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ACTION



ENERGY  
FOR ALL

## Fuel Poverty Action Response to Ofgem Zero Standing Charges Technical Paper : August 2025

Fuel Poverty Action (FPA) is a grassroots organisation fighting for a fairer energy pricing system. We have long campaigned for the removal of the cruel standing charges that hurt those with the least money and least energy, leading to widespread energy starvation, and disconnections for those on prepayment meters.

We welcome that Ofgem finally listened to us, and the widespread public outrage. However Ofgem's proposals are seriously flawed, and not only fail to address the injustices and harms we have repeatedly highlighted, but would cause confusion and new harms. Such a failure would be especially dangerous mid-winter when energy use is highest and budget pressures are at their most severe. We suggest delaying implementation to April 1, and using the extra time to develop a better plan, working with FPA and other groups focussed on protecting vulnerable people.

In these proposals, Ofgem appears more focussed on protecting supplier profits than protecting vulnerable customers. The key objective should be to reduce or eliminate the energy starvation caused by penalising those on low incomes with low usage via standing charges. These proposals would provide small reductions for a few, but exclude many for having too low consumption, or not having the right kind of meter.

Ofgem claims these consumers are demanding more choice. In fact the vulnerable group we are focussed on protecting here often find the current choices already overwhelming. These also miss out on the better deals offered to more digitally savvy customers. Rather than confusing them with even more choices, Ofgem should guarantee them the best price for their usage pattern automatically. It is much easier for suppliers to do this via their billing systems than forcing vulnerable consumers to navigate the complex choices and calculations. **A guaranteed best price for all is the way forward**, not a choice between the expensive Ofgem price cap and a confusing array of cheaper deals, many that exclude those most in need of savings.

Another issue is that Ofgem is running a separate and even slower process to review costs to help bring down bills. Ofgem must identify savings much faster as high energy prices are causing serious harm. This review must also not be narrowly focussed on costs to the retailer. Retailers want high energy consumers, but for our whole energy system and environment we want lower energy consumption. Low users save us £billions in marginal wholesale pricing, lower grid costs, lower storage costs, etc. So from a total economic (and environmental) cost, low usage should be cheaper per unit, rather than being more expensive as current due to the standing charge. This is why removing the standing charge makes sense economically and environmentally, and why a rising block tariff would make more sense.

### **Answers to your specific questions**

#### **Setting a Lower Standing Charge**

*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?*

The current lack of control over bills is a consequence of ongoing serious issues with energy bills, that both energy firms and Ofgem have repeatedly failed to resolve. This includes widespread errors and repeated deliberate overbilling via fixed direct debits - leading to excess consumer credit of over £3 billion. This must be fixed urgently, rather than customers being forced to run down this excess credit via either paying higher rates on standard credit, or variable direct debit that exposes them to cost spikes in winter.

*Q2. Do you have any views on how the level of standing charge reduction could be set?*

There should be a zero standing charge. Standing charges are unfair to low income low users who save the overall energy system £billions through lower marginal wholesale prices, lower network loads, etc. Ofgem's current approach to costs is narrow and focuses on retail profitability not total system costs and environmental impacts. Ofgem pricing is upside-down with low users charged a higher average unit cost. True economic and environmental costs would mean lower unit costs initially, and a rising block tariff.

#### **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?*

It is shocking that to Ofgem the key risk of very low consumption is that suppliers don't make a profit, rather than that people could get sick or freeze to death. Low consumption should be triggering offers of support not threats of financial penalties via standing charges.

*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 agree that second homes should be treated less favourably, but this should use other sources like council tax, not attempt to guess using consumption data which risks harming those in financial crisis or admitted to hospital.

### **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?*

The requirement must apply to all domestic suppliers. Exempting smaller firms would distort the market and risk further confusing consumers, especially those on non-standard payment methods. All households deserve fair access to cost-saving tariffs.

*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?*

Not applicable

### **Customer Eligibility**

*Q7. What are your views on targeting eligibility for low or zero standing charge (ZSC) tariffs to PPM customers as a minimum, or should this be mandated for all payment types?*

Standing charges are indeed more harmful to those with prepayment meters, leading to serious risks of disconnection. This is especially bad in autumn when accumulated standing charges can make it very hard to turn the heating back on. However, zero standing charges must be offered to everyone.

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

Eligibility must not be restricted to smart meter users. This would unfairly exclude many vulnerable households living in properties where smart meters cannot be installed. In fact, non-smart PPM users are among those most at risk of self-disconnection. Ofgem should be urgently addressing existing price discrimination based on technology, rather than seeking new ways to expand it.

### **Change to the SLCs and Review**

*Q9. Would you support the introduction of a review to assess the policy?*

It is critical that new SLCs are introduced to ensure that energy starvation and disconnections are rapidly reduced, and that regular reviews assess progress. Other metrics to track include reduced disconnections on prepayment meters and bill saving reductions for different groups.

### **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?*

NA.

*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?*

This initiative must not rely on customer communication, instead the best deal for each customer's usage pattern each month should be applied automatically. Compliance should be ensured via the reviews and metrics outlined above, with large fines for non-compliance.

Tied to this is the urgent need to boost the accuracy of billing data. Persistent issues with smart meter accuracy and billing system errors have still not been resolved and Ofgem needs to heavily fine those suppliers that continue to fail in this area.

Lastly, Ofgem's suggestion that these models are "untested" is incorrect. Suppliers like Utilita have offered zero standing charge tariffs to prepay users for years. The problem has been that their high initial unit rates simply hide the standing charges, so still penalise many low users, and don't reflect the whole system or environmental costs.

We hope that Ofgem will decide to work with us to improve this proposal, and finally tackle the injustices and inefficiencies of current GB energy pricing.

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