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Dear James,

Standing Charges: Call for Input

Thank you for the opportunity to comment on the above consultation. We welcome the approach of starting with a call for input, recognising the complexity of the potential impacts.

This submission is non-confidential and comprises this covering letter and attached appendix. The letter focuses on the key principles. The attached appendix provides additional detail on the difficulties which would need to be addressed in order to deliver the necessary changes, as well as some of the inequities that currently exist. We trust this approach is helpful and would be happy to discuss any points in more detail.

As a key principle, we believe it would be appropriate for there to be a large reduction in the standing charges imposed on domestic and small consumers. This would need to be achieved by reducing the impact of network 'standing charges' on suppliers which are subsequently passed through to consumers in retail prices. This is in the interests of consumers generally and will drive forward those consumer behaviours which are critical to achieving net zero.

To deliver this outcome, distribution charges to suppliers should be purely an energy (kWh) related charge. This approach should also be applied consistently to any "policy" or SoLR related type charges. The main impact of this approach would be on electricity distribution charges. The inequity has already been reduced for gas as gas distribution charges are related to the Annual Quantity (AQ). While the AQ is fixed in the short term, it is updated to reflect consumption, so gas distribution charges have generally effectively reflected usage. We note that this has recently changed in the appendix, given demand changes, but the principle remains sound.

The rationale for this approach is that demand on distribution networks - and therefore the need to reinforce - is related to consumption and smaller users place lower demands on the system. While we accept that as gas usage declines, a solution to network maintenance will be needed, standing charges will not address that problem.

This is not intended as a retrograde step or to say that distribution company incomes should go back to being related to the energy they transport, just that their allowed revenue in a year will be recovered from a unit related charge not a standing charge. The change will mean that distribution company incomes will vary seasonally, and that there will be a requirement to true-up after the year end. However, since they are regulated monopoly businesses, with large asset bases and guaranteed revenues, they will have the lowest cost of capital and hence are better placed to absorb such variations in cashflow at low cost to consumers. There are already provisions within the price controls to address over and under recovery, so the introduction should be straightforward.

Utilita firmly believes that it is equitable that bigger consumers pay a bigger proportion of policy type costs. This approach correctly incentivises the efficient use of energy, supports the road to net zero and does not unfairly burden those least able to manage.

In the Call for Input, Ofgem's desire to see a greater range of tariffs for consumers is clear. However, it is not possible under the conditions of a price capped retail market, with very little margin, to divert from cost reflective pricing. While Fixed Term Contracts (FTC) are not price capped, they are not without risk, and as was seen during the energy crisis, high priced FTCs lead to a flight towards the Standard Variable Contracts (SVT), with significant side effects and costs to consumers due to roll-off risk.

Even without the price cap, diverting from cost reflective pricing would entail substantial risk and, therefore, occur only to a limited degree. To lower the standing charge in retail tariffs, the cost structure of the industry must be changed to apply more cost to kWh used rather than fixed charges. As set out above, the obvious avenue is electricity distribution costs, where shifting these charges to the unit rate could be accommodated at a lower cost of capital and a lower risk to distribution companies given the mechanism of the price control for these companies.

In addition to moving distribution charges towards a volumetric approach, as we have previously argued, Ofgem should move to a single price cap, set at a backstop level that allows suppliers to recover efficient costs, while making a normal profit which will allow realistic competition. Where suppliers must match the cap in order to recover efficient costs, and may still make negative margins, it is impractical to expect a wide variety of tariffs and structures to be available. Multi-tier tariffs which must meet the constraints of a cap in all cases incur an expense for the supplier in foregone revenue, which suppliers cannot endure under the low margin of the current price cap. The commercial risk is simply too high.

As set out above, we would be happy to discuss this submission in more detail if Ofgem has questions it would like to ask. Please let me know if you would like me to co-ordinate a discussion.

Kind regards

By email only

Alison Russell
Regulatory Adviser

Appendix – Utilita Energy Limited submission in respect of question in the Call for Input on Standing Charges

In this section, we have addressed the questions raised in the Call for Input. Where answers might otherwise be repetitive, we have referred back. As noted in the covering letter, while we have strong views on the principles to be applied in respect of standing charges, in this section we have focused on the difficulties inherent in the existing system.

Q1: What are the barriers to suppliers using the existing flexibility under the price cap?

Under normal market conditions (i.e. outside the price cap (cap)), and a flexible unit rate (UR) approach, for a supplier to recover its fixed costs, would require an additional risk premium added to the UR to protect the supplier from an extended period of under-recovery, plus a financial provision, incurring a cost-of-capital, to protect against insolvency in case of an extreme under-recovery. Both these factors would ultimately cost end user customers more in the long run, with the most efficient, lowest risk option being for the supplier to pass its fixed costs through as directly equivalent fixed charges.

Under the cap conditions, there is no option to include any such risk premium or cost of capital provision. Ofgem's own data shows suppliers' pre-tax margins are -0.93% ([dual fuel breakdown](#)) and the former CEO, Dermot Nolan, stated to Parliament that the cap was purposefully designed to provide no headroom for risks or shocks ([Para 128-129, pp.46-47](#)).

It could be further assumed that, if a supplier did provide flexible choice for customers, such that low-users could opt for a zero-standing charge (SC) tariff, whilst medium- to high-users continued to benefit from a typical standing charge and associated lower UR, without any change to the supplier's upstream cost structure incurred on behalf of those customers (i.e. network costs, SoLRs recovery, meter rental, etc.), the supplier would under-recover its fair costs and fail.

As long as suppliers incur some costs on a fixed p/day basis, while being provided wafer-thin to negative margins, they will not be able to utilise any flexibility to provide zero-SC cap compliant tariffs. To begin introducing such tariffs, suppliers would ideally need the option to make similar arrangements with the network providers (DNOs), to be billed on 100% UR charges, or be provided reasonable pre-tax margins and financial headroom to accept the risk that a zero-SC tariff would incur.

Within the specific context of the ongoing energy crisis, suppliers face two further barriers to implementing zero-SC price cap tariffs:

Firstly, Ofgem and the wider industry have observed the emergence of 'demand destruction' – the significant drop in domestic demand compared with historic averages (after adjusting for weather variance), against which suppliers calculate their long-term demand forecasts and from which industry-standard typical domestic consumption values (TDCVs) are based (which have been recently revised down). Under these conditions, any supplier attempting to recover their fixed costs as a UR, calculated on historic averages, would have overstated the expected kWh sales volume, and therefore under-calculated the UR, creating an under recovery of their fair costs. While the cost-of-living crisis continues and fuel bills remain high, this trend will likely continue, strongly disincentivising suppliers from offering zero-SC tariffs.

This effect has already occurred in gas network cost recovery, where Fixed AQs – i.e. the expected annual demand, assigned to each supply point for calculating capacity payments – have been substantially overstated, as actual demand has collapsed but the Fixed AQ remain static for the year. Historically, Fixed AQs were reasonably representative of customers' demand and the incurred capacity charges were, therefore, reflective of the recovered costs. However, Winter 22/23 saw c.20% of pre-crisis demand eroded, placing major financial strain on energy suppliers, still recovering from the crisis. A simple comparison at Ofgem gas medium TDCV using the published price cap allowances indicates that once capacity under-recovery is accounted for, remaining EBIT is less than c. 0.3-0.5% of customer bills depending on payment method.

The second crisis-driven barrier facing suppliers is the reputational risk of volatile returns that mismatching UR revenue from fixed cost overheads would inevitably incur over time. Customer demand is highly correlated across all households, driven by temperature. Under a zero-SC tariff, mild or freezing winters would, respectively, under- or over-recover costs relative to expected levels. While this would average out over a period of years, the current public perception of the industry would likely mean any year of over-recovery would face heavy scrutiny and allegations of profiteering, with no understanding of volatility or allowance for previous under-recoveries. As such, suppliers are further incentivised to flatten and normalise returns as much as possible.

Q2: Why are suppliers not innovating on standing charges for tariffs not covered by the price cap?

Many of the points covered above (Q1) apply to tariffs not covered by the price cap (typically fixed term contracts, FTCs). As stated above, the most efficient, least risky, method for suppliers to pass on their incurred fixed costs is in the same format by which they are charged, i.e. as a SC.

FTC suppliers continue to face the same fixed overheads as standard variable tariff (SVT) suppliers, i.e. post-TCR network costs and SoLR recovery. As such, if a flexible range of tariffs were provided, with both zero-SC offerings for low-user FTC customers and typical SC tariffs for median- and high-user FTC customers, the supplier would almost certainly face unsustainable financial losses as it would be unable to recover its fixed costs across its base.

In addition, as set out in the covering letter, FTCs which are significantly above SVTs will result, in a flight towards the SVT at times of crisis, with the attendant consequence for customer cost. While consumers may be willing to pay a little more for certainty, this will be driven by both risk appetite and ability to pay.

Q3: What changes could Ofgem make to improve provision for lower standing charges under the cap.?

Ofgem implemented a policy to push supplier costs towards fixed p/day rates (TCR, DUoS and TNUoS; plus SoLR cost recovery) which has concurrently increased retail SCs. As outlined in Q1, to convert these costs from SCs to URs would require both a risk premium and a financing provision, carrying a cost of capital. Ofgem could use its position as the regulator to convert such charges back to URs, placing the associated additional costs on the DNOs, as they are the industry bodies with both the lowest risk of failure and lowest cost of capital, minimising the additional cost of mismatching fixed costs with variable UR revenues.

The recent change to BSUoS pricing provides an easily replicable template for how DNOs could recover their fixed costs on a UR basis. This recently moved from volatile half-hourly variable pricing, calculated post-delivery, to a single annually set price, calculated at the start of the billing year. Any subsequent under- or over-recovery is rolled into the following year, in a perpetual reconciliation process. The associated financing cost is held by the system operator as a natural monopoly with guaranteed revenue, providing a far lower cost of capital than energy suppliers, who previously carried the risk between actual BSUoS costs and the permitted BSUoS allowances under the cap (or internally forecasted, in the case of FTCs) can achieve.

The better suitability of regulated monopolies to finance risk, through a guaranteed lower cost of capital, was effectively recognised during the COVID-19 crisis. Ofgem and BEIS took measures to defer a portion of BSUoS costs ([CMP 345](#)) and CFD levies ([BEIS Decision](#)), with the responsibility for any financing cost placed with the associated industry monopoly (ESO for BSUoS; LCCC for CFD). Both parties were allowed to recover their financing costs, but it was incurred at the lowest possible rate, as this would ultimately be passed onto end users. UEL accepts these specific examples were made in the exceptional circumstances of COVID-19, however, it does highlight how the stability afforded to DNOs, as natural monopolies with guaranteed revenue, could be utilised for the benefit of households. This would provide lower standing charges while minimising any required risk premium, and neutralising the financial risk to suppliers, and thereby avoiding further destabilisation of the retail market.

The cost of any such destabilisation (i.e. a further supplier failure) would ultimately be met by bill payers – specifically in the form of SCs – to say nothing of the uncertainty, stress and inconvenience a SoLR inflicts on customers. UEL agrees with Ofgem’s conclusion that the frequency of failures in 2021-22 was most likely a one-off (p.7). However, it must also be acknowledged that the retail market to emerge from the 2021-22 crisis is far more consolidated than in 2021, with two of the current Big Six being essentially large, independent suppliers (Octopus; Ovo) with none of the vertical integration that characterised the traditional Big Six (i.e. a combination of upstream network, generation, or gas production assets).

It should be further noted that Shell Energy (the seventh largest domestic supplier) has chosen to exit the market, despite taking an active role as a SoLR to several of the 2021-22 failed suppliers, effectively an admission that the current market remains too volatile and unprofitable. The possibility of a single failure among any of the Big Six should not be dismissed as impossible, simply because it is less likely than 2021-22, or because it would not be part of a raft of similar failures – and such a failure (c.4m customers) would be larger than all failures of the previous years combined. Ofgem cannot continue to keep placing unrecoverable risks and costs on suppliers, under the belief that this is protecting consumers.

An alternative approach would be to review the baselines and associated costs to domestic customers for network charges. We have noted that domestic customers in many cases will pay more for DUoS & TNUoS than small non-domestic users. This feels disproportionate based on market size, use of networks etc. the networks will be recovering significant amounts more money from domestic users in comparison because there are significantly more domestic meters in the market.

Q4: As a result of TCR and changes to the recovery of residual costs, domestic consumers with very low consumption now bear a share of fixed network costs which is more in line with the cost of maintaining access to gas and electricity networks. Is this fair? Should more be done to shield these customers from these costs?

We may have misunderstood, but this question appears to contradict the objectives of Q1-Q3 which encourage lower SCs even at the expense of higher URs. The above highlighted portion implies Ofgem considers the transfer of network costs from UR to SC to be fair, with the cost of each household’s connection reflected in its levied charge, rather than DNOs recovering their aggregated costs over all total demand resulting in high-users cross-subsidising low-users.

Ofgem simultaneously wishes suppliers to lower (or remove) SCs but has implemented a charging framework that switches network revenues from variable to fixed costs, on the justification this most fairly reflects each customer’s specific cost. This would require suppliers to carry the cost of their customers’ connections, even on those connections that result in a loss for the supplier, as suppliers should not be directly passing through fixed costs as SCs, but instead recouping them as URs.

To achieve this, suppliers would need to maintain the cross-subsidy that was implicit in variable network rates (from high-users to low-users), whilst bearing an unrecoverable solvency risk, despite operating on negative margins (-0.93%, see Q1). However, Ofgem is further advocating for a wider range of available tariffs, where low-users can select a zero-SC plan and high-users maintain their existing tariff structures. This would result in suppliers bearing the connection cost of low-users whilst being unable to collect the offsetting over-recovery on high-users. Such an arrangement would be financially unsustainable and might result in more supplier failures with the associated SoLR recovery costs (for which Ofgem has ruled out making changes to the existing fixed cost structure; para 7.2, p.53).

Such an arrangement risks creating a moral hazard, with low-user households potentially regarded as financial liabilities, rather than valued customers. It may further incentivise poor quality service and act as a disincentive to reduce domestic usage, avoid waste, and improve efficiency, as every household would effectively carry a break-even demand threshold at which they became economically viable to serve - and which suppliers would need to see them reach.

UEL does not consider it innately unfair that domestic network charges reflect their true cost to serve. It only becomes unfair if this cannot be fairly passed through to bill payers and recovered efficiently by suppliers. This means either: recognising that the methodology of the TCR means ongoing elevated SCs; a rethink in the network charging framework whereby fixed costs become recovered as URs (or even the option for suppliers to select fixed or variable network billing, on a per site basis); or finally, higher permitted pre-tax margins and headroom within the price cap, to allow the adoption of greater risk or a special low-user tariff (potentially amounting to a social tariff by proxy) - such an option would have reputational benefits which would partially offset the associated financial risk, but taking such an option is impossible at current supplier margins.

Ofgem correctly identified the public mistrust of SCs (para 2.3, p.11) and how this was unfortunately compounded when the TCR-linked rise in fixed DUoS rates coincided with the unprecedented rises in wholesale prices, meaning customers never felt the equivalent reduction in DUoS URs (para 3.25, p.22). This left many customers even more skeptical of SCs, given the dramatic rise in Apr-22 bills was simplistically attributed to the wholesale market, from which SCs should have been unrelated. If a large enough proportion of the public and properly informed consumer advocates supported the abolition of SCs, it would be fair to do so. However, as outlined above, this would need to be implemented in a way that minimised the risk of further instability and failures to the supply sector and minimise the cost of capital associated with financing potentially mismatched costs and revenue streams, resulting from variable URs.

A pricing system that best rewards low-users would send the correct price signal to consumers to reduce demand and be mindful of waste, which will be critical towards meeting net-zero emissions in the UK. UEL has always advocated that the greenest kWh is the one that is not used and demand reduction through behavioral change should be prioritised as the cheapest medium to reduce UK emissions.

Looking at the individual charges in more detail, it does not feel fair and feels like there is significant disparity between domestic & commercial users (particularly Non-Domestic Aggregated Band 1 Commercial users). From April 2024, in 7 distribution regions, domestic customers will pay more in standing charges than Non-Domestic Aggregated Band 1 Commercial users. On average, domestic customers pay nearly 7% more than those commercial customers for fixed DUoS charges, in one region in particular its nearly double. Not only are domestic customers paying more £/annum per meter towards these charges, the networks will be recovering significant amounts at an aggregate level from these customers, this is because there are many more domestic MPANs.

It is also a double whammy for domestic customers, as in the current market these customers have less opportunity to reduce their overall DUoS costs via the volumetric recovery mechanisms. The traffic light charging system, which has significantly higher charges for "red" (peak) usage in comparison to a cheaper charge for "green" (non-peak) usage benefits commercial customers more. Particularly half hourly read customers, who have more opportunity to shift demand into less expensive time periods. Given that a significant portion of the domestic market is settled via a profile, this would mean they do not have the same flexibility as a commercial user.

Commercial users have seen an increase in standing charges like domestic customers but have more opportunity to reduce the overall DUoS cost due to the way these customers are settled. In many instances also, a commercial business could shift their work pattern to limit these charges. It is very difficult for a domestic customer to shift demand significantly at certain times of day. For example, most domestic customers will need to use energy between 4pm- 7pm but many businesses will be closed in the evening. The volumetric system should be reviewed as it penalises a segment of customers who desperately need to use energy during peak periods.

The same can be said for the recovery of transmission costs. In all regions domestic customers will be paying more fixed costs than band one commercial customers. A domestic customer will pay 89% more from April 2024. Why is there is significant disparity for Transmission costs? 89% difference in transmission charges is significant.

Q5: What are the reasons for regional variations in electricity standing charges?

Regional variations in SC are driven almost entirely by DUoS fixed costs, agreed between the DNOs and Ofgem, and passed onto suppliers for recovery from customers.

This is reflective of a higher cost-to-serve, based on tangible factors such as population density and geographical size of a region, incurring greater infrastructure costs (km of network per connection; distance required to reach customers; etc.).

From a supplier's perspective, these are dictated by the DNOs and Ofgem through LC14 charging statements, so are simply a non-negotiable fact. To remove the variance and provide flat SCs across GB would require a major industry-wide levelisation and cross-subsidy scheme, equivalent to the current proposal to levelise pre-payment SCs with direct debit SCs. Such a scheme would be more complicated as it would be made over fourteen regions, rather than two payment methods.

For the avoidance of doubt, a supplier could not realistically implement a flat SC within their own customer base. In lower fixed DUoS costing regions (e.g. London), SVT tariffs would be overcharging above the cap and FTC tariffs would be uncompetitive. In higher-than-average regions (e.g. Manweb) both SVT and FTC tariffs would be financially unsustainable.

Q6: Can we learn from other sectors about how to improve suppliers' tariff offering in the UK energy market?

It is difficult to identify comparable sectors and most do not have restrictions on trade in place. It is very difficult to compare offering in other markets vs the energy sector where a price cap has been imposed.

No additional comments.

Q7: Why do so few suppliers offer multi-tier or zero standing charge tariffs to their customers?

Please see Q1.

Q8: Why are zero standing charge tariffs no longer offered in the market, with the exceptions cited in this paper?

Please see Q1.

Q9: What measures could Ofgem take to improve the range of tariffs available to domestic retail customers?

Please see Q3.

Q10: Why do no suppliers offer rising block tariff products at present? Would these products offer benefits to consumers?

For a tariff structure or concept to be viable, at a minimum it needs to: be able to reliably recover the fair cost incurred by the supplier; at a tolerably low risk variance or shortfall (that is within a supplier's risk appetite); at a rate that is competitive to attract customers. UEL does not consider that a rising block tariff meets these basic criteria.

A customer's cost to serve is typically highest at the lower end of demand, with a portion of fixed costs needing to be recovered and any subsequent higher usage having a lower cost to serve. This would be

true even excluding the recent events and regulatory changes that have increased fixed costs (SoLR, TCR, etc.). High-user domestic customers incur the same fixed third party OPEX costs as low-user customer (meter provision and operation, data collection and aggregation, etc.) and rarely incur additional in-house OPEX costs (call centre, marketing, etc.). A rising block tariff would in no way represent the incurred costs of a supplier and could essentially only operate as a form of social policy, taxation and wealth redistribution. To function it would require sustained intervention and support from the government.

Any supplier operating such a model would almost certainly make a loss on serving low-user households who, as a demographic, would be attracted to such a supplier, compounding the loss. Meanwhile, higher demand customers would leave for cost-reflective, cheaper deals with competitors, increasing the supplier's likelihood of failure. This reality is reflected in UEL's (and E Gas & Electric's) tariff structures, that recover fixed costs on the first one or two kWh per day. It would be financially irrational to reverse this structure and offer a threshold portion of usage at a lower rate, that increases once the threshold is surpassed.

It would not serve consumers to have a billing system that is unreflective of the cost to serve. If the government wishes to incentivise low use, or have high-users cross-subsidise low-users, it would have to achieve this artificially through tax intervention.

Q11: How significant an impact do standing charges have on customers' incentives to use energy efficiently? What evidence can you provide that this is the case?

Following the emergence of demand destruction (see Q1), UEL has extensively investigated demand elasticity to energy prices, examining the observed customer responses to bills. Since Apr-22 (the initial, substantial jump in the price cap), overall demand has fallen dramatically. Crucially, demand has partially recovered quarter-on-quarter in those price cap delivery periods when customer costs fell, with demand (as measured by seasonal normal, annualised assessment) showing over 80% correlation with annual cap costs (including any relevant subsidies, i.e. the EPG and EBSS schemes), for both fuels.

This proves customers are clearly engaged with their usage and extremely receptive to price signals and cost savings. If the proportion of annual costs represented by unavoidable SC were converted to variable URs, it is almost certain this signal would be strengthened, and customers would be further incentivised to use energy more efficiently.

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?

Please see Q3 and Q4.

Correctly placing the any required costs of capital or risk premia with DNOs rather than suppliers would minimise any further instability to the retail sector and reduce the associated cost of failure and uncertainty placed on affected customers.

Creating a framework where suppliers could opt to include network costs as either a UR or SC would open the door to real flexibility in retail tariffs as suppliers would be able to concurrently offer zero-SC alongside normal SC tariffs, without the insurmountable financial risks and losses outlined in Q1. In order for this approach to be effective, either the cap would need to be updated or both approaches would need to deliver cap compliant outcomes.

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? Discussion Paper - Standing Charges: Call for Input

The aim to target tariffs at vulnerable customers is noble but by its' very nature exclusionary. We believe that all customers should have access to the full range of our services. This must be

underpinned by strong government policy that ensures every household has the income to meet their energy demand. We deliver on this belief by providing a comprehensive financial support framework of Friendly Credit hours, Emergency Credit and PowerUps to all our smart enabled prepayment customers. We offer all our customers advice on how to reduce their energy demand and provide signposting to all our customers on benefits and support available to increase their household income. Nevertheless, we are deeply interested in identifying our vulnerable customers to provide them the maximum support we can. As the question states, the needs of vulnerable customers are complex, as is the definition for who is vulnerable. If you assume anyone in fuel poverty is a vulnerable customer, we worked with the University of Oxford Environmental Change Institute to find a precise list of these customers. They noted:

The difficulties of targeting support for the fuel poor – whether extra income, Cold Weather Payments or home improvement measures – have long been acknowledged. There is no definition which enables an address-specific identification of the fuel poor either on the basis of income, means-tested benefits (MTB), or the energy efficiency of homes.

Based on an unusually tough definition of fuel poverty – needing to spend more than 20% of the household's net income on energy – analysis by the University of York has shown that 2.6 million fuel poor households do not receive any support with Cost-of-Living payments. Using MTB as a passport to help is leaving large numbers of fuel poor households without additional support. Further, there is probably a significant number of households in receipt of MTB who are not actually fuel poor.

They concluded:

We cannot identify which households are in fuel poverty, though self-disconnection data is a strong indicator of inadequate energy access – the issue at the heart of fuel poverty.

The University of Oxford Environmental Change Institute proposed broad targeting criteria based on “speed and simplicity” in the face of winter where “millions of households will struggle without adequate energy for heating, hot water, cooking and other vital services.”

Much more work and innovation are needed to understand who is vulnerable and to develop tariffs that best suit their needs. Whilst we are extremely well suited to rapidly identifying such needs, due to our experience in the PPM sector (disproportionately high vulnerability) and extremely high proportion of smart installs (real time insights and smart customer benefits), there is still very little scope or headroom under Ofgem's existing framework for suppliers to innovate flexible tariffs (see Q1 to Q4).

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

Similar to the domestic market but in less quantity, non-domestic customers have seen significant increases in standing charges due to TCR. This penalises businesses, particularly ones that operate seasonally or sporadically in which many SMEs do. This means that they are incurring costs for times when their unit is not in use.

Smaller non-domestic users will also be less likely to be settled at half hourly level and have legacy meters which means that they are “profiled”. These customers again, have less opportunity to shift demand to circumvent peak charging periods.