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

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This is our working paper that was sent to key stakeholders in July 2025, asking for views on potential alternatives to introducing a zero standing charge price cap variant. The paper discussed the policy objectives for proposals requiring domestic energy suppliers to offer a lower standing charge tariff and the policy options for how these could work in practice. Responses to this working paper were received in August 2025 and the non-confidential responses are published alongside this paper.

1. Introduction

1.1 This working paper builds on our February 2025 policy consultation[1] on introducing a zero standing charge price cap variant. It reflects the feedback we received and sets out our updated thinking on how we can give consumers more choice and control in the energy market.

1.2 Based on this feedback and further work, we are exploring additional options. Specifically, we are looking at a wider range of options for how we introduce a greater level of choice and control for consumers, and we are now looking at whether to require suppliers to have available at all times, in all regions, at least one lower or zero standing charge offer.

1.3 Following further work over the summer, we aim to set out our proposals in a consultation in the autumn and, subject to the results of that consultation, would expect to see new tariffs being offered in January 2026.

1.4 Previous views from stakeholders, including consumers, highlighted a clear appetite for change in how standing charges form a portion of consumers' energy bills. Consumers especially want to see change in the market to make standing charges 'fairer', particularly for those who are vulnerable, low-usage, and low-income. Additionally, stakeholders, while supportive of positive change, were concerned that the issues consumers are facing are heavily linked with wider affordability concerns. Our consumer research has indicated that most customers feel that standing charges are unfair, and that they should be lower than they are currently. However, views are split on how the costs should be restructured, with only some preferring to remove standing charges altogether. Our research suggests that at present, standing charges may currently be perceived as exceeding acceptable levels. Even when participants were told their bills would be higher from a standing charge reduction, higher energy users, on average, still opted to reduce standing charges. Further details of this research are due to be published later this month.

1.5 As we outline our next steps, we are considering how we can best deliver change for consumers that allows them greater choice and control on how they contribute to the fixed costs of the energy system. We are also looking more broadly at what can be done in the longer term as part of a Cost Allocation & Recovery Review, to understand costs that are typically included in a standing charge, how they translate onto energy bills and to consider different ways these

[1] Ofgem (2025), Introducing a zero standing charge price cap variant.

could be allocated and charged.2 Further to this, we continue to work with government on consumer energy affordability.

1.6 In this paper, we outline:

- Why we are exploring this option as a possible alternative to introducing a zero standing charge price cap variant;
- What the policy objectives are for requiring suppliers to offer lower standing charge tariffs;
- The options we are considering for how these tariffs could work in practice (e.g. minimum consumption level, eligibility, applicability) and how we may assess supplier compliance with this new requirement, should we determine it is a better option.

1.7 We welcome your views on our proposals and have included specific questions in Appendix 1. Please send your feedback by 7 August 2025 to StandingCharges@ofgem.gov.uk.

[2] Ofgem (2025), Recovering the costs of energy infrastructure investment from customers.

2. Context and policy aims

2.1 In our February 2025 policy consultation on a zero standing charge price cap variant, we set out two key policy objectives which we are carrying forward into this work:

- To offer customers choice and control over how they pay for the costs that make up the standing charge.
- To allow suppliers to recover third party and efficient operating costs (i.e. having regard to supplier financeability).

2.2 Following stakeholder feedback[3], we have considered the best mechanism to help us achieve our key policy objectives. We consider these objectives remain valid and appropriate. We have outlined that consumers should have the option to move to a lower standing charge tariff and have heard strong sentiment from consumers for more choice, and that they find that the high upfront nature of fixed costs can be a barrier to managing energy costs. This is particularly the case for many prepayment meter (PPM) customers.

2.3 We noted previously that lower or zero standing charge options are not designed to be an affordability measure or intervention. As an economic regulator we cannot make these costs go away and suppliers should be able to recover efficient costs. Measures for targeted affordability support sit within the remit of Government.

2.4 To address the concerns about the lack of low standing charge options in the market, we have called for lower standing charge tariffs to be introduced voluntarily but have not seen the pace of change needed to meet our policy goals. Therefore, we are exploring an alternative proposal that would mandate suppliers must have available at all times, in all regions, at least one lower or zero standing charge offer.

2.5 Through mandating these offerings, we expect there to be competitive pressure in the market where this requirement delivers valuable propositions to consumers who want a lower standing charge tariff. This option may not be suitable for all customers, but the aim would be to offer greater choice while also providing suppliers with different customer bases and commercial considerations greater flexibility with tariff design relative to a price cap variant. This approach would also allow us to see more choice for consumers sooner than if we were to implement a

[3] Ofgem (2025), Introducing a zero standing charge energy price cap variant: Published responses.

price cap variant, with the aim to introduce more options in the market from January 2026.

2.6 Some feedback to our February 2025 policy consultation also called for us to explore with suppliers the potential to offer low standing charge tariffs and innovative payment methods (such as Variable Recurring Payments) to give customers more control over how they pay, as this could boost our understanding further of customer preferences and how innovation could best be delivered in the market. We welcome views on this and whether this could be incorporated into future tariff offerings.

2.7 Based on our policy objectives, we would expect the following policy outcomes[4]:

- Suppliers must have available at all times, in all regions, at least one lower or zero standing charge offer
- These tariffs are effectively communicated to customers so that they are able to make informed choices about whether to switch to a lower or zero standing charge option
- Tariffs are not priced excessively while suppliers are able to recover their costs and a reasonable return

2.8 We recognise that this approach is an untested area for the market, where it is difficult for us to accurately predict consumer/ supplier responses. If we were to proceed with this option, we would propose to monitor the supplier offerings, taking the above outcomes into account, and stand ready to consider further measures if we did not see competitive offerings delivering real choice being brought to market. We discuss further our considerations around assessing supplier performance against each of these outcomes in Chapter 3.

2.9 We have previously intervened in the competitive market in some circumstances to protect consumers. For example, preventing suppliers from increasing prices on fixed term tariffs and preventing them from automatically rolling customers onto another fixed term offer when their current one ends[5] and setting rules for treatment of domestic customers when their fixed term contracts end.[6] In comparison to the zero standing charge price cap variant, mandating lower standing charge offers and giving the flexibility for this to be offered in the

[4] These outcomes relate to our specific work on mandating low or zero standing charge offerings. Alongside this, we are also developing an overall Consumer Outcomes framework related to our wider Consumer Confidence programme and intend to re-engage stakeholders in the coming months.

[5] Ofgem (2013), Tougher rules on fixed term energy deals come into force as Ofgem's retail market reforms begin to bite.

[6] Ofgem (2017), Guidance: Tariffs and contracts, p.5.

competitive market, could enable suppliers to price on their own commercial terms, and reflect their customer needs.

2.10 In the longer term we are also considering, through the Cost Allocation and Recovery Review[7], how we can take a more holistic view of how energy system costs feed through to consumer bills, balancing efficiency and fairness. We recognise that a significant portion of the current standing charge levels reflect pass through costs, and any more fundamental changes to standing charges would require a broader consideration of cost allocation which could open up more flexibility on pricing in the retail market. The review provides the opportunity to consider a range of options for how to allocate costs between standing charges and unit rates, and different tariff structures, as well as between different types of consumers.

Ofgem's consumer objectives and framework

2.11 We would implement a requirement that suppliers must have a lower or zero standing charge offer at all times and in all regions via the standard licence conditions (SLCs), which would set parameters for the introduction of these tariffs. When we exercise our powers to make amendments to the SLCs, we must consider our statutory duties, including our principal objective set out in the Electricity Act 1989 and Gas Act 1986. This is to protect the interests of existing and future gas and electricity consumers, and wherever appropriate to further this objective by promoting effective competition.[8]

2.12 Our decisions are ultimately guided by our statutory duties. One of the ways Ofgem assesses policy options is to identify trade-offs between different consumer interests through our Consumer Interests Framework to help us fulfil our duties.[9] For the option of mandating lower or zero standing charge tariffs, we consider that the 'Fair Prices' factor of the framework would be appropriate as we seek to increase choice and control for customers over how standing charge costs are paid (linked to our first key outcome). We would also balance this against supplier resilience as we consider supplier recovery of efficient costs (financeability) on the lower standing charge offerings. 'Quality and Standards' is also important as we consider how suppliers communicate new tariff options to customers to allow them to make active and informed decisions about which tariff is most appropriate for them, linked to our second key policy outcome.

[7] Ofgem (2025), Recovering the costs of energy infrastructure investment from customers.
[8] Ofgem (2013), Our powers and duties.
[9] Ofgem (2024), Protect, Build, Change, Deliver: Ofgem's Multiyear Strategy, p.18-19.

2.13 This also ties into our Consumer Confidence programme[10] as this work contributes to a more customer-centric energy market, given the strong feedback we have received from consumers expressing desire for change on standing charges. Further to this, we would use our competition framework[11] to consider the competition effects of the policy. In particular, we would consider trade-offs between the key themes of consumer engagement and empowerment, related to tariff innovation and customer switching and satisfaction with new lower or zero standing charge options and market rivalry between suppliers with the proposed introduction of these new competitive market tariffs.

[10] Ofgem (2024), Consumer confidence: a step up in standards.
[11] Ofgem (2023), A competition framework for the household retail market.

3. Policy options and considerations for mandating lower or zero standing charge tariffs

3.1 The sections below set out various considerations and options for how the requirement to offer lower or zero standing charge tariffs could be designed and set within the SLCs if we were to choose this option rather than a price cap variant. These are summarised below:

Setting a lower or zero standing charge tariff

We would consider requiring suppliers to have available at all times, in all regions, at least one lower or zero standing charge offer. We set out an approach for how this could be set and seek views.

Minimum consumption thresholds

Consider setting a minimum consumption threshold to mitigate the most extreme under recovery risk, and outline considerations for how this could be implemented.

Supplier eligibility for mandating

We set out options for limiting this to larger suppliers (i.e. with over 150,000 customers) or mandating this for all suppliers.

Customer eligibility

We consider that the options could be mandated for prepayment meter customers at a minimum, with optionality to also include other payment types. We also consider the option of prescribing this for smart meter customers only.

Change to the SLCs and review

We would evaluate this obligation in the SLCs in due course, and we could conduct a review to consider interactions with the outcomes of the Cost Allocation and Recovery review.

Assessing suppliers against policy outcomes

We set out options for how we could assess supplier performance, including monitoring the level of standing charges on the offerings and assessing customer communication around the lower standing charge offerings.

Compliance approach

The policy considerations set out in this paper will require our compliance approach to allow suppliers enough flexibility to ensure they can suitably recover their fixed costs, while also protecting the opportunity for active and informed choice for consumers.

Consumer choice protection

The introduction of any reviews and monitoring would allow for assessment of the implementation of the policy and consider the impact on consumers.

Setting a lower or zero standing charge tariff

3.2 We have considered a number of options for mandating lower or zero standing charges. This has ranged from mandating a smaller reduction in the standing charge to mandating that suppliers must offer a tariff with no standing charge.

3.3 We are considering exploring the option of requiring suppliers to offer, in all regions at all times, a lower or zero standing charge offer. A zero standing charge may be simpler to implement and easier in terms of customer communications. Recovering all fixed costs through the unit rate does however increase the potential for under-recovery of fixed costs for suppliers. To manage this higher level of risk, suppliers may be more likely choose to price tariffs as either falling block tariffs or price in very large risk premiums to account for this risk. High risk premiums are likely to make the tariffs less attractive to customers, again limiting choice in the market.

3.4 We are considering how we might mandate, as a minimum, a tariff that reflects a ‘low’ standing charge tariff. We could mandate that suppliers provide, as a minimum, a tariff with a standing charge that is no greater than the level set out by Ofgem. One approach for setting this level may be the average level of ‘pass through’ costs incurred by a supplier. This could be calculated based on the level of policy and network costs within the nil consumption level of the price cap which we note is c.£150 for a GB average dual fuel customer. This option would mean that suppliers need to recover their operational costs for these tariffs via the unit rate.

3.5 This option would fulfil our primary objective of providing consumers with more choice over how they pay their standing charge whilst also leading to lower recovery risk for suppliers compared to a zero standing charge tariff. This option may also encourage suppliers to offer alternative low standing charge tariff types, such as single rate, instead of falling block, as the risk of significant under recovery under these alternatives is reduced by the presence of a level of standing charge remaining.

3.6 We recognise there may be difficulties if we were to set a level of standing charge reduction based on 'pass through' costs in the cap. We note that policy and network costs can vary by region, fuel type and payment type and therefore setting a single requirement may be difficult. We note that it may also be the case that linking the requirement to the cap level may also lead to uncertainty over fixed contract pricing if the requirement was to change with the price cap. We welcome views on any implementation challenges in this area as well as any other approaches.

Minimum Consumption Thresholds

3.7 It is likely that the primary beneficiaries of a supplier requirement to offer low or zero standing charge tariffs would be extremely low-usage consumers, particularly second homeowners with vacant or largely vacant properties. These consumers are also likely to be the source of the largest supplier under-recovery risk. We are therefore considering whether the SLC requirement should apply only to customers that meet a minimum consumption threshold.

3.8 A minimum consumption threshold may mitigate the need for large risk premiums on the unit rate to account for significant cost under recovery. These premiums could increase prices for all customers who choose the tariff. This also aligns with our objective to allow suppliers to recover third party and efficient operating costs.

Setting a Minimum Consumption Threshold

3.9 A minimum consumption threshold set at a reasonable level could mitigate the most severe under recovery risks without excluding a significant portion of low-usage consumers who may be attracted to a low or zero standing charge tariff.

3.10 We are considering three options for setting the level:

1. Use of a consumption proxy for primary residence (for example, three months' worth of average annual consumption)
2. Use of a low percentile of annual consumption for the threshold (for example, the bottom fifth percentile)
3. Allowing suppliers discretion to set their own threshold for their tariff

3.11 The first two options take a consumption average (based either on a limited period of use or a low percentile of use) to act as a low barrier to prevent vacant or largely vacant properties from accessing the tariff whilst including the majority of primary residences.

3.12 Option 3 would allow suppliers discretion to set their own thresholds. This may help in adapting the minimum threshold to the needs of the particular tariff being offered. However, it is also possible allowing discretion may lead to an inconsistent approach which is difficult for consumers to navigate, or which may be set at a level which does not adequately balance mitigation of risk with allowing access for the majority of customers.

3.13 Despite the intent of a minimum consumption threshold to prevent largely vacant properties from taking advantage of the tariff it will also limit the availability of the tariff to some customers with low usage. There is therefore a trade-off when setting the level between mitigating under-recovery and excluding non-primary residences and excluding customers who may legitimately benefit from the tariff.

3.14 Alternatively, we could allow suppliers to develop a different mechanism for the exclusion of non-primary residences. Rather than setting a minimum consumption threshold, suppliers would be given the ability to exclude non-primary residences from their tariff using alternative methods, for example, assessing household usage patterns. This would allow suppliers greater discretion to enforce the exclusion of this group in a way which suits the design and requirements of their tariff.

Supplier implementation of a Minimum Consumption Threshold

3.15 We note that there may be some practical challenges for suppliers in identifying whether customers meet the minimum consumption threshold. We consider there to be two key challenges:

1. How to assess consumption before a customer is offered the tariff
2. How customers are treated if their actual consumption does not meet forecast consumption

3.16 On point 1, we propose to allow suppliers flexibility on how they assess whether a consumer meets the minimum consumption threshold. This will allow suppliers to use data available to them. We note that suppliers will have, or are able to get, access to industry data that will allow them to assess this and under current licence conditions, suppliers are required to collect consumption data, which helps them with their billing. We do however note that the data will be ‘backward looking’ and actual consumption may vary from forecast.

3.17 It may be the case that some customers are deemed to be eligible based on forecast data, but actual outturn consumption means that the customer consumed less than the minimum threshold. In this case, there is a risk that the customer is removed from the tariff or charged any additional fees, leading to potential consumer harm if a customer’s usage falls below the threshold due to changes in personal circumstances, such as financial hardship or self-rationing. We note that the intention of the minimum consumption threshold is primarily aimed at removing primarily vacant properties. However, we also consider that an inability to enforce the minimum consumption threshold may lead to the same risk of under recovery which the minimum threshold aims to mitigate should a sufficient number of customers fall below this level and not be removed from the tariff or charged for the shortfall in usage.

3.18 Additionally, we consider that there may be challenges for consumers in the implementation of a minimum consumption threshold. Allowing suppliers flexibility in how they assess whether a customer meets the minimum consumption threshold may lead to differences in approach which could be confusing for customers. In particular, different approaches to how a minimum threshold is used and assessed may make simple comparisons between tariffs (such as through use of a comparison site) more challenging as customers may need to provide or understand their own historic consumption patterns to adequately compare tariffs. We welcome views on the potential challenges in accessibility and comparison posed to customers by a minimum consumption threshold.

Supplier eligibility for mandating

3.19 We are considering whether to limit the requirement to a subset of suppliers, for example large suppliers. This could reduce the overall burden on smaller suppliers who have fewer resources, limited tariff flexibility, or those who offer niche business models. Larger suppliers typically have greater hedging and pricing capabilities and are better placed to accommodate new tariff requirements with a reduced risk of financial consequences. However, this would not prevent smaller suppliers from offering these tariffs.

3.20 One approach would be to restrict the requirement to suppliers with a significant domestic customer base, for example those with over 150,000 domestic accounts. This would align with previous instances where we have applied obligations proportionately.[12] The downside is that it would not offer universal consumer coverage but very close to it, i.e. over 90% of the domestic market but there could still be an option for customers of smaller suppliers to switch to a low or zero standing charge tariff, aligning with the main policy objective of greater availability and choice of these tariffs. Another way to restrict the requirement would be to use SLC condition 27.2 (b), which states that licensees with less than 50,000 domestic customers do not have to comply with certain contracts. However, if the obligation is placed only on large suppliers, and cost recovery proves challenging, this could introduce competition risks. Smaller suppliers not

[12] Ofgem (2019), Smart meter transition and the Data Communications Company (DCC). Ofgem (2024), Energy Company Obligation (ECO).

subject to the obligation may be able to avoid loss making tariffs and instead target more profitable customers, leading to a distorted competitive environment. This could disadvantage larger suppliers, undermine the intended customer benefits of the policy, and potentially lead to unintended consequences such as tariff rebalancing, reducing switching, or market consolidation.

3.21 Mandating across all suppliers would ensure that most domestic customers, regardless of their current supplier, would have access to this tariff type, without having to switch supplier. It promotes consistency, and comparability in the energy market and could improve trust and transparency. Universal application may also improve the visibility and prominence of the tariffs in the market, enhancing customer awareness which could drive a shift in consumer expectations and supplier propositions.

3.22 We are also considering the interaction between this proposal and existing obligations under the licence. For example, we note that suppliers with insufficient capital and subject to Default Transition Controls are prevented from taking on new customers. While as above we see potential benefits in a market wide obligation, an alternative approach in these circumstances could be to require such suppliers to make tariffs available to existing customers only as a minimum.

Customer eligibility

3.23 We are also considering whether the requirement to provide low or zero standing charge offers could be targeted to particular groups/ types of customers. We could prescribe the tariffs for prepayment meter (PPM) customers, with optionality for suppliers to also include other payment types. We are also considering targeting smart meter customers. We discuss this, alongside other approaches, below.

Prescribing tariff availability for particular groups of customers

3.24 We could prescribe that the tariff is made available to particular groups of consumers. This could reduce the under recovery risk for suppliers as the tariffs would be available to a smaller number of customers. However, this could provide less opportunity for competition as it could limit the amount of tariff variation for consumers on different payment methods as a direct result of the policy, not achieving our policy objectives as fully as the other approaches.

Prescribing tariff availability for prepayment meter customers as a minimum requirement

3.25 We could prescribe that low or zero standing charge options are available for PPM customers at a minimum, allowing supplier optionality to also include other payment types. We recognise that for PPM consumers, standing charge costs can accumulate in periods where there is no consumption (for example gas standing charges accumulating over the summer) and these have to be paid off before being able to access energy again. Reducing or removing the standing charge would therefore lower or remove this barrier. However, we recognise that recovering a greater proportion of fixed costs through the unit rate is likely to concentrate energy costs in the winter. PPM consumers do also have zero standing charge tariffs available in the market currently, with approximately 25% of PPM customers on these tariffs.

Prescribing for smart meter customers

3.26 We could also require that consumers are required to be on a smart meter to access the tariffs. This could be beneficial as having access to accurate, regular consumption data is important to ensure that suppliers can bill correctly, this also allows consumers to more accurately track changes in consumption and resultant energy bill changes. Smart meters would also simplify implementation if suppliers opted to implement block tariff designs and would assist with the more regular refresh periods (i.e. daily or weekly refreshes). However, this would exclude consumers who do not have smart meters and may seem unfair to those that are not able to get a smart meter for reasons beyond their control (for example, signal issues or lack of space for a smart meter).

Supplier discretion for offering to customers

3.27 Alternatively, we could allow suppliers to exercise discretion in which customers they offer these tariffs to (i.e. not including any prescription in the SLCs around which customers the tariffs apply to). This could provide suppliers with greater flexibility over the tariff design and customer targeting. However, there is a risk that the tariff offerings could be limited to a very specific sub-set of eligible customers, resulting in less choice being available for consumers as a whole and therefore limiting our ability to achieve one of our key objectives.

Mandating that tariffs are available for all customers

3.28 We could require that suppliers must offer these tariffs to all of their domestic customers (covering PPM, direct debit and standard credit customers). This is aligned with one of our key objectives to increase control and choice, allowing consumers on all payment methods to access the tariffs. While we aim to increase consumer choice through this option by making this available to a larger number of consumers, we recognise that this could potentially increase the under recovery risk, but this will also depend on how the tariffs are designed and structured.

Change to the SLCs and review

3.29 We will evaluate this obligation in the SLCs in due course, and we could conduct a review to consider interactions with the outcomes of the Cost Allocation and Recovery review. This could allow us to consider the outcomes of these workstreams holistically to consider their impact on suppliers and consumers. This could also allow us to see if the policy objectives continue to be met in light of any potential changes through Cost Allocation and Recovery Review.

Assessing suppliers against policy outcomes

3.30 As discussed in Chapter 2, there are three key outcomes that we expect from suppliers to meet the intended policy aims, these are that suppliers must have available at all times, in all regions, at least one low or zero standing charge offer and that these are effectively communicated to customers so that they can make informed choices, and that tariffs are not priced excessively while allowing suppliers to recover costs and make an appropriate return. We set out below some initial considerations for how we could monitor supplier performance against these outcomes. This includes monitoring tariff rates and ensuring active and informed choice for consumers through clear communication.

Outcome 1: Suppliers have available at all times, in all regions, at least one lower or zero standing charge offer

3.31 We expect that we could monitor suppliers to reflect what has been determined as ‘low’ standing charges as part of these mandated tariffs. This may function similarly to our current approach to compliance with the energy price cap.

Outcome 2: Lower or zero standing charge options are effectively communicated to customers so that they are able to make informed choices about whether to switch

3.32 There are multiple considerations to be made to ensure consumers can make active and informed choices about whether a low or zero standing charge tariff is right for them. A core element for this decision making is ensuring simple and effective communication between suppliers and consumers.

3.33 As many consumers have highlighted in feedback to previous consultations that they consider standing charges to be unfair, it is important the right level of information is available to protect consumers when they are considering whether a low or zero standing charge tariff is appropriate for them. We expect suppliers to consider their existing obligations in how they engage with domestic consumers.

3.34 We would expect that suppliers would suitably advertise their low or zero standing charge tariff offerings to any potential eligible customers, and in doing so, offer support and clear explanations as to how these tariffs could be suitable/unsuitable for their customers with clearly communicated reduced standing charges, increased unit rates, and any appropriate exit fees. We are also considering whether suppliers should be required to include the tariff rates on their website to allow customers to compare these to other relevant tariffs. In order to support consumers with their understanding, we would encourage suppliers to consider their customers and what the customer journey could look like to those who choose these tariffs (should we decide to mandate they are offered).

Outcome 3: Tariffs are not priced excessively while suppliers are able to recover their costs and a reasonable return

3.35 To increase these tariff offerings in the market, we know that suppliers must consider how they effectively recover their fixed costs and achieve an appropriate return and may do so through an increased unit rate. While we expect these unit rates to be higher than that of many existing tariffs in the market, it is essential that these rates are not so high that the tariffs become unsuitable for most consumers. As such, we will determine how to appropriately monitor the suitability of these tariffs to ensure they are not priced excessively.

3.36 This outcome is particularly key to ensuring that the policy offers a genuine choice to customers. We could follow a similar approach to the Financial Conduct Authority's Consumer Duty, assessing whether these tariffs provide 'fair value' for customers.[13] We could utilise 'fair value' assessments in order to understand more about how suppliers are pricing these tariffs, and how they are helping their customers make informed choices on which tariff is right for them.

Consumer price protection

3.37 As noted above, in line with our policy objectives, we recognise the importance of suppliers being able to recover their efficient costs for any mandated tariffs on

[13] Financial Conduct Authority (2023), Final non-Handbook guidance for firms on the Consumer Duty.

commercial terms. This is likely to mean that the unit rate is higher for a low or zero standing charge tariff when compared to other tariffs. We also recognise the importance of having tariffs that are viable and reasonable for customers. For example, tariffs that are set at levels that do not strongly disincentivise consumers from the objective of improved choice.

3.38 To help mitigate against the risk to consumer choice, we would expect there to be competitive pressure in the market where this requirement delivers valuable offers to customers for tariffs with low or zero standing charges. Additionally, the introduction of any reviews and monitoring would allow for assessment of the implementation of the policy, and the offerings made by suppliers against the policy objectives.

3.39 We recognise that there is a risk that consumers may switch to a low or zero standing charge tariff without realising that the higher unit rate means they may not be better off. Additionally, as these tariffs may be fixed tariff offerings, there is a further risk that if consumers choose this tariff and later they find it to be unsuitable, they could face exit fees in order to switch. However, existing licence conditions help to protect against these risks. SLC 25 specifies that suppliers must put in place information, services, and/or tools to enable domestic customers to easily compare and select tariffs, taking into account the customer's characteristics and/or preferences.[14] SLC 31F also requires suppliers to provide an estimated annual cost to a consumer when they join a new tariff, enabling them to see the possible effect of the higher unit rate of a low or zero standing charge tariff on their bills.[15] Considerations for communicating to consumers are discussed further at point 3.32.

3.40 We recognise additional potential risks arising from these tariff structures, particularly in cases where customers have switched and suppliers do not have accurate use data, it could be more difficult to accurately present an estimated annual cost given that a greater proportion of the bill will be consumption based. There could also be greater complexity in communicating block tariff structures to customers, if suppliers choose to use these.

3.41 While considering how to adequately support consumer choice, we expect suppliers to adhere to the requirements under the existing SLCs, such as SLC 0, which ensures that customer service arrangements and processes are complete,

[14] Ofgem (2025), Licences and licence conditions. Standard conditions of electricity supply licence, p.224.

[15] Ofgem (2025), Licences and licence conditions. Standard conditions of electricity supply licence, pp.335-336.

thorough, fit for purpose and transparent.[16] In addition, suppliers are required to ensure they have and maintain robust internal capability, systems and processes to enable the licensee to efficiently and effectively serve each of its customers (SLC 4A).[17]

3.42 Additionally, under SLC 31G 'Assistance and Advice information', suppliers are required to provide assistance, advice and information to customers.[18] This includes providing information that enables customers to quickly and easily understand how to contact the supplier and seek impartial advice from Citizens Advice.

3.43 Further to the supply licence, legislation also places requirements on how suppliers engage with their customers (e.g. The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 and the Equality Act 2010). Suppliers should also use the Priority Service Register (PSR) to check if communications are in an accessible format and as far as is reasonably practicable, appropriate to the needs of customers in vulnerable situations (SLC 26.5 (e)).

3.44 Considering these existing obligations for suppliers in relation to how consumers are treated fairly, and specifically concerning accessing tariff information easily, we expect suppliers to focus on delivering meaningful choice for consumers if the requirement to offer low or zero standing charge tariffs is implemented.

Compliance Approach

3.45 We plan to monitor this policy closely to understand where these outcomes are being met. Where this is not the case, we may consider further intervention.

3.46 The policy considerations set out in this paper will require our compliance approach to allow suppliers enough flexibility to ensure they can suitably recover their fixed costs, while also protecting the opportunity for active and informed choice for consumers.

3.47 We will consider how these desired outcomes may align with existing SLCs as to how suppliers must communicate and provide information to their customers, and the most efficient way to design a robust approach to compliance. For

[16] Ofgem (2025), Licences and licence conditions. Standard conditions of electricity supply licence, p.9.
[17] Ofgem (2025), Licences and licence conditions. Standard conditions of electricity supply licence, p.55.
[18] Ofgem (2025), Licences and licence conditions. Standard conditions of electricity supply licence, p.338.

example, we may introduce licence conditions to reinforce these outcomes, such as those around fair pricing.

4. Next steps

4.1 We welcome feedback on each of the areas discussed in this paper by 7 August 2025.

4.2 Our aim is to publish a statutory consultation this autumn alongside draft SLCs and an Impact Assessment, with a view to publishing a decision by the end of the year. Should we make a decision to implement such a policy on this timeline, we would then expect to see new tariffs in the market from January 2026.

5. Appendix 1- List of questions

Updated approach

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?

Setting a lower standing charge

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

Minimum consumption threshold

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

Supplier eligibility for mandating

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?
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?

Customer eligibility

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

Change to the SLCs and review

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

Compliance approach

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?
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?