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Dear [REDACTED]

Mandating lower or zero standing charge tariffs: A technical working paper

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewables, including onshore and offshore wind and solar generation, as well as energy storage. With over five and a half million electricity and gas customer accounts, including residential and business users, EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

EDF welcomes the opportunity to provide feedback on Ofgem's latest thinking on zero standing charge tariffs as set out in its technical working paper. EDF fully supports Ofgem considering an alternative option to its previous proposal of introducing a zero standing charge price cap variant as a means of achieving its policy objectives.

We responded to Ofgem's earlier consultation¹ raising significant concerns with the proposal to introduce a price cap variant on the basis that it would introduce a material under recovery risk for suppliers. We estimated that this could be of the region £1 billion - £1.25 billion per annum for suppliers as a whole. If Ofgem's policy intent is about increasing customer choice, rather than reducing cost, then we called for the implementation of a requirement on suppliers to offer a fixed-price zero standing charge tariff which would deliver on that without the increased risk of cost under recovery that introducing a Default Tariff Cap (DTC) variant would bring. We are therefore pleased to see that Ofgem has responded to the feedback it received from EDF (& other stakeholders) and is now, as an alternative, considering a mandated low or zero standing charge tariff offering approach. However, it is now essential that the detailed design of the regulatory requirements that will be placed on suppliers is proportionate to ensure that consumers benefit from greater choice in how they contribute towards the fixed costs of the energy system without causing financial harm or compliance risk to suppliers.

¹ Ofgem consultation: Introducing a zero standing charge energy price cap variant consultation – Feb 25

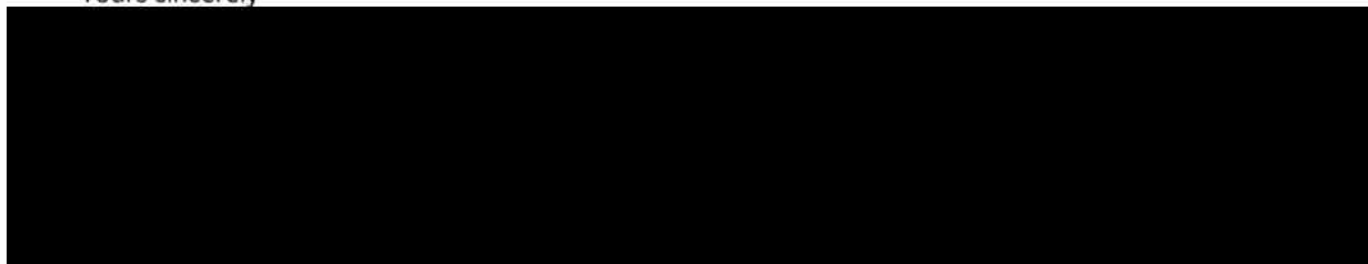
In the attached appendix, we set out our views on the technical aspects of a mandated approach in response to the specific questions Ofgem has posed. Firstly, however, below we set out some overarching objectives that Ofgem should meet in designing any mandated low or zero standing charge tariff offering:

- **Simplicity;** to successfully deliver increased consumer choice over how they pay for the costs that make up the standing charge it is imperative that any mandated approach is simple, transparent and consistent across all suppliers. This will facilitate simple and effective customer messaging around such tariff offerings. Ofgem should avoid introducing overly complex regulations as part of any mandated scheme.
- **Effective;** any scheme should be designed from the outset to minimise the risk for suppliers and to maximise the benefit for consumers. For example, initially limiting the scope to those who can most benefit and establishing the regulations using a sunset clause tied to a transparent review of the scheme (after 12-18 months) with clear objectives set out to evaluate its success.
- **Fair;** any mandated scheme should apply to all suppliers in order to maximise customer accessibility and to avoid competitive market distortions.
- **Timely;** the most appropriate time to commence a new tariff offering needs to be considered. Suppliers will require time to consider and address any system challenges around implementation. Avoiding busy periods in the middle of winter will also be more effective from a customer messaging perspective. An April 2026 commencement date would be prudent.
- **Cost recovery;** mitigations to address the risk of cost under-recovery need to be in place, including the freedom for suppliers to set appropriate unit rates and exit fees. In the event that these are not available, any material under-recovery of costs would need to be recoverable through an explicit adjustment to the DTC, potentially including some form of levelisation to reflect different customer uptake levels across suppliers.

We look forward to working with Ofgem in developing an appropriate solution that delivers on offering customers choice and control over how they pay for the costs that make up the standing charge, while having regard to supplier financeability and allowing suppliers to recover third party and efficient operating costs.

Should you wish to discuss any of the issues raised in our response, please contact Steven Eyre, or myself. I confirm that this letter may be published on Ofgem's website.

Yours sincerely



Appendix

Mandating lower or zero standing charge tariffs

EDF's response to your questions

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

No, not at this time. Ofgem should firstly focus on introducing an effective and proportionate mandated tariff offering scheme at the outset, ensuring appropriate mitigations are in place to address any associated risks. Any consideration of alternative regulatory changes should form part of, or follow, Ofgem's Cost Allocation & Recovery Review and broader consumer energy affordability work with Government.

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

In terms of a mandated 'low' standing charge tariff, we would in principle be supportive of a standing charge that is no greater than a level set by Ofgem and which is based on those costs, outside the control of suppliers, that forms part of the nil consumption level of the price cap. However, it is important that the level is reviewed and updated as part of the price cap updates to ensure it reflects that latest level of costs suppliers face. To ensure this no value should be set in the regulations but rather that Ofgem will publish a value alongside the latest price cap level each quarter.

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?**

Yes. To mitigate potential cost avoidance from customers with vacant properties or second homes it is essential that Ofgem adopt an appropriate minimum consumption threshold for any zero standing charge variant for each fuel. This would not only minimise the risk but would be fair for all other customers who otherwise would pick up the cost of under recovery. It is essential that this is an agreed level that is consistent across all suppliers and is based on transparent industry data that all suppliers can easily access.

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

Our preference would be for Ofgem to set a consumption threshold using a mechanism that is simple, transparent and uniformly applies to all suppliers. On that basis we do not support Option 3 that would allow suppliers discretion to apply their own threshold for their tariff. This would lead to an inconsistent approach across suppliers that would add unnecessary complexity and confusion for customers. Therefore, only Options 1 or 2 should be considered. Both approaches could have merit and EDF's view is that as long as it is proportionate and simple then it should not be difficult to establish a fair level.

In terms of implementation, again simplicity should be a key objective. At the point-of-sale suppliers should use industry data (ECOES) to determine whether customers are eligible for the mandated tariff at the outset. Once eligibility has been determined customers should be free to remain on the tariff for the 12 months without penalty irrespective of whether their actual consumption over the period is under or over the threshold. Any potential gaming or negative impacts from this approach can be considered when the scheme is reviewed.

How in practice the eligibility is calculated and applied to individual customers may present specific system challenges for suppliers. Consequently, suppliers will need adequate time to address these challenges between the point of Ofgem's decision and ultimate implementation. This is a further reason why an April 2026 implementation date is required.

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?

No. We do not consider there to be any grounds for not applying the requirement to offer a low or zero standing charge tariff to all suppliers, such that we would strongly oppose any moves by Ofgem to do so. While there is the potential for cost under-recovery risk for suppliers, despite adopting mitigation measures, these will form uniformly across all suppliers. In fact, the larger suppliers will carry a more substantial financial risk than smaller suppliers simply because of the size of their customer base. Providing all suppliers with the freedom to set unit rates and apply fair exit fees will mitigate some of the financial risks associated with offering low or zero standing charge tariffs.

All suppliers are required to meet financial adequacy requirements and demonstrate their resilience to market risks. In this case, we see no proportionality grounds for exempting smaller suppliers from this requirement as Ofgem have applied in respect of other supplier obligations. Mandating across all suppliers would ensure that all eligible customers have access to this tariff type without the need to switch supplier. It would also prevent distortive competition impacts arising through allowing certain suppliers to avoid regulatory costs and risks.

- 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?**

We currently don't anticipate any changes in approach.

- 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?**

At the outset Ofgem should look to target those most likely to gain a benefit from lower standing charges. Prepayment (predominantly gas) has been recognised as the most adversely affected group of customers from rising standing charges. On this basis we support starting with smart prepayment only as this would provide greater data for suppliers to monitor consumption and any potential cost impact. Consumers would get real time information to allow them to better determine the right tariff choice and how the tariff impacts them on an ongoing basis.

It is important that any scheme is not overly complex at the start. Legacy prepayment systems lack the infrastructure to support tariffs of this type and so any extension to non-smart could lead to consumer detriment through increased inaccurate billing and consequential back billing. Limiting any offer to smart prepayment customers has the potential for the greatest consumer benefit at least risk and implementation cost. Such an approach would also further promote smart meter uptake by providing another choice to this cohort of customers.

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

As set out in our response to Question 5 EDF supports the tariff initially only being in scope for smart prepayment customers. It should be noted that this means that all smart customers could access and benefit from this level of increased choice in how they pay for their fixed costs.

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

Yes. We strongly support a review being undertaken in order to determine whether the policy is successfully meeting Ofgem's policy objectives. This should include, for example, customer uptake, financial impacts and whether the expected consumer benefits are being achieved. To achieve this, it is important that at the outset Ofgem publish what success factors would need to be met for the policy to remain in place.

We propose that any such low/zero standing charge policy is implemented through standard licence conditions that contain a sunset clause of 18 months post implementation. This would allow Ofgem to commence a review following a 12-month period to allow appropriate assessment of the policy through data and customer insight. Ofgem should only look to extend the sunset clause if it can demonstrate that the benefits outweigh the costs and risks.

- 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?**

Yes. Availability of tariffs from suppliers should be relatively easily to monitor to ensure compliance. Suppliers are already subject to obligations that are designed to support consumers in making suitable tariff choices i.e. SLC25. It is unclear at this stage what, if any, additional requirements would be needed to accompany a new licence requirement in respect of customer communications. However, avoiding overly complex regulations and ensuring the policy is simple and fair should aid the customer journey.

- 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?**

As above, at this stage we see the challenge for suppliers would be if the regulations are overly complex, unclear and not uniform. Ofgem should seek to avoid these risks through delivery of the policy.

EDF
August 2025