

19 January 2024

## **ICoSS response to Standing Charges Call for Input**

The Industrial and Commercial Shippers and Suppliers (ICoSS) group is the trade body representing non-domestic industrial and commercial (I&C) suppliers in the GB energy market<sup>i</sup>.

Please note that we have only answered those questions that relate to the non-domestic sector as we are a non-domestic trade body.

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

We believe there would be considerable challenges in attempting to replicate any solution regarding standing charges from the domestic sector to the non-domestic sector and it is not a viable proposition.

Firstly, as identified in the Call for Input, there is a significant variation between the characteristics of non-domestic customers. This not only means a significant variance in the amount of energy they use, but the nature of that energy use and the metering equipment used to measure the energy which will result in widely varying capacity, metering, and networks charges, which are levied at different rates reflecting their network use. It is not feasible therefore to apply a blanket limit on the standing charges, nor is it practicable to require a redistribution of costs from standing charges to unit rates; standing charges in the non-domestic market mainly reflect pass on system costs, rather than supplier costs. Any changes that are made to how those costs can be passed through will place recovery risk on to the supplier.

Secondly, many customers expect transparency on the costs they incur and expect them to be separated out on their invoice. This means that there is a significant variation in how a bill is presented to a non-domestic customer and so there is no standard “standing charge”. There is no restriction on how a supplier may seek to levy the costs it incurs in supplying a non-domestic customer, unlike in the domestic sector where all costs must be recovered as either a standing charge or a through a unit rate.

Thirdly, the non-domestic sector is more competitive and has been proven to be more resilient than the domestic market in part owing to the ability for suppliers to set their charges in a manner they believe will be attractive to their customers. Restricting how these costs can be levied will restrict competition and so be detrimental to the overall functioning and competitiveness of the market.

Lastly, hampering the ability of suppliers to levy the fair costs of supplying a customer in the most appropriate manner has the potential to create pricing distortions. This could result in

some businesses paying less for their energy use than is fair and reasonable. This could place these customers at an unfair competitive advantage compared to their peers and so impact competition in other retail sectors.

In light of the above, we agree with Ofgem's assessment that the current focus should focus on domestic market affordability/social tariffs rather than seeking to introduce changes that may restrict or distort how fixed costs are recovered by non-domestic suppliers.

More widely we welcome Ofgem's review of the Targeted Charging Review (TCR) changes and the impact they have had on non-domestic electricity customers. Our members have noted the significant adverse impact that the shift to the TCR regime has had on some business customers. We look forward to engaging with Ofgem during this review.

Our views above notwithstanding, any changes that are implemented via this, or other reviews, should only be forward-looking; that is not seeking to be retrospectively applied to existing contract which were agreed on the basis that costs could be recovered in a specific way. Doing so could expose the supplier to unrecoverable costs.

Yours sincerely



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