

‘Standing Charges’ Reform: A Response from Citizens Advice across Warwickshire to a Call for Input from Ofgem.

January 17th, 2024.

Introduction

This brief submission is in response to a ‘call for input’ from Ofgem to their proposals to reform ‘Standing Charges’ published as a discussion paper on November 16, 2023; <https://www.ofgem.gov.uk/publications/standing-charges-call-input> .

It’s content reflects the views of front line advisers working across three local Citizens Advice offices in Warwickshire: Citizens Advice South Warwickshire (CASW); Bedworth, Rugby and Nuneaton CAB (BRANCAB); and North Warwickshire Citizens Advice (NWCA).

Between these three local CA offices, we support approximately 13,000 clients with over 75,000 issues annually; many of which relate to fuel and energy issues.

Summary of Argument

1. In the discussion document referenced above Ofgem proposes several ways in which the current regime around standing charges and their alternatives could be reformed. It also notes that the current government subsidy which ensures pre-payment meter users pay the same charges as direct debit payers is due to end in March 2024.
2. Our advisers believe standing charges, making up a disproportionate amount of consumer energy bills for those on low incomes, drive energy debt for those consumers, discourage energy saving, undermine the impetus to improve energy efficiency, and drive self-disconnection (for those with pre-payment meters) with all the attendant problems that creates.
3. Our advisers understand the argument put forward by Citizens Advice nationally¹ that none of the proposals mentioned are fool-proof and all would lead to varying counterproductive unintended consequences. They also understand the argument that focusing on these proposals risks distracting from the much more important and immediate need to deliver a focused and targeted energy bill support scheme for all those struggling with the ongoing cost-of-living crisis.
4. Putting the wider debate to one side, our advisers believe standing charges for those on pre-payment meters who are simultaneously also having debts paid back automatically through their meters should be waived unless and until those debts are repaid in full. To the extent that all prepayment meter users on low incomes live under a constant threat of self-disconnection, and that paying standing charges are a driver of that threat, our advisers believe this group represents a unique group for whom special measures should be considered.
5. Finally, our advisers strongly believe that the current government subsidy ensuring PPM users pay no higher charges than those who pay bills via direct debit should be continued beyond March 2024; notwithstanding the proposed initiative above.

1

<https://wearecitizensadvice.org.uk/why-standing-charges-are-fairer-than-you-might-think-0af937499149> .

Some quotes from the front line on the impact of standing charges as currently implemented.

“Levying standing charges on prepayment users, especially ones already repaying debt through their PPM, is grossly unfair and simply drives consumers towards self-disconnection”.

“What’s the point of a fuel voucher for those in emergency need if it all goes on standing charges for energy that’s not even being used. It makes the fuel voucher ‘industry’ look like a scam; ensuring energy suppliers and network providers get their money while desperate energy consumers self-disconnect”.

“If a fuel voucher is to deliver what everyone who doesn’t get them thinks it delivers, standing charges must be waived for those on prepayment meters repaying debts through those pre-payment meters”.

Conclusion

Noting that standing charges constitute a disproportionate part of the energy bill for a low income household, noting that standing charges constitute a driver of self-disconnection for low income households subject to pre-payment meters (especially if paid alongside debt repayment also automatically taken from pre-payment meter users), and noting that there is no consensus for any across the board reforms of standing charges, we urge the powers that be to institute a billing regime whereby standing charges are waived / written off / withdrawn for pre-payment meter users who are simultaneously repaying energy debt automatically through their pre-payment meters.

This measure would be a temporary one, only applicable until the consumer in question is debt free, and in no way resolves the wider questions around what to do about standing charges in the long term.

Our advisers believe the imminent and continual threat of self-disconnection for pre-payment meter users renders them a unique group for whom special temporary measures are warranted at this time. They strongly feel that the entire good faith system of providing fuel voucher support to those most in need is undermined by the value of those fuel vouchers being syphoned off to pay standing charges and debt repayments, not to help prepayment meter users avoid disconnection. If such charges are not waived then fuel vouchers may as well be given straight to energy companies.

Separately, our advisers believe strongly that the current government subsidy ensuring pre-payment meter users don’t pay higher charges than direct debit payers should be extended for at least one more year; notwithstanding the related initiative referenced above.

Ed Hodson - Research & Campaigns Lead
Citizens Advice working in partnership across Warwickshire
E: ed.hodson@casouthwarwickshire.org.uk
T: 07586 688 395.