



Leonie Cooper AM
Chair of the Environment Committee

Standing charges – Ofgem call for input
(Sent by email)

19 January 2024

Dear Ofgem,

I am writing on behalf of the London Assembly Environment Committee to respond to your 'call for input' into standing charges for energy.¹

Energy, particularly the affordability of energy, is an issue that has long been of interest to the Environment Committee. In May 2017 the Committee published a report following our investigation into fuel poverty across the capital.² Our investigation identified one in nine households across London were officially living in fuel poverty with many more struggling with high bills. The investigation called on the Mayor to develop a Fuel Poverty Action Plan – this was published in June 2018.³

Several of the recommendations identified in our 2017 report have formed the basis of recent investigations undertaken by the Environment Committee regarding energy. These include our investigation into community energy,⁴ which involved a Committee meeting in May 2023 and a site visit to the Leaside Trust in June 2023, and a wider investigation into energy in 2022/23, in which we considered the impact of prices on Londoners.⁵ From this recent work, the Committee wanted to draw your attention to two key issues:

- The need for social tariffs to address the impact of increased standing charges on low-income households; and

¹ Ofgem, [Standing Charges: Call for Input](#)

² London Assembly Environment Committee, [Getting Warmer: The Mayor's role in domestic energy and fuel poverty](#), May 2017

³ Mayor of London, [Fuel Poverty Action Plan](#), June 2018

⁴ The output from this is due to be published 23 January 2024

⁵ London Assembly Environment Committee, [Powering Up London's renewable energy future](#)

- The impacts of standing charges on customers who also generate their own renewable energy, including community energy projects.

Social tariffs

The Committee are concerned by the way standing charges have increased in recent years and the disproportionate impact that this has had on low-income households, particularly pre-payment customers.⁶ Since September 2021 standing charges for new electricity tariffs rose by 63% in the London region, leaving the average London household paying £138 for electricity⁷ and £101 for gas before any energy is consumed.⁸

In principle, the Committee support the idea of removing or reducing the standing charge element of bills to ensure that those who use less are able to benefit through reduced bills. However, given the analysis presented in your discussion paper, which indicates that “a cohort of 1.2 million low-income households...would experience higher bills” if there were a shift to volumetric charging,⁹ the Committee feel strongly that **a social tariff should be considered to mitigate these impacts.**

This follows the Committee’s report, *Powering Up London’s renewable energy future*, published in May 2023, which recommended that the Government “should introduce a social tariff to ensure that the most vulnerable households are protected from high energy prices.”¹⁰

We recognise that the Government introduced a number of measures to support every energy bill payer, including the Energy Price Guarantee and the £400 energy bill rebate,¹¹ as well as the Cost of Living Payments for those on means-tested benefits.¹²

Impacts on Community Energy Projects

In the Committee’s Community Energy report, we explored the ability of community groups to sell electricity direct to local households. We heard from guests, including Dr Afsheen Rashid MBE, Chief Executive Officer of Repowering London, of the importance for residents to benefit directly from any community generation project. Dr Rashid told us:

“...local electricity supply really is about enabling local supply arrangements where the residents living in those blocks can use that electricity and benefit from it. We are working on a range of trials to enable local electricity supply and that will be a key game changer. It is about minimising the infrastructure required but the locally generated energy is being used locally and also encouraging residents to look at the demand side of things, not necessarily encouraging people to use more

⁶ [Summary \(nea.org.uk\)](#), p.7, April 2023; [Why is my standing charge up by 80%? Energy firms pile on the agony | Money | The Guardian](#), 6 March 2022

⁷ [Standing Charges: Call for Input](#) Table 1, p.28

⁸ [Standing Charges: Call for Input](#) Table 2, p.29

⁹ [Standing Charges: Call for Input](#), p.53

¹⁰ London Assembly Environment Committee, [Powering Up London’s renewable energy future](#) p.10

¹¹ The Government, [£400 energy bills discount to support households this winter - GOV.UK \(www.gov.uk\)](#)

¹² The Government, [Cost of Living Payments 2023 to 2024 - GOV.UK \(www.gov.uk\)](#)

electricity. Being able to have a local energy service provider means that you have a tailored support to the residents and their needs.”¹³

In our report, we recommended that as well as reform of standing charges work should be undertaken to ensure that local people are able to come together, and benefit from low-carbon generation and share the benefits of lower bills.

Standing charges also particularly impact households or organisations who have invested in energy efficiency measures or renewable generation but may need to supplement this with some energy from the grid. The Committee heard during its Community Energy investigation that this causes additional costs for community energy groups – effectively penalising those who generate the majority of their own energy.¹⁴

It is important for all these reasons that there is action taken going forward from Ofgem to ensure that standing charges are not allowed to be increased in such a way as has been seen in the past couple of years.

Yours,

A handwritten signature in dark ink, appearing to read 'Leonie Cooper', is positioned above the printed name and title.

Leonie Cooper AM
Chair of the Environment Committee

¹³ [\(Public Pack\)Minutes - Transcript - Appendix 2 Minutes Supplement for Environment Committee, 17/05/2023 14:00 \(london.gov.uk\)](#), p.10

¹⁴ Discussion during Committee's Community Energy site visit in June 2023