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Tim Jarvis

Director General, Markets

Ofgem

By email to: StandingCharges@ofgem.gov.uk

20 September 2024

Dear Tim,

RE - Standing charges: domestic retail options

Thank you for the opportunity to share our views in response to the issues raised in your options paper on standing charges¹. As you will be aware, SGN manages the network that distributes natural and green gas to 5.9 million homes and businesses across Scotland and the south of England, providing warmth to over 14 million customers. We are committed to supplying gas to Britain's homes, businesses, and communities in a safe, reliable, and affordable way.

While we haven't submitted a detailed response to the questions contained in the options paper, we wanted to take this opportunity to reconfirm that our views remain broadly unchanged from those expressed in our response to the previous call for input on the topic of standing charges². We have enclosed a copy of our response to the Call for Input alongside this letter for convenience.

We acknowledge that presently there is intense attention and pressure on the topic of standing charges, as indicated by the overwhelming majority of responses to your call for input calling for them to be revisited. For this reason, we can see reputational benefit for Ofgem to demonstrate they're responding to stakeholder feedback by seeking to reapportion some of the operating costs (notionally in the range of £20 – £100) off the standing charge and onto the unit rate. This is principally for the reasons described in the paper, namely that

¹ [Standing charges: domestic retail options | Ofgem](#)

² <https://www.ofgem.gov.uk/call-for-input/standing-charges-call-input>

suppliers have a greater degree of control over these operating costs than they do over other constituent parts of the standing charge.

However, our overall view is that discussion about the standing charge masks the broader issues at play which we urge Ofgem to hold at the centre of their thinking. The first is that strong, predictable, fair regulation is at the heart of keeping bills down by reducing investors' perception of risk and therefore financiability costs. The second is that regardless of the balance of costs between the fixed standing charge and the unit rate, these costs have to be recovered, and this is challenging when energy bills at present are fundamentally too expensive for many households to afford. We therefore believe that the most effective policy lever available to government is the introduction of a social tariff, which could, among other things, provide eligible customers with standing-charge-free energy tariffs. This mechanism would provide a means to address the concerns previously raised in relation to our the most vulnerable members of society, such as customers with health conditions that unavoidably require greater energy use in the home, and avoid creating an incentive for vulnerable householders to 'self-disconnect' from their energy supplies. We therefore urge Ofgem to work with wider government to further explore the option of a social tariff.

Yours sincerely,



David Handley

Director of Strategy and Regulation

SGN