusted third party intermediaries to request additional support on behalf of a vulnerable customer, once permission is granted.
- **Smart meter data and customer billing information** have also been cited as tools to identify struggling households who are disconnecting or who have high energy needs and who should therefore be exempt from volumetric standing charges. However, there have been issues with the pace and nature of the smart meter roll out and the extent to which it is reaching vulnerable customers;<sup>9</sup> these problems would need to be rectified before this source is utilised.
- Ofgem could also explore having **better data-sharing arrangements with Government** under the Digital Economy Act e.g using Department of Work and Pensions information and system flags to highlight when a person (or their household) might be eligible for a standing charge exemption.

We would also expect Ofgem to establish a formal working mechanism with medical and social care providers to take a needs-based approach to determining vulnerability. Before moving to a full consultation, Ofgem should also meet with consumer organisations, charities and researchers to discuss the various modelling requests, data issues and vulnerable groups that need to be protected.

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<sup>9</sup>Committee of Public Accounts, Update on the rollout of smart meters, 20<sup>th</sup> October 2023  
<https://publications.parliament.uk/pa/cm5803/cmselect/cmpubacc/1332/report.html#:~:text=Progress%20rolling%20out%20smart%20meters,complete%20the%20rollout%20by%202019>