

The Retail Market Review

Tariff Simplification: Removal of Standing Charge

1. Most energy tariffs comprise two elements: a daily standing charge and a price per kilowatt used.
2. Comparison between suppliers would be much simpler if the standing charge was prohibited/discouraged by Ofgem.
3. To compensate suppliers for having to provide service to any customer with extremely low usage a minimum charge of a few pence for each day of the billing period would be introduced. For most users this would be irrelevant as the actual usage would supersede the minimum charge.
4. The social effect of this change is the simplification arising from the reduction of conflicting variables a consumer has to consider when making a comparison between suppliers.
5. The financial effect (which is not the main purpose of this proposal), on the assumption that suppliers amend their 'price per kilowatt' charge upwards to neutrally compensate for the loss of the standing charge, would be as follows. Most below-average consumers would receive slightly lower bills and all above-average consumers would be charged slightly more.

I believe this proposal offers a significant improvement to consumers and is equally fair to all suppliers. I would ask for this to be considered as a response to the report.

