

## **Citizens Advice Leeds - our response to the Call for Input by Ofgem on Standing Charges**

Citizens Advice Leeds helps 30,000 people a year to resolve their issues. Since 2019/20, enquiries about energy bills increased from 2% to 15% in 2022/23. Leeds has some of the highest deprivation areas in the country and our client group is mainly made up of these citizens: half of all our clients have a disability or long term health condition; a third are from racially-minoritised groups; two-thirds live in rented accommodation, with 55% in social housing. Meaning that we have a good understanding of the effects of fuel poverty and its impact upon some of the most vulnerable people in our local communities.

Therefore, we will focus our response on these two 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?***

The effects of standing charges are for the most part negative:

- Low-income households subsidise more affluent households;
- Single person households subsidise larger households;
- People who are trying to manage the cost of living by reducing their usage are not seeing a reduction in their bills;
- People who are reducing their carbon impact and energy consumption by installing solar panels are not seeing a significant reduction in their bills;
- Households who have had their gas supply capped (either by choice or for safety reasons) are still penalised;
- They have increased significantly in recent years due to the collapse of many suppliers, so consumers are paying for a failure by the regulator to ensure that these businesses were robust;
- Those on prepayment meters - most likely to be low-income households - who do not use their gas supply over the summer have to pay several months' standing charge to get the heating on when it goes cold.

### **Case Study 1**

*Ms R is a single female aged 23, living in a 1-bedroom private rented flat. She contacted us in May 2022 as she wanted to have a prepayment meter installed in her property. She was working full-time and managing to cover her bills and essentials but had very little left over to help manage the rising cost of living or save anything for rainy day emergencies. She was concerned about running up an energy debt that she could not afford to repay. Despite trying to reduce her usage, and living in a reasonably energy efficient property (EPC rating of C, with C also being the maximum potential rating) the cost of the standing charge meant that Ms R was unable to reduce her expenditure on energy over the warmer months in order to build up credit for winter.*

It would seem therefore to be fairer to **remove the standing charge altogether**. However, if the charge were to be scrapped only to replace it with an increase in the unit cost there are a significant number of households who would be financially worse off - such as those who

have high usage because of vital medical equipment and those living in poorly insulated homes. Many of these households are likely to fall into the low-income bracket. We therefore call for the creation of a **social tariff and an overhaul of the Warm Home Discount scheme, alongside the scrapping of the standing charge.**

### **Social Tariff**

The social tariff model is already well-established in the water industry and is very effective; there are schemes for households on a low income as well as those who have high usage alongside a particular vulnerability, such as a medical condition.

Capping the unit price to one which is genuinely affordable and not linking it to unstable market trends would help these households be able to budget more effectively, be less likely to fall into debt, and give them more confidence in choosing their supplier and a genuine consumer choice - if the social tariff was fixed across all suppliers customers would be able to switch away from those providing poor customer service. It would also have a positive impact on health, by reducing the number of homes developing problems with mould and damp, due to residents being unable to afford to put the heating on, or keeping it as low as possible.

### **Warm Home Discount (WHD)**

The changes to the WHD scheme this year have seen many of our clients who previously received the payments as part of the broader group being told they are no longer eligible. We have received reports from people who have budgeted expecting to receive the payments who have fallen behind on their bills when it has not arrived, and have not been able to get a clear explanation of the new scheme or the criteria from their supplier.

### **Case Study 2**

*Mr W is a 50-year single man living in a mortgaged property. His 10-year old son stays with him twice a week. Mr W is unable to work due to physical and mental health conditions. His sole income is disability benefit. He contacted us in November 2023 as he did not receive the WHD the previous year after the scheme criteria changed. He told us that he had made numerous calls to the WHD helpline to complain that he had not received the payment, before being told firstly that he had missed the deadline to apply and then that he did not qualify due to his home being sufficiently energy efficient. He did not receive a response to his complaint about poor customer service and unclear information about eligibility criteria.*

*Before contacting us, he completed the online checker which suggested that he may qualify for the scheme this year, but would need to get an Energy Performance Certificate at a cost of £60-140, which is unaffordable at a time when his mortgage interest payments are increasing. He has therefore missed out on £310 of financial support over the past 12 months and will not be able to access further help to mitigate energy costs without paying for the EPC upfront.*

**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 already a number of indicators in place to help identify vulnerable customers, and these can be used immediately to put appropriate support in place: the Priority Services Register; the Warm Home Discount; the benefits system, Energy Trust Fund schemes.

Given that the amount of time being taken up dealing with enquiries about energy bills has increased so significantly in the past 3 years, and that the energy industry does not contribute to debt advice, you could call for a levy on energy companies to help fund debt advice projects; such charities are very well-placed to be able to identify and facilitate access to vulnerable customers. You could also call for compulsory Energy Trust Fund schemes from every supplier, to widen access to grants and financial support, as well as ensuring that those schemes are simpler to access, and that eligibility criteria are clear and transparent.

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