

## **Review into standing charges on energy bills**

### **Introduction**

Citizens Advice West Northamptonshire & Cherwell (CAWNAC) comprises 5 local Citizens Advice branch offices all of which have regular face-to-face drop-in sessions or face to face appointments. This is complemented by email advice or telephone advice. CAWNAC also runs an Energy Matters project that helps people with advice on their energy bills as well as carrying out income maximisation checks. We are, therefore, in a unique position to recommend changes based on the impact of the evidence from our clients.

### **General Comments on Standing Charges**

CAWNAC welcomes the opportunity to respond to the standing charges review by ofgem

Standing Charges have a legitimate role to play in the fuel utility market. They help the industry recover the fixed operational costs of serving each customer, and fund important network build, upgrade and maintenance costs that are necessary to keep all consumers connected and to drive progress towards net zero targets.

However, standing charges are indiscriminate. They apply to the vulnerable and/or low income households regardless whether or not gas or electricity is used. For example, the evidence from our clients is that, even if they reduce their energy consumption in order to maximise their limited resources, the standing charge remains the same whether they use energy or not. With the cost of living crisis now into its second year, ever higher standing charges are prompting more people to self disconnect.

CAWNAC sees clients who are unable to afford to heat their homes. They are worried about the costs of cooking a hot meal at home or even turning on the lights. They are essentially self disconnecting because they cannot afford to turn on their heating. This is having a negative impact on clients, their health and those of their children. Figures reveal that 16% of UK adults (8.3m people) live in cold damp homes, exposed to the health complications that come from living in fuel poverty<sup>1</sup>.

CAWNAC also understands there are also regional differences with energy users in Merseyside and Wales paying substantially less than the South East. This not only compounds the imposition of standing charges but shows the unfairness of the current system. There needs to be a fairer way for charging for energy, especially for vulnerable and low income families.

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<sup>1</sup> <https://www.endfuelpoverty.org.uk/news/>

## **Case Study**

### **Client circumstances**

The client is a 32 year old father to a 3 year son who has diabetes and a 5 year old daughter. The 3 year old son receives a Disability Living Allowance payment. They receive £172.90 per month for child benefit support. The client works 35 hours a week in a bank, his wife works in a supermarket 25 hours per week. They live in a 3 bed detached property and pay £1100 per month on their mortgage. The property when purchased had no central heating, cavity wall insulation and single glazed windows. The client took out a loan to pay for home improvements which he is repaying monthly as well as his mortgage. Current gas and electricity bills are £258 per month, the client pays on receipt of the bill but is currently £46 in debt as he doesn't have enough money to clear the balance. The family is in fuel poverty, self disconnected and regularly uses food banks. The children are waking in the night because of the cold.

### **Advice and support provided**

Energy matters has provided this family with an electric blanket which is estimated to cost 2p per hour to run and help towards keeping the family warm. Energy matters has provided the client with 3 x £49 fuel vouchers to help heat his home and a Carbon Monoxide detector. Energy matters has referred this family to Better Housing Better Health for insulation grant advice and further energy efficiency support. Energy matters has completed a benefits check with this client and they could benefit from Universal Credit payments of £179.94 per month and the Help To Claim number has been provided. The family does not qualify for a warm home discount as they are not in receipt of the listed benefits from August 2023 but would qualify next year if in receipt of UC.

### **Outcomes achieved for the client**

£664 annual reduction in energy bill due to energy saving tips  
£150 warm home discount (next year)  
£150 fuel vouchers supplied  
£30 electric blanket supplied  
£15 carbon monoxide detector supplied  
£2159.28 annual Universal credit payment  
£29.64 annual support for Mortgage Interest Loan  
Total = £3197.92

### **What the client said....**

" The support I have received from Energy Matters is a lifeline for my family. I don't know how we would have coped without them"

### **Moving forward - Options**

Social Tariffs have been mooted.

Social tariffs offer discounted rates to support people who are elderly, those in receipt of means-tested benefits and those on a low income. There is much debate on whether a social tariff should be introduced in the energy sector. The cost of introducing social tariffs would fall to the bill payers who are not in the outlined categories. Households are already at breaking point with the cost of living and rising energy costs which have doubled in the last 2 years. The worry is adding a social tariff cost to be offset by existing households is a difficult strategy in an already struggling market.

However, notwithstanding the above, in March 2023 Citizens Advice called for social energy tariffs to be brought back in 2024, along with a £1,500 one off payment for the poorest households. It is feared over 10 million households could fall into fuel poverty this winter. The call for a social fund is backed by a coalition of consumer groups and energy bodies, including Martin Lewis and Energy UK.

Social tariffs are a common place in the broadband sector. There is no reason why social tariffs cannot work in the energy sector and apply to vulnerable and those on low income and benefits subject to the above concerns.

Cost can be moved to unit charges because vulnerable groups on the tariff would be paying less. At the moment, we don't have anything like that. The social tariffs would also address the concerns raised with converting social tariffs to a higher unit rate. The implementation of a social tariff would protect the vulnerable, low income families and those in receipt of benefits.

We would further welcome the opportunity to be involved in the discussion groups.

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