Citizens Advice Response to Ofgem's Requirement to offer lower standing charge tariffs

citizens advice

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Executive summary

Citizens Advice does not support Ofgem's proposal to require suppliers to offer at least one lower standing charge tariff.

Whilst we agree with the principle of improving consumer choice, we do not believe increasing the availability of lower standing charge tariffs in the market provides the best route to achieving this. We encourage Ofgem to consider the distinction between increasing choice and enabling better choices for consumers. It is our view that bringing down bills for those hit hardest by energy costs would help to achieve the latter, as would reforms targeted at boosting innovation in the sector.

There is a clear consensus across industry that lower standing charge tariffs are not in consumers' best interests, whilst Ofgem's case for change is predicated on consumer research that lacks consensus - as recognised in the findings. The consultation also fails to explore the extent to which wider affordability concerns are driving some appetite for tariffs that recover fixed costs differently.

Charities, consumer groups and suppliers alike have warned the regulator of the risks involved with driving forward such proposals, to either mandate tariffs which shift fixed costs to unit rates partially or fully (the latter of which was set out in Ofgem's previous consultation[1]). **Most likely is the risk that consumers will switch to low standing charge tariffs under the false assumption that they will save money on their energy bills.** We emphasise that this could happen despite messaging by Ofgem describing lower standing charge tariffs as a means of increasing choice. We reiterate that most consumers will either see no benefit, or will be worse off, as a result of switching to low standing charge tariffs.

Prepay consumers, who may marginally benefit from lower standing charge tariffs in low usage periods, will see these gains offset by higher costs in winter months. This seasonality means that costs will rise suddenly in winter when consumption is higher, which heightens the risk of energy rationing and disconnection..

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

We encourage Ofgem to channel its focus on to the broader Cost Allocation and Recovery Review (CARR) which can deliver more enduring change to energy pricing, and potentially bring down costs for those hit hardest - if more progressive approaches to recovering fixed costs are applied to the system. Redirecting focus would also avoid an undesirable scenario in which the CARR leads to the overriding of short-term proposals such as these, which in turn, could further complicate the market at a time where stability is a priority for consumers.

Please find our detailed response to the consultation below.

Q1. What are your views on our updated case for change on lower standing charge options?

We believe the consultation fails to put forward a compelling case for change.

Feedback from industry demonstrated that the majority of suppliers, consumer groups and charities do not support proposals for low standing charge tariffs[2]. Much of the case for change is predicated on the results of Ofgem's consumer research, which demonstrates some appetite for shifting a fixed costs to unit rates either fully or partially - but concluded that there was "no clear consensus on standing charges[3]".

There are two key findings of the research we wish to draw the regulator's attention to:

1. "Participants favoured a simpler, more predictable energy system that protects energy consumers"
2. "Affordability of energy bills was seen as paramount."

For many consumers, lower standing charge tariffs could prove more complex than standard tariffs. Consumers will need to have a good understanding of their usage to inform their decisions about switching, as well any seasonal or other variations in usage that may result in different costs at different times of the year. Renters, and those who move more frequently, may be more likely to misjudge their consumption, increasing the likelihood of switching to unsuitable tariffs.

We note that a cost recovery system that places more reliance on usage is inherently less predictable, particularly for consumers who experience fluctuations in their usage patterns such as households with health needs, families with changing circumstances, remote and hybrid workers - whose time at home varies markedly.

With affordability at the top of consumers' minds, it is reasonable to suggest that concerns about bills could be driving appetite for tariffs with different unit rate-to-standing charge ratios. Again we want to emphasise the risks associated

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[2] Ofgem (2025) Requirement to offer lower standing charge tariffs

[3] Ofgem (2025) Exploring consumer views on energy cost allocation – an online experiment

with consumers switching to lower standing charge tariffs under the assumption that they will save money, despite messaging to the contrary.

Prepay consumers may achieve marginal savings on lower standing charge tariffs during less energy-intensive periods (typically in summer), but gains will likely be offset by higher costs in winter months when consumption is greater. A sudden rise in costs increases the likelihood of energy rationing and disconnection, which could have a detrimental impact on a household's health outcomes.

We note that some design options, like Falling Block Tariffs, are much better understood and have less of an impact on the seasonality of costs for prepay consumers. Approaches that move all the cost to unit rates equally, and Rising Block Tariffs, will have a greater impact on seasonality. The extent of risks to prepay consumers are contingent on tariff design - and should lower standing charge tariffs become more widely available in the market - risks will need to be communicated effectively to enable consumers to make informed choices.

Ofgem's prior consultation on a zero standing charge price cap variant recognised that some zero standing charge tariffs already exist in the market, but with low take up for many from consumers - likely due to the structure of such tariffs, which offer little-to-no cost savings for consumers[4]. We note that lower standing charge tariffs will be structured in a similar way to mitigate against the underrecovery of supplier costs. Ofgem should consider how far mandating suppliers to offer lower standing charge tariffs will lead to an increase in take up and more crucially, better consumer outcomes.

Q2. Do you agree with our policy objectives and intent for requiring lower standing charge tariffs?

Whilst we agree with the principle of greater consumer choice, we do not believe that increasing the availability of lower standing charge tariffs is the best route for achieving this.

Ofgem's research demonstrates some appetite for greater choice in how fixed costs are recovered, but fails to explore why this is true for some consumers.

[4] Ofgem (2025) Introducing a zero standing charge energy price cap variant

Crucially, the extent to which wider affordability concerns are driving appetite is missing from the research.

We note that the wider choice enabled by this proposal is unlikely to be sustainable given fixed costs are set to rise substantially over the next decade. Ofgem's Cost Allocation and Recovery Review (CARR) has been started to address this, and reforms are likely to supersede the requirement to offer lower standing charges. **Ofgem should prioritise enduring changes to the system via the CARR, as opposed to short-term interventions that risk further complicating the market.**

We note that the proposal won't lead to better choices for many consumers. This is true of medium-to-high energy users, who would see their costs increase under tariffs that recover a greater proportion of fixed costs via unit rates. It is worth emphasising that medium-to-high energy users make up the majority of the market. Low standing charge tariffs could also limit choice for prepay consumers, who would see their costs rise in winter which could, in turn, encourage energy rationing or disconnection. Given these reasons, we do not believe that the number of households taking up these tariffs represents a positive consumer outcome.

If expanding consumer choice is the end goal, Ofgem might want to consider mandating suppliers to offer low unit rate tariffs - with standing charges making up a greater proportion of bills to allow for this. This would enable more choice for all consumers, and not just low energy users who make up a lesser portion of the market.

We also note that the proposal could fall short of Ofgem's policy objective to allow suppliers to recover efficient costs, given it forces suppliers to bear the risk of deviations from forecast consumption - which increases if consumers who qualify for LSC tariffs subsequently reduce usage. If low or irregular usage consumers disproportionately switch to LSC tariffs, this risk is further exacerbated.

There are significant challenges around ensuring lower standing charge tariffs are not unattractive to the majority of consumers. As mentioned, zero and low standing charge tariffs already exist in the market but are not widely adopted. E and Utilitia offer zero standing charge tariffs but for most consumers, these cost roughly the same as a standard default tariff - because of the much higher unit rates for initial units used[5]. The regulator may need to consider what is most important: the availability of attractive tariffs or ensuring efficient recovery of costs - given delivering on one of these objectives could come at the cost of the other.

Bringing down total energy costs, particularly for those hit the hardest, is an equally important focus. We recognise the role Ofgem's Cost Allocation and Recovery Review (CARR) could play in this regard, and particularly welcome proposals to explore applying ability to pay metrics to energy bills[6][7].

There are other means of improving choice in the market on a more enduring basis. **Better innovation in the sector would increase choice, while also helping to address affordability challenges.** Whilst there is some innovation happening in the domestic market, more radical change is needed to meet the aims of Clean Power 2030[8]. With the Treasury's growth strategy for regulators seeking to support new entrants into the market and enable innovation more broadly[9], we welcome the opportunity to work with Ofgem and DESNZ to help shape a more innovative market.

It is also important to recognise the role a Consumer Duty could play in boosting innovation and in turn, ensuring fairness and increasing consumer choice. Whilst trust in energy suppliers has improved, suppliers continue to be outperformed by those in other sectors[10]. A Consumer Duty would increase engagement in the market by reassuring consumers that firms will act in the consumer's best interest and provide products which offer fair value. A Consumer Duty would also provide reassurances to suppliers, particularly around the limited need for more prescriptive regulation for new products and services which can stifle innovation.

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[5] MoneySavingExpert (2025) 'Low' or 'no standing charge' tariffs
[6] Ofgem (2025) Energy System Cost Allocation and Recovery Review
[7] Citizens Advice (2025) Response to Ofgem's Call for Input on Energy System Cost Allocation and Recovery Review
[8] National Energy System Operator (2024) Clean Power 2030
[9] HM Treasury (2025) New approach to ensure regulators and regulation support growth
[10] Ofgem (2025) Consumer Impacts of Market Conditions Survey

Q3. Do you agree with our proposal to require suppliers to offer a tariff with a standing charge £150 below the nil consumption price cap level? Do you have any views on whether we should require a higher reduction?

We do not support this proposal.

We note that this figure is essentially based on Ofgem's calculations of an average value for 'pass through' costs (£168), which fails to fully account for variation in policy and network charges by region, fuel type and payment type. It also fails to reflect the make up and capital structures of smaller suppliers - for whom the risk of underrecovering costs is much higher.

Equally, we do not support a £200 reduction. We note that the risk of underrecovery increases in-line with the level of reduction set. We also note that a higher reduction will likely result in higher risk premiums being attached to these offerings, making tariffs less attractive to consumers - which is counterproductive to Ofgem's policy objectives outlined in the consultation.

We emphasise the risks to medium-to-high energy users if moving on to tariffs that attribute a higher proportion of fixed costs to unit rates, who would see their costs rise - and at a greater rate, should a higher reduction be pursued.

Given the variation in these costs between suppliers / customer bases, we believe that suppliers are best placed to set this reduction. Therefore, should this proposal go ahead, tariffs with a standing charge that is no greater than the level set out by Ofgem should automatically qualify. We note that suppliers currently who offer zero / low standing charge tariffs in the market make these calculations of their own volition Removing this discretion could expose suppliers with markedly different customer bases to an increased risk of underrecovery.

Q4. Do you agree with our proposal to require the tariffs to be offered to all payment types and both smart and traditional meter consumers?

Should this proposal go ahead, we support tariffs being offered to all consumers.

Targeting tariffs at one payment type like prepay (as proposed in the working paper[11]), could result in consumers - for whom prepay is not safe or appropriate - switching payment methods to access these tariffs.

Lower standing charge tariffs could support prepay consumers who experience challenges with standing charges. That being said, it is important to emphasise that tariffs would result in fixed costs being partially applied to unit rates - which would increase seasonal variation in energy costs and in turn, increase the risk of disconnection in winter months.

Some tariffs may require working smart meters to operate (for example, dynamic time of use tariffs) and as such, it is reasonable for those tariffs to require a smart meter. However, tariffs that do not necessitate a smart meter should not require one. Some tariffs are currently marginally cheaper if a consumer agrees to have a smart meter installed to match the cost-savings of having the meter, but crucially, this is predicated on a consumer agreement rather than their having an operational smart meter. Any policies in this area will need to be drafted with care to ensure that consumers who cannot get a smart meter, are waiting for a smart meter, or whose smart meter does not work are not disadvantaged through no fault of their own.

Q5. Do you agree with our proposal to allow suppliers to limit eligibility for lower standing charge tariffs to consumers that meet a minimum consumption threshold?

We agree that interventions - like a minimum consumption threshold - will be necessary to avoid those with second homes or certain low carbon technologies

[11] Ofgem (2025) Lower or zero standing charge tariffs: technical working paper

avoiding fixed costs altogether. We note that if thresholds are set too high they could unfairly exclude people with low energy usage.

We do not support Ofgem setting a universal threshold. Suppliers should be responsible for setting minimum thresholds to account for variations in customer bases and cost structures. Ofgem's threshold could prove too low for certain suppliers, increasing the risk of undercovering costs. Allowing suppliers to set thresholds would ensure tariff structures are tailored to individual cost recovery needs, and also enable suppliers to adjust this threshold should their customer base change.

We recognise there are certain risks attached to applying a minimum consumption threshold to lower standing charge tariffs. Actual consumption data may differ from what is forecast, meaning some consumers may qualify on forecasts - but subsequently consume less than the threshold - resulting in their removal from tariffs. If this is a fixed tariff, an alternative approach to removing consumers from tariffs might be via a 'top up' charge at the end of the term to meet the minimum threshold.

If the end goal is to exclude those with second homes from lower standing charge tariffs, Ofgem might want to explore different means of achieving this.

Q6. Do you have views on our methodology for setting a minimum consumption threshold?

We do not support Ofgem setting a minimum consumption threshold as outlined above.

We note that Ofgem is proposing to use a 90-day baseline for a proxy for year-round residency. Energy use is highly seasonal, and this average - if calculated over a period of 90 days - could be skewed depending on the time of year it is collected. We encourage Ofgem to extend this window to capture a 12-month average.

Q7. Do you agree that the licence conditions should include a threshold for suppliers to be eligible? If yes, would 50,000 domestic customers be a suitable threshold?

Should this proposal go ahead, we agree that a supplier eligibility threshold will be necessary. Smaller suppliers are more likely to experience challenges around preparedness and resilience, and mandating such changes could increase the likelihood of failure.

We note that a threshold of 50,000 domestic customers aligns with supplier requirements to offer prepay. We also note that a threshold is consistent with the Treasury's strategy for growth amongst regulators[12]- which, in part, aims at reducing barriers for new entrants in the market.

Q8. Do you agree that the licence conditions should be time limited, with the possibility of extension? If yes, would a 2-year period be suitable?

We agree that cohesion between the standing charges workstream and the Cost Allocation Recovery Review (CARR) is crucial. However, we generally do not support implementing major changes to the market on a temporary basis.

In a scenario where the CARR leads to this requirement to be removed, we urge Ofgem to consider what impact this could have on consumer outcomes and market stability - given the level of complexity this would introduce into the market.

As mentioned, we believe that the CARR provides a better route for delivering more radical and enduring change to energy pricing. We ask Ofgem to consider how possible this is to achieve under time-limited interventions.

In the interim, we encourage the regulator to develop a stronger evidence base for consumer demand for tariffs that recover fixed costs differently and subsequently, increase costs for many consumers.

[12] HM Treasury (2025) New approach to ensure regulators and regulation support growth

Q9. Do you have any further evidence on the overall costs of implementing tariffs that meet the new requirement and any ongoing compliance costs?

Not answered.

Q10. Tell us about your views on our consumer protection approach and compliance considerations.

We support Ofgem's proposed approach to consumer protection.

If lower standing charge tariffs were mandated, we agree that tariffs will need to be communicated effectively to consumers. As mentioned, consumers could still switch to lower standing charge tariffs under the assumption that they will save money despite Ofgem's messaging to the contrary (i.e. that proposals are not meant as an affordability intervention). We stress that in the majority of instances, consumers will either see no benefit or be worse off on lower standing charge tariffs.

We also note that consumers may require additional information from suppliers to enable comparison between lower standing charge offerings and standard tariffs. This would include having access to tailored data (namely on usage) to avoid scenarios in which consumers switch to LSC tariffs without an accurate picture of their consumption.

There also remains questions around the process for exiting lower standing charge tariffs. We ask Ofgem to provide clarity on the process for exiting lower standing charge tariffs, and what it envisions for the consumer journey. It is vital to allow consumers to exit such arrangements with ease, and without undue financial burden. The latter could be mitigated by removing exit fees on lower standing charge offerings.

Q11. Do you have any views on our proposed principles for reasonable pricing for these tariffs?

We support the approach being modelled on the fair value principle from FCA's Consumer Duty, and encourage Ofgem to go further and consider applying a Consumer Duty more broadly to the energy sector.

We recognise that Ofgem does not currently have a way to assess whether lower standing charge tariffs have been costed 'reasonably', and a new definition could introduce subjectivity. We also note that this will be challenging to apply in practice, given the variation in costs / pricing structures across suppliers.

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