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Sent by: [redacted]
Sent to: StandingCharges@ofgem.gov.uk
Date: 07/08/2025
Subject: Mandating lower or zero standing charge tariff: A technical working paper

We welcome the opportunity to provide input into the mandating of zero or low standing charge tariffs. Ecotricity was the world's first green energy company when we were established in 1995 and we now have over 147k domestic and over 40,000 non-domestic supply accounts, alongside over 100MW of self-developed renewable generation capacity. We continue to invest in new sources of renewable generation that has led to the commissioning of two new solar parks and our first energy storage facility. We support policy ambitions that enable the UK to accelerate its drive towards a net zero energy system, whilst ensuring a security of supply that provide options for consumers, whilst remaining cost efficient.

Whilst we support the principal and understand the importance of increasing consumer choice and allowing for more control of their tariff optionality, we believe this would be more effectively addressed through MHHS and the greater introduction of time of use tariffs to support more diverse customer consumption patterns and allowing for greater tariff diversity with less risk for suppliers.

While not in disagreement with Low/Zero standing charge options for consumers this could be logistically challenging unless there is a thorough mitigation against the risk of under recovery for supplier, otherwise this could result in a higher risk premium being required which will in effect mean higher costs.

The proposed methods discussed within the paper cause some concerns in regard to the ease and clarity of communications required to support customers understandings of how these tariffs operate, the benefits and/or potential downsides to the tariff for vulnerable customers which could lead to customers potentially self-rationing to fit within the required thresholds.

Section: Updated Approach
Q1) Do you have any views on other options to increase customer control over their bills, including innovative payment methods such as variable recurring payments?

Increase in consumer choice and by virtue customer control a key factor to support the right energy choices. We believe there is already a lot of work being undertaken in this space, more widely with innovative tariffs, as well as a wider array of fixed and variable tariff offerings entering the market. We foresee that Marketwide Half Hourly Settlement and Flex will further enable suppliers to support a wider array of consumer choice type tariff designs and look forward to this introduction and the innovation it can support over the coming years.

We also see a route to democratise our energy system through the wider adoption of domestic generation assets, which would also support the drive for net zero and the Clean Power Plan targets for 2030.

Through increasing the contribution of demand from direct generating assets, import energy demand will be reduced, and customers will hold even greater control over their energy requirements and needs.

Section: Setting a lower standing charge
Q2) Do you have any views on how the level of standing charge reduction could be set?

We understand the drive to increase tariff options for customers and give them greater control over their energy costs, however any reduction in the value of the standing charge needs to be structured to enable cost recovery for suppliers; as such, reductions need to be based on those elements of the standing charge which are not fixed costs.

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This is particularly pertinent when considered alongside the RIIO-3 regulatory framework which suggests extensive increases across network costs are due. If an adequate mechanism to mitigate the risk of under recovery of fixed cost elements is not provided now, there is a high risk of an exacerbation of the position in future years, particularly if, as suggested, changes are made to the licence conditions themselves.
To provide some context as to the extent this could support the reduction in the standing charge, we would highlight that the standing charge contribution primarily consists of core components:

- Network costs
- Operating costs
- Policy Costs

Within these components it is difficult to see how much could be removed from the standing charge and spread into unit rates, without causing a risk-based detriment to the tariff overall.

For example, core operating costs are not directly proportional to usage – as investment in things such as Tech systems will be needed regardless of a customers demand profile. If this is, therefore, diverted into unit charges, we will have to be more conservative with predicted acquisition numbers and estimated consumption, which could lead to relatively higher unit rates.

Cost components, such as, the SMNCC are in place to support the transition to smart meters. Under recovery here places risk on supplier funding to adequately support smart meter installs, which in turn could lead to compliance action, which again places a far greater risk profile on the supplier.

Policy costs, such as the Warm Home Discount provide necessary support for vulnerable/low-income households. This needs to be securitised as a fixed cost element and as such it is difficult to see how this could be removed from the standing charge.

If pass-through costs, such as those from Elexon and Xoserve are diverted into unit rate, the subsequent tariff scheme they employ would also need to be reconsidered in tandem.

Section: Minimum consumption threshold
Q3) 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 threshold would provide one lever to assist in mitigating the under-recovery risk for suppliers; however, we foresee challenges with this being implemented. The quarterly nature of price changes could lead to customers being eligible in some quarters and not others, which does not make it the easiest tariff method to communicate and for customers to understand.

There would also need to be a mechanism to allow suppliers to enforce a tariff move (and rebill) for those customers who do not end up meeting the usage criteria, which is not necessarily in the best interests of the customer and would create a high risk of disputes for the industry.

Alternatively, there could be a buffer value around the consumption threshold, but this would increase the need for significant risk premiums being included in the tariff or would exclude a number of households from benefitting from a tariff of this nature.

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Q4) Do you have any views on how it could be set and what might be the challenges in implementing a minimum consumption threshold?

We would propose that the consumption threshold would need to be calculated using a weighted average consumption across an annual period, opposed to a percentile per quarter when tariff changes would be implemented. There is a risk here that the calculations become complex and difficult to communicate to customers, which could lead to disputes, challenges, and confusion.

There is also a need to consider any system changes across the industry that would be required to facilitate both the introduction of a tariff of this nature and secondly the representation of a consumption threshold within it.

We would also highlight a potential inadvertent risk that it could force vulnerable customers to attempt to reduce consumption to achieve the threshold for a lower standing charge tariff, which might be detrimental to them (i.e. those who need to use health equipment).

Section: Supplier eligibility for mandating
Q5) 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?

We do not have a specific position on this question; however, we do believe that the impact of this change could be higher for smaller suppliers due to the potential need for operational change requirements such as system change implementation, which will have a larger relative cost, resource and time impact than larger suppliers.

This is certainly something to be mindful of in terms of implementation timelines and the view is that changes being mandated by January '26 will be a significant challenge, given the lack of clarity at present around what will be required, and additional changes being consulted upon.

There is also an argument to suggest that by only mandating larger suppliers it could provide them, by virtue of consumer choice and control, with a competitive advantage, with customers moving to a smaller cohort of suppliers to access this tariff type. This would risk further consolidating the market and would not offer a positive change from a wider competitive landscape.

We would reiterate, that in the event of any mandating, the need for a timeline which offers a level of prudence to balance the needs of compliance, whilst providing the industry sufficient time to both apply the correct consideration and implementation to a tariff of this nature. A proposed January '26 launch does need seem feasible on this basis.

Q6) 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?

It is difficult to provide a clear answer on this question, without greater clarity on the proposed structure of any tariff design and confirmation of a mechanism to mitigate the risk of under-recovery for suppliers. In terms of customer segmentation, we foresee that this tariff type would be favoured by those having very limited demand, such as second-home owners, or those with access to domestic generation assets.

As a supplier committed to ending fossil fuels, we aim to encourage the wider adoption of domestic generation such as solar and batteries; there is a lens to suggest that a tariff design which is appropriately designed to reduce the risk of under-recovery, could encourage this wider uptake.

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We do need to consider that whilst this option is being suggested to provide greater customer control and optionality, it will, under our current lens, put suppliers at risk of not recovering their cost base. There needs to be a wider consideration of how this tariff type and customer segmentation would align with such regulatory requirements as financial adequacy, given the potential profit sink nature of the tariff design.

Section: Customer eligibility
Q7) 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?

Given the driver to implement a tariff of this nature based on customer control, we do not understand the argument to only mandate for one payment type. If anything, PPM fixed cost levels are higher than experienced for other payment methods and as such would provide a greater risk of under recovery for suppliers.

Q8) What are your views on also targeting eligibility at customers with smart meters?

Given the drive to increase smart meter installations and the challenges this poses across the industry, we do see that there could be an incentivisation value to target this tariff offering to only smart meters; however, for this to be successful customers would need to see tangible benefits. Given this is likely to be through cost, it poses the same question surrounding the risk of under-recovery for suppliers.

We appreciate this is a theme throughout our response, however the criteria and mechanism around this is crucial to delivering a future-proofed, sustainable tariff option, which suppliers can actively engage with and innovate from.

Section: Change to the SLCs and review
Q9) Would you support the introduction of a review to assess the policy?

This will be dependent on the proposal put forward by Ofgem in terms of the criteria and mechanism for mitigating under recovery from this tariff type. This structure needs to be adequately considered now, as it is likely that fixed cost elements for suppliers are going to continue to increase over the coming years as outlined in the current RIIO-3 framework proposal.

If due consideration and care is not taken it could risk an exacerbating position as we move into the future.

Section: Compliance approach
Q10) 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?

We would understand and support the need to provide regular reporting to track and monitor the success of such an initiative, if introduced. We would, however, request that any reporting requirements be incorporated into an existing RFI framework, to mitigate further stand-alone compliance reporting, which diverts our resource pool away from the operational excellence that we strive to provide for our customer base.

Q11) 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?

Customer communication is likely to hold the highest degree of challenge. There is a risk that a tariff of this nature and the calculation complexity behind it, will be difficult to simply communicate with customers who have limited understanding of the energy system.

When aligned with a quarterly price change regime and a potential consumption threshold, it further complicates the customer communication given the seasonal variance in demand; for example, a customer may consider themselves eligible for a tariff through summer, which by design accounts for an annual EAC which makes them ineligible.

This consultation is not deemed to be sensitive.

Should you require any further information, please let us know

Many thanks

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