



The Scottish Parliament
Pàrlamaid na h-Alba

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RE: Standing Charges Consultation

Dear Mr Crump,

I wish to contribute to Ofgem's standing charges review and I'd be grateful if you'd consider my views, as set out below.

I strongly feel that standing charges no longer have a place in our energy system. They are punitive, disincentive the reduction of energy consumption and are confusing for customers, particularly the domestic market and smaller rural businesses, many of whom I represent. Thus, I feel I must share my concern regarding the scope of the review, which appears to overlook the option of banning standing charges entirely.

I am especially concerned that the current arrangement provides higher users, principally the wealthiest in society, and high-consumption business customers with proportionately cheaper energy than that paid by lower users. Correspondence with constituents indicates that standing charges have an adverse impact on fuel poverty and its consequent effects among low income lower-users. Your own data acknowledged that at least 1 in 7 pre-payment customers had opted to self-disconnect in 2019.

I hear regularly from smaller community groups, especially village halls, that rising standing charges have essentially reversed the impact of hard work carried out by them to improve energy efficiency. As one village hall put it, "Our new standing charge means we have to find £500 each year before we even turn on our new LED lights and low-energy heaters."

This will discourage enthusiasm for energy efficiency measures because the standing charge element of an energy bill is unaffected by savings in consumption.

The weight of evidence, including Ofgem's own assessments (for example, Tables 3 and 4 of the review document) of the numbers of households expected to financially benefit or lose out as a consequence of reducing the size of standing charges, or banning them altogether indicates that standing charges are having a financially discriminatory and adverse impact on millions of lower-use and/or energy-efficient domestic consumers, who are paying – in effect - a higher unit-price for their gas and electricity than are higher-users. Any standing charge forms a larger proportion of lower-users' overall energy bills than that of higher-users. Such a situation is regressive and unfair.

The UK and Scottish Governments, in partnership with energy companies have worked hard to encourage reduced energy consumption as a response to the climate emergency.

Standing charges lessen consumer interest in improving energy efficiency than would because any percentage reduction in energy use as a result of energy efficiency measures is not fully reflected in lower energy bills. This factor is a particular concern for lower-users as standing charges form a larger proportion of their energy bills than those of many higher users.

I understand that standing charges are intended to meet the costs of grid infrastructure. My concern is that the argument for standing charges is deemed to carry greater weight than the discriminatory economic, social and environmental impacts the measure has on many low-income households.

Society generally does not go in for standing charges: retail and wholesale prices, for example are broadly set irrespective of volumes of goods purchased.

Oil companies, in particular have similar overhead distribution arrangements to gas and electricity companies, including pipelines and tanker journeys, but the public do not pay a standing charge 'at the pump' even though the cost of delivery is the same for each customer, irrespective of volumes of fuel purchased.

Some other companies – those offering domestic appliance repairs, for example - may operate a call-out charge system. But decisions to do so are commercial ones, and the overall cost of a job is principally related to its complexity, irrespective of household size. Standing charges, on the other hand simply apply across the board and, in most energy tariffs, are unaffordable.

There seems no obvious reason why standing charges 'must' form part of energy bills. I recognise that banning standing charges would impact economically on low-income/high-use households if volumetric unit prices were raised to compensate. This could be addressed through a single social tariff scheme.

The standing charges issue is fundamentally about fairness: there is no reason why energy bills for millions of poorer, low-income households should be proportionately more expensive than those of many larger and/or wealthier households. I therefore invite Ofgem to set in motion legislation to ban standing charges in domestic energy bills, together with any similar multi-tier tariff arrangements for which initial tranches of units consumed are more expensive than the balance.

Kind regards,

Ariane Burgess MSP

A handwritten signature in black ink, reading 'Ariane Burgess' in a cursive script.