

Ofgem
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Date: 4 September 2025

“RIIO-3 Draft Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors” – So Energy Response

Dear Colleague,

So Energy is a leading energy supplier providing great value renewable electricity to homes across Great Britain. We supply over 300,000 customers and as one of the last challenger suppliers left in the market and one that is backed by ESB Group’s resources and expertise, So Energy is able to provide a unique view on competition and consumer choice in today’s retail market.

We welcome the opportunity to comment on these charging methodologies. We apologise for the lateness of our response but we are greatly concerned about what these new methodologies, if implemented, will do to consumers’ standing charges. Ofgem’s draft determination overview characterised the increase in electricity transmission charges as rising from £196 per year to £230 per year, an increase of 15%. However, charges published by NESO yesterday are showing far greater increases in standing charges. Based on what NESO have set out, electricity transmission charges are actually now expected to increase the electricity standing charge by 12p/day, or £43/annum. We do not think consumers will tolerate such a large immediate increase.

As Ofgem’s Energy System Cost Allocation and Recovery Review (ESCARR) makes clear, standing charges are unpopular and have become more unpopular with consumers in recent years as they have risen. The prospect of further immediate and large increases in the standing charge will undermine confidence in the regulator and the Net Zero transition.

Ofgem cites the concept of a low or zero standing charge tariff option as a mitigation against this. We wish to make clear that this will not work. We have attached our full response to Ofgem’s consultation where we have set out why this is the case in detail. In summary, the issue is that suppliers effectively pay a ‘standing charge’ of their own in the form of network charges, policy costs and other items that are priced in pence per day. Reallocating these costs to pence per kilowatt hour risks under-recovery, especially as these tariffs will only be attractive to those who can save money on these tariffs. The ratcheting effect this creates results in ever higher unit rates until the tariffs aren’t viable for anyone.

Making the ‘standing charge’ we have to recover even larger only makes this problem worse.

Therefore, we must warn you in no uncertain terms that consumers will pay these increased transmission and distribution charges in the form of a higher standing charge and the backlash from consumers will be severe. The strength of consumer response to previous Ofgem consultations on the standing charge should stand as evidence of this. We urge you to read those responses again, in the context of what is being proposed here.

There is also the issue of fixed tariff contracts which are on track to account for 50% of the domestic market. The immediacy and the scale of increase in network charges, undermines suppliers ability to offer these tariffs. Set against the 12-24 month length of a fixed contract, the amount of notice given here is insufficient. Set against the broader context of other large increases in cost provided at short notice, Nuclear RAB and Gas Distribution and Transmission charge adjustments, the issue is compounded. What is at stake here is simple, if we cannot predict how policy costs and regulated charges will change over the duration of fixed contracts, we will have to increase the price of fixed tariffs in order to cover off this risk. Fixed tariffs have proven very popular with consumers as the energy crisis has receded but these changes risk removing their ability to choose competitively priced fixed tariffs. These changes therefore impact the underlying competitiveness of the retail market.

Related to this risk around fixed tariffs is suppliers' ability to meet capital target requirements where large cost increases are being pushed through with little notice to suppliers. The passing through of large costs increases at short notice undermines suppliers' ability to achieve and maintain these targets. Given the proportion of customers who are fixed tariffs, Ofgem cannot operate like all customers are subject to the tariff cap and such large cost changes can be passed through at little notice, without consequence.

We understand that network operators need to recover their charges over the course of the next price control period. However, the timing of that recovery is still open for Ofgem to consider. We urge Ofgem to reconsider their proposals and reduce the scale of the increase in network charges from April 2026, while other Ofgem colleagues carry out the ESCARR. This will allow time to consider the fairest way to allocate network charge increases.

We would be more than happy to discuss this matter with you further.

Yours Sincerely,

Paul Fuller
Head of Regulation

The logo for SO ENERGY, featuring the letters 'SO' in a large, bold, sans-serif font, with the word 'ENERGY' in a smaller, bold, sans-serif font directly beneath it.