

Consultation Response

Requirement to offer lower standing charge tariffs

Office for Gas and Electricity Markets (Ofgem)

October 2025

Dion.tickner@ageuk.org.uk (or policy@ageuk.org.uk)

All rights reserved. Third parties may only reproduce this paper or parts of it for academic, educational or research purposes or where the prior consent of Age UK has been obtained for influencing or developing policy and practice.

Age UK
7th Floor, One America Square
17 Crosswall
London
EC3N 2LB
T 0800 169 87 87 F 020 3033 1000
E policy@ageuk.org.uk

www.ageuk.org.uk

Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267 and registered company number 6825798). The registered address is 7th Floor, One America Square, 17 Crosswall, London, EC3N 2LB.

About this consultation

Standing charges play an important role in funding the costs of the energy market. They are designed to recover the fixed costs of the system; costs that do not vary by energy use. This includes suppliers fixed operational costs of serving each consumer, for example running their call centres. It also includes costs of network upgrades and maintenance necessary to keep all consumers connected, including to facilitate the energy system transition.

Consumers and industry stakeholders have signalled a strong desire for change. Costs cannot be entirely removed, but consumers can be given more choice in how they pay for them. This statutory consultation sets out near-term proposals to temporarily give consumers the option to enrol onto a lower standing charge tariff, where standing charges will be reduced by at least £150 and those costs will be moved to the unit rate. Parallel to this work, the cost allocation and recovery review (CARR) is considering how costs can be reallocated in the long term.

Key points and recommendations

- We have serious concerns about the proposed lower standing charge tariffs. For them to be profitable, suppliers will need households with higher energy usage to switch to the tariffs, which will increase the total energy cost for these households – many of whom will be on lower incomes. Overall, many households, especially those containing people with disabilities, carers, or older people, will be made worse off by the change.

Ofgem should:

- Provide explicit guidance and monitoring expectations for suppliers to identify and warn consumers who are likely to be financially worse off under a low-standing-charge tariff, particularly where they are known to be on the Priority Services Register or otherwise vulnerable.
- Require consumers to speak with their energy supplier about the risks of moving onto a lower standing charge tariff before being able to enrol onto one.
- Undertake distributional impact analysis to quantify how the proposed tariffs would affect households with higher energy needs due to age, health, or disability.
- Consider whether additional targeted safeguards or eligibility exclusions are needed to prevent unintended harm to high-use, low-income households.
- Limit the time for which the requirement for a lower standing charge will be active and commit to regularly reviewing whether it is achieving the outcomes that Ofgem are seeking to achieve.

About Age UK

Age UK believes every older person should be included and valued. We're working locally, nationally and internationally to change the way we age. Together with our partners, we're changing the day-to-day experience of getting older through essential services and local support. In the UK, the charity helps more than seven million older people each year by providing advice and support, including through our national advice line and our friendship services. It also researches and campaigns on the issues that matter most to older people, aiming to put older people at the heart of public policy and shift the way ageing is treated and represented.

Consultation Response

Age UK recognises and broadly supports Ofgem's intention to explore alternative standing charge structures that could make energy costs fairer and more flexible for consumers. However, we are concerned that the proposed requirement for suppliers to offer a "low standing charge" tariff are highly likely to increase costs for vulnerable households that engage with these tariffs, including many older and disabled people who already face significant affordability pressures.

Under the proposals, suppliers would be required to reduce the standing charge by at least £150 per year, recovering this shortfall through higher unit rates. Eligibility for these tariffs would be limited to consumers using more than around 25% of the typical domestic consumption value (TDCV). Ofgem's analysis suggests that suppliers could face losses where consumers at the minimum threshold switch to such tariffs, and that these tariffs would only be financially sustainable if balanced by customers with higher levels of energy use.

In other words, the commercial viability of low-standing-charge tariffs depend on a degree of cross-subsidisation within the eligible group: higher-usage customers pay more to offset the savings received by lower-usage customers. This is without regard for consumers' ability to pay.

Ofgem are not intending for these changes to tackle energy affordability. The case for change clearly outlines how the requirement is intended to offer consumers more choice over how they pay for their energy. Introducing lower standing charge tariffs is acceptable in principle, but it introduces the risk that certain groups of high-usage but low-income consumers will end up paying disproportionately more — effectively subsidising households with extremely low usage.

More energy efficient households, especially those with access to technologies such as solar panels and battery storage, are likely to find a lower standing charge tariff more attractive. Low-income households with very low energy consumption might also benefit and engage with a lower standing charge tariff. The extent of that benefit could be no more than £113 per year (75% of the 150 reduction – on account of the minimum income threshold being 25%, and consumers therefore paying at least 25% of the shifted cost via the unit rate), though undoubtedly the actual financial benefit is likely to be much less.

While it's important to incentivise the adoption of technology that can lower bills, a lot of the households that are least able to afford their bills currently are also unable to afford the technologies. For the low-income households with low usage, the benefit of saving through a lower standing charge tariff would be achieved by cutting energy consumption as much as possible. For those households, having the choice to adopt a lower standing charge tariff is therefore about choosing to minimise the energy they consume. Age UK is concerned that this will exacerbate the severity and scale of self-rationing amongst low income households, potentially leading to worse health and wellbeing outcomes.

Meanwhile, for households with typical consumption, or above average levels of consumption, there is a real risk of mistaking a lower standing charge tariff with a tariff that makes energy more affordable.

Many older people — particularly those living with long-term health conditions, disabilities, or mobility limitations — are likely to fall into this higher-usage category. They typically need to maintain warmer indoor temperatures, rely on electrically powered medical or mobility equipment, and spend longer periods at home. As a result, they could be eligible for a low-standing-charge tariff but worse off overall, paying more each year than under a standard tariff because of the higher unit rate. For such households, this policy risks compounding existing affordability challenges rather than alleviating them.

There is likely to be a behavioural response to the introduction of the tariffs. Many people are aware of the cost of the standing charge, often because of extensive media coverage, and even though they may be worse off under a low standing charge tariff they will be incentivised to switch to avoid paying this fee, which they consider to be unfair. A 'present bias' will also take effect in many people, whereby they value the lower upfront fee over higher costs in the future. This has been extensively researched in financial services,ⁱ but to the best of our knowledge less so in energy, although it would seem to apply equally here.

Ofgem has noted that current supply licence conditions will ensure that consumers are not moved onto tariffs that are unsuitable for their circumstances. Age UK does not believe this is the case. While suppliers are indeed required to treat customers fairly and take account of vulnerability under Standard Licence Conditions (notably SLC 0 and 26), these provisions do not create a clear or proactive duty on suppliers to assess whether a tariff is financially appropriate for an individual consumer. There is, in practice, no effective safeguard to prevent a low-income, high-usage household from enrolling on a tariff that increases their overall costs.

It is therefore crucial that Ofgem consider how it will ensure energy suppliers do not move low-income households onto these tariffs where it is clearly not suitable for the consumer.

On a broader note, it is also difficult to understand what success would look like in delivering these policy changes. The proposals are framed as enhancing consumer choice, yet that choice appears likely to come at the expense of many bill payers who adopt a low-standing-charge tariff. Even under the most optimistic assumptions, a

consumer at the minimum eligible consumption level could save up to £113 per year — and that assumes no supplier risk premium, which is unrealistic. In practice, the achievable savings will be considerably lower. If only a small number of consumers see any tangible financial benefit, it is unclear what the introduction of these tariffs will have achieved. Before introducing this requirement, Age UK would like Ofgem to clarify what a successful outcome would be.

We also question whether this approach addresses the root cause of consumer dissatisfaction. In Age UK's view, frustration with standing charges reflects wider unhappiness with the overall cost of energy, rather than the structure of energy bills. That is why we support Ofgem's forthcoming cost allocation review, which we believe offers a more fundamental opportunity to rebalance how network, policy, and other fixed costs are recovered from consumers. A comprehensive review of cost allocation — rather than rebalancing at a tariff level — will be essential to restoring consumer confidence and delivering genuinely fairer outcomes for low-income and vulnerable households.

We therefore recommend that Ofgem:

1. Provides explicit guidance and monitoring expectations for suppliers to identify and warn consumers who are likely to be financially worse off under a low-standing-charge tariff, particularly where they are known to be on the Priority Services Register or otherwise vulnerable.
2. Require consumers to speak with their energy supplier about the risks of moving onto a lower standing charge tariff before being able to enrol onto one.
3. Undertakes distributional impact analysis to quantify how the proposed tariffs would affect households with higher energy needs due to age, health, or disability.
4. Considers whether additional targeted safeguards or eligibility exclusions are needed to prevent unintended harm to high-use, low-income households.
5. Limits the time for which the requirement will be active and commit to regularly reviewing whether it is achieving the outcomes that Ofgem are seeking to achieve.

Without these broader reforms and targeted protections, there is a real risk that this policy will shift cost burdens onto exactly those consumers least able to bear them, while offering limited affordability benefit to the groups it is intended to help.

ⁱ For example see the Financial Conduct Authority (2013) research on behavioural biases <https://www.fca.org.uk/publication/occasional-papers/occasional-paper-1.pdf>