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# Mandating Lower or Zero Standing Charge Tariffs: A Technical Working Paper

## Our Response

We understand the heightened interest in the standing charge, given how much it has increased in recent years, and the likelihood that it will increase further in future in the absence of fundamental changes. We also recognise that consumers generally want to feel like they have more control over their energy bill than they currently do. And that one way of achieving this would be to reduce or remove the standing charge.

However, we are not convinced that a radical rethink of the standing charge should be a priority at this point in time. The standing charge is ultimately a way of recovering the fixed costs of providing a supply to a premises. Any mechanism that enables some customers to avoid these necessarily means that other customers will bear an increased share.

There are important questions to be asked about (i) whether the costs currently in the standing charge are the right ones, (ii) how these costs vary on the basis of location, time and type of use, and (iii) whether it is fair that all customers pay equally or whether affordability should be taken into account. We fully support the comprehensive review that Ofgem is carrying out of these and other questions under the umbrella of the Cost Allocation Review. It is right to look at these questions in the context of the totality of the bill, rather than just in relation to the standing charge.

We are concerned that making significant short-term changes solely with the intention of reducing the fixed component of bills could result in worse outcomes for some consumers. And, in the case of some of the more extreme options that have been suggested such as an

outright ban on standing charges, could result in a majority of customers paying more than they do currently. We are also concerned that hurried intervention now could stifle the potential for future innovations in tariff design that would benefit consumers.

There are some low regrets options which we consider Ofgem should take forward. We know there are low and zero standing charge tariffs available. At a minimum suppliers can and should do a better job of signposting to low users that there are potentially better tariff options available to them. Ofgem could also consider tightly-defined pilots to test real-world impacts of different pricing models. If Ofgem feels it has to go further then it should consider introducing a broad principles-based requirement for suppliers to make available a variety of tariffs to suit the needs of consumers with different usage levels. Suppliers could be given freedom to determine the structures that allow them to recover the fixed costs of supply, though we would expect Ofgem to monitor their offerings closely to ensure consumers are not being taken advantage of.

We have provided answers to some of the specific questions posed in Ofgem's technical document below. We would be more than happy to discuss any of what we have included in this response.

**1. Do you have any view on other options to increase customer control over their bills, including innovative payment methods such as variable recurring payments?**

The make-up of consumers' energy bills is likely to change as part of the net zero transition. Fixed network and policy costs are likely to rise, while wholesale prices should become less volatile. This presents opportunities for prices to be structured in different ways to today, and for consumers to have greater variety of choice.

Albeit many consumers instinctively consider the standing charge to be unfair, Ofgem's own research shows consumers moderate their wish to scrap it once its purpose and the trade-offs of its removals are explained.

We support measures that help to increase consumer choice, as long as they are also provided with clear and accurate information to support their ability to make an effective decision about the right tariff for them. We would, however, caution against being overly prescriptive in relation to the standing charge, as interventions now may limit possible pricing strategies in future. For example, we have explored the possibility of "energy as a service" pricing in our recent research on the future of the energy retail market as one possibility<sup>1</sup> that would require the need for fixed costs, like a standing charge, to be a possibility.

We would encourage Ofgem to consider focusing on how consumers can both control their bills, and manage affordability pressures that are still a key concern highlighted in

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<sup>1</sup> Consumer Scotland (2025) [Transition to Low Carbon Future Must be Accessible and Affordable for All](#)

Ofgem’s deliberative research<sup>2</sup> and our recent energy tracker<sup>3</sup>. For example, Ofgem could adopt a programme that scales flexibility and time-of-use products which pay consumers for shifting demand. These tools give households real, day-to-day control over bills, and also reduce system costs and support decarbonisation.

If Ofgem proceeds, we recommend a tightly-defined pilot – potentially focused on a subset of consumers – to capture real-world behavioural and financial impacts on consumers and suppliers, before a wider roll-out.

**2. Do you have any views on how the level of standing charge reduction should be set?**

No answer.

**3. Do you consider a minimum consumption threshold is required to mitigate significant risk premiums or could competitive pressure in the market provide a natural mitigant to ensure these premiums are in line with efficient cost recovery?**

A minimum consumption threshold may reduce some of the risk of under-recovery of fixed costs. We are concerned that Ofgem’s proposals, in enabling some households to avoid some system fixed costs, would shift these costs to other households, which could include the vulnerable or those less able to engage.

Ofgem’s previous zero standing charge consultation recognised the risk of “seasonal hopping”, where low-usage consumers may switch to zero standing charge tariffs in the summer, and then to fixed standing charge tariffs in the winter, leaving suppliers with an unrecovered fixed-cost gap that would then be loaded onto winter unit rates and unfairly borne by other, sometimes vulnerable households<sup>4</sup>.

While the then proposed “lock-in” feature presented problems for consumer choice, the underlying risk of a revenue gap exists in Ofgem’s current low or zero standing charge tariff mandate proposal. We would welcome clarity from Ofgem on how it intends to prevent a revenue gap emerging or ensure any shortfall is not borne by other consumers. Such an outcome, where consumers that are either less, or less able to be, engaged are cross-subsidising engaged consumers would be contrary to the fairness aim inherent in this working paper.

**4. Do you have any views on how it could be set and what might be the challenges in implementing a minimum consumption threshold?**

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<sup>2</sup> Ofgem (2025) [Future of Energy Pricing](#)

<sup>3</sup> Consumer Scotland (2025) [Insights from the 2025 Energy Affordability Tracker](#)

<sup>4</sup> Ofgem (2025) [Introducing a Zero Standing Charge Energy Price Cap Variant](#)

Determining and policing any threshold is likely to be complex for suppliers. Household and life circumstances can change suddenly (e.g. through a lengthy hospital stay, the need to become a live-in carer for a family member, or simply moving house) pushing usage below the threshold and triggering unexpected charges precisely when affordability is most fragile. Some of these events would place the household into the vulnerable consumer category, and it is unclear how an unexpected additional fixed cost, at a time where affordability may already be affected by unforeseen life events, could be dealt with fairly.

- 5. Do you think that the requirement to offer a low or zero standing charge tariff should only apply to large suppliers, rather than all domestic suppliers? If so, do you have views on how this could be set?**

In general we consider that consumer protection regulations should apply equally to all suppliers unless there is a clear rationale for excluding some. It is not clear there is a sufficiently strong rationale in the case of standing charge reforms to include only large suppliers.

- 6. How might this policy design affect your approach to customer segmentation or tariff design, particularly if you serve either a high proportion of low-consuming customers or vulnerable customers?**

No answer.

- 7. What are your views on targeting eligibility for low or zero standing charge tariffs to PPM customers as a minimum, or should this be mandated for all payment types?**

In line with our concerns that Ofgem does not roll out a wider mandated zero standing charge tariff without fully assessing the real-world impacts of it on consumers and recovery of fixed costs, we encourage Ofgem to only target eligibility at a small group of consumers as part of a pilot or trial project.

While this could be PPM customers as proposed, who may benefit from lower standing charges in summer months, Ofgem must ensure there are comprehensive consumer protections and tailored communications in place to ensure such consumers are fully informed, minimise the risk of self-disconnection, and help understand and budget for potentially higher winter bills.

- 8. What are your views on also targeting eligibility at customers with smart meters?**

Restricting eligibility to smart meter customers presents suppliers with the possibility of providing more sophisticated pricing structures (e.g. rising or falling block tariffs, or other

time-varying rates) that may provide greater benefits to consumers and reduce the risk of under-recovery of fixed costs. Additionally, these types of products, if attractive to consumers, may act as a pull-factor for smart meters, illustrating the financial benefits for consumers through the use of smart data and assist suppliers to meet their smart-meter rollout targets.

**9. Would you support the introduction of a review to assess the policy?**

An ongoing review of the policy is essential to ascertain supplier performance against Ofgem's stated policy aims. A structured, iterative review should focus on uptake, pricing behaviour, consumer understanding and consumer outcomes.

The Standard Licensing Conditions (SLC) already place duties on suppliers to ensure that consumers are informed of better tariffs available to them and have sufficient information to make an informed choice as to whether a proposed tariff is suitable for their needs, such as SLC 0 (Treating Domestic Customers Fairly), SLC 25 (Informed Choices – Tariff Comparability and Marketing), SLC 31F (Encouraging and Enabling Engagement), and SLC31I (Contract Change Notices).

With these existing obligations, we would expect suppliers to have sufficient obligations to fairly inform customers about the proposed tariffs, and how they might compare to current tariffs, that Ofgem can enforce through its existing compliance mechanisms.

**10. Would suppliers support regular reporting or disclosure of key tariff characteristics and evidence to demonstrate clear customer communication and active choice to enable market wide monitoring? Is there any other evidence you could provide to demonstrate this outcome that we have not discussed?**

No answer.

**11. What practical challenges do you foresee in demonstrating compliance with the low or zero standing charge tariff requirement, particularly in terms of tariff design or communication to customers?**

Suppliers are better placed to detail operational issues. However, as Ofgem is still developing its understanding of consumer demand and interest in this area, we would caution against evaluating success of the proposed tariff mandate solely by take-up volumes. An evaluation of the pilot or trial that illustrates that there is low take-up as consumers better understand the trade-offs should not be counted against the success of the policy.