

Response ID ANON-NWYC-1QFT-W

Submitted to Standing charges: domestic retail options
Submitted on 2024-09-20 11:26:55

Case for change

1 Do you have any views on our case for change?

Please use this text box to tell us about any views you have on our case for change.:

We can understand that there is a desire to change and that consumers perceive the level of the standing charge to be unfair. We do not, however, believe that this perception means that there is a case for change on balancing standing and variable charges. It would be a more preferable outcome if the perception of unfairness which might prohibit customers from engaging in the energy market is addressed and that the rationale for standing charges is better understood.

We note Ofgem's view that moving £20-£100 of the current standing charge to the unit rate would have a net positive impact for more low-income households than it would have a negative impact on. This is clearly a positive outcome but we think that this assessment needs to be given in the context of the wider customer base and what it means for the generality of customers. Policy options which have the outcome of shifting the overall costs of an energy network from one class of customers to another class of customers may be realised through central government as they have the capability of being better targeted and linked to income more appropriately.

Increasing consumer choice through tariff diversification

5 Could mandating suppliers to have at least one low or no standing charge tariff available to customers help promote competition in this area of the market?

Not Answered

Please use this text box to give us more details about your answer.:

6 How could we create flexibility in how costs are recovered between the unit rate and standing charge without reducing the protection provided by the cap?

Please use this text box to suggest ways we could create flexibility in cost recovery without reducing protection provided by the cap.:

7 In exploring alternative approaches to price cap compliance, what, if any, safeguards would be needed to protect vulnerable consumers?

Please use this text box to give us your views on the safeguards needed to protect vulnerable customers.:

8 What are the key considerations we should take into account in developing options for smoothing spend for prepayment meter customers?

Please use this text box to suggest key considerations we should take into account in developing options for smoothing spend for prepayment meter customers.:

Network and policy cost allocation

9 Do you have any views on our considerations for the allocation of network and policy costs?

Please use this text box to give us your views.:

The answer to this question relates solely to the allocation of network charges

Ofgem's target charging review decision outlined the rationale to move residual charges from variable unit rates to fixed charge components. The monetised impact shows a benefit of £0.5bn to £1.6bn of present value benefits to GB energy consumers by moving the residual charges to the fixed element. We understand that the energy landscape, and the geo-political landscape, has changed in a way which may make this impact assessment less applicable, but it is the most recent impact assessment which has given a detailed view of how changing where network costs are recovered would impact on consumers. Given the cost of living crisis and the large energy bills that consumers are now facing, we think that it would be important to make an equally detailed assessment of any potential changes to ensure that reallocating costs to variable components is positive for all customers.

Fundamentally, network costs are generally fixed and are unlikely to be significantly influenced by changes in consumer consumption. The current methodology, which is approved by Ofgem, seeks to ensure that customer behaviour, where it can influence on future network costs, is adequately incentivised. We do not disagree that there are reforms required to the methodologies employed by all network companies but we would argue that these changes should be based on cost reflectivity, proportionality and fairness, rather than a predetermined desire to move costs away from the fixed charge component.

Tell us any other views about this options paper

10 If you have any other views related to the topics in this options paper, please tell us about them.

Please use this text box to tell us about any other views that have not been covered.:

Whilst we have not answered the questions which more closely relate to suppliers directly, we do think that there is some value in what Ofgem are seeking to do in those areas. At the outset of this discussion paper, Ofgem set out its case for change. We remain unconvinced that the case has been wholly made and are concerned that much of the case rests on misunderstanding and perceptions of the energy industry. It is important that, in taking forward options for change, the consumer outcomes are at the heart of policy and that changes are made which are based on solid evidence grounded in meaningful impact assessments. We would always encourage competition and innovation to be at the fore of developing new ways for consumers to engage in market and policy options which allow this approach are often low regrets. We think that more also needs to be done to ensure that consumers understand energy prices, understand what they are paying for and why they are paying for it. We do not believe that sufficient work has been done in this area by government, Ofgem or the industry.

About you

11 What is your name?

Name:

Thomas Cadge

12 What is your email address?

Email:

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13 Are you responding as an individual or an organisation?

Organisation

14 If you're responding on behalf of an organisation, please tell us the name of the organisation.

Organisation:

BUUK Infrastructure

15 If responding on behalf of an organisation, please tell us what type of organisation you represent. If you are responding as an individual you can leave this blank.

Energy network operator

If you answered 'other', please use this text box to tell us which organisation you represent. :

16 Tell us which sector you work in.

Electricity and gas

If you answered 'other', please use this text box to tell us which sector you work in. :

We also operate in telecoms, water and district heat sectors.

17 Do any of your responses contain confidential information?

No

If any of your responses contain confidential information, please use this text box to clearly explain which parts of your response you wish to be kept confidential. We will publish your name as part of the response unless you tell us not to. :

Feedback

18 How easy was the information to understand?

Easy

Please use this text box to tell about any other comments you may have.:

19 How easy was it using this platform (Citizen Space)?

Easy

Please use this text box to tell about any other comments you may have.: