Deliberative research on consumers' attitudes to energy system cost allocation and recovery

Report prepared for Citizens Advice

09.02.2026

Contents

1. Executive summary

1.1 Research context, aims and approach

- Britain's energy transition will require domestic energy billing to undergo a major transformation, raising important questions about how future energy costs should be distributed and borne by consumers.
- In 2025, Ofgem announced a review of the energy system cost allocation and recovery[1]. This research was commissioned to add to Citizens Advice's existing evidence base, in order to inform its engagement with Ofgem's future work by gauging consumers' views, with a focus on **perceived fairness**, of both the current cost allocation model and various alternative cost allocation models being considered by Ofgem. It also explored consumers' **willingness to pay** for energy infrastructure upgrades and subsidising others who struggle to pay.
- The research methodology included:
  - 8 x 3 hour face-to-face deliberative workshops with consumers in England, Scotland and Wales across a range of income bands, levels of energy use and energy flexibility; and
  - 9 x 1.5 hour online or telephone depth interviews with those facing barriers to attending workshops due to disability (most of whom had a medical need for energy) and/or having English as an additional language (EAL).
- A total of 80 participants took part in the research which took place in December 2025-January 2026.

1.2 Key findings

Perceived fairness of the current cost allocation model

- Participants had low engagement with their energy bills and **low understanding of standing charges,** including what they pay for and how they are allocated across energy users.
- Even after discussion, there were perceived to be **bigger fairness issues than standing charges**, particularly in relation to the overall cost of energy and challenges consumers face with engaging in the energy market. As such, there was no strong call for standing charges to be scrapped.
- However, the scale of infrastructure investment required to support decarbonisation came as a shock to most and it was recognised that **maintaining the status quo with respect to standing charges would be unfair to low energy users** in this context as they would bear too high a proportion of these costs.

Willingness to pay for energy infrastructure upgrades

- Participants' willingness to pay for energy infrastructure upgrades was **strongly influenced by contextual factors**, such as rising energy bills, lack of trust in energy companies to charge

[1] https://www.ofgem.gov.uk/call-for-input/energy-system-cost-allocation-and-recovery-review

fairly, high cost-of-living generally and recently announced tax rises. This meant that the starting point for many was great reluctance to accept higher costs especially for what was perceived to be uncertain consumer benefit.

- In general, participants would prefer that the **funding for this investment come from other groups than consumers** - such as energy companies, big business and taxation - although they recognised that there are no easy answers with respect to alternatives.
- If consumers are to be required to pay for this investment, participants wanted reassurance that the **consumer and public benefit will be significant** and outweigh the benefits to private investors and the energy sector.

Perceived fairness of alternative cost allocation models

- Fairness of the different models was **judged differently by different participants** depending on their personal beliefs, such as whether they saw energy as primarily a user-pays style consumer service, an essential utility which everyone should have sufficient access regardless of their means, or an asset that those benefiting most from should contribute most to.
- In particular, there was a tension between the idea of **'fairest for the greatest number'** and **'fairest for the most vulnerable'**.
- Overall, participants were able to assess the fairness of the **overall approaches** to cost allocation more easily than the detailed charging models. They also found it easier to suggest **who should pay less than pay more.**
- There was no consensus about the fairest approach but a clear indication that **charges based on usage and/or ability to pay would be fairer than a simple move to time-of-use charges**. The latter was felt to be potentially disadvantageous to a large number of consumers who are unable to be flexible and to benefit a minority who have sufficient financial means to invest in new technologies to enable energy flexibility.
- There was also no firm agreement on what specific usage or ability to pay-based option would be fairest but most were ultimately *not* in favour of **differentiated unit costs for higher usage (i.e. RBTs)** as this could be seen as intrinsically unfair.
- In terms of geographically-based charging, most participants felt that it would be fairer if these differences were **smoothed out**, on the basis that people should not be disadvantaged based on where they live.

Perceived fairness for, and willingness to subsidise, others struggling to pay

- Whichever cost allocation approach is adopted in future, participants felt that those who are **high energy users because of medical needs or disabilities should receive financial support** if their bills are unaffordable.
- There was also consensus that those living on very low incomes who are self-rationing their energy use in order to reduce their bills **should not be further disadvantaged by high**

standing charges. This meant that there was support for cost allocation options which did not increase the base cost of supplying energy for those who were low energy users. Some felt that these groups should also receive financial support.

- Participants were willing to **subsidise those struggling to pay to a limited degree** (in terms of proportion of their bills). However, there were concerns about how 'genuine need' would be established and what potential impacts the requirement to subsidise others would have on consumers just outside the threshold for support.

2 Introduction

2.1 Background and aims

Britain's energy transition will require domestic energy billing to undergo a major transformation. Reducing reliance on fossil fuels will also require significant new investment to upgrade and maintain energy infrastructure, affecting the structure of energy system costs. Time-of-use tariffs, both static and dynamic, are already available to domestic users, consumers can purchase products such as solar and batteries and widespread adoption of half-hourly settlement is on the horizon. These developments can be expected to lead to significant changes in how and when consumers use energy. All of these changes raise important questions about how future energy costs should be distributed and borne by consumers.

In 2025, Ofgem announced a review of the energy system cost allocation and recovery, with the aim of determining how to recover costs from consumers in ways that are fairer, more efficient, and practical, and support both Net Zero and economic growth. In July 2025, Ofgem published its first Call for Input (CfI) on energy system cost allocation and recovery review. Ofgem published the CfI responses in December 2025[2] and there are plans for a consultation on specific options in Spring 2026.

Citizens Advice supports the development of an improved or alternative model for recouping costs in the energy system that is consumer-centric. As such, the forthcoming consultation represents an important channel for Citizens Advice to help shape the future of energy charges in consumers' interests.

This research was commissioned to add to Citizens Advice's existing evidence base, including building on a survey on standing charges that Citizens Advice commissioned in 2025, in order to inform its response to the upcoming Ofgem consultation.

In particular, this research explored consumers' views, with a focus on **perceived fairness**, of:

1. The **current cost allocation model**, including:
    a. The structure of the energy bills (including standing charges and unit rates)
    b. How funding of energy infrastructure upgrades are split between general taxation and energy bills
    c. Fairness of what energy bills currently fund
    d. Fairness in how costs are allocated across all users.
2. **Alternative cost allocation models**, including:
    a. Metrics like ability to pay/income/council tax bands.
    b. Metrics like capacity-based charges.
    c. Maintaining or removing regional variations.
    d. Models that shift the ways in which energy costs are applied like time of use.

[2] https://consult.ofgem.gov.uk/energy-supply/energy-system-cost-allocation-and-recovery-review/

3. It also explored consumers' **willingness to pay** for:
    a. energy infrastructure upgrades
    b. subsidising others who struggle to pay

2.2 Methodology and sample

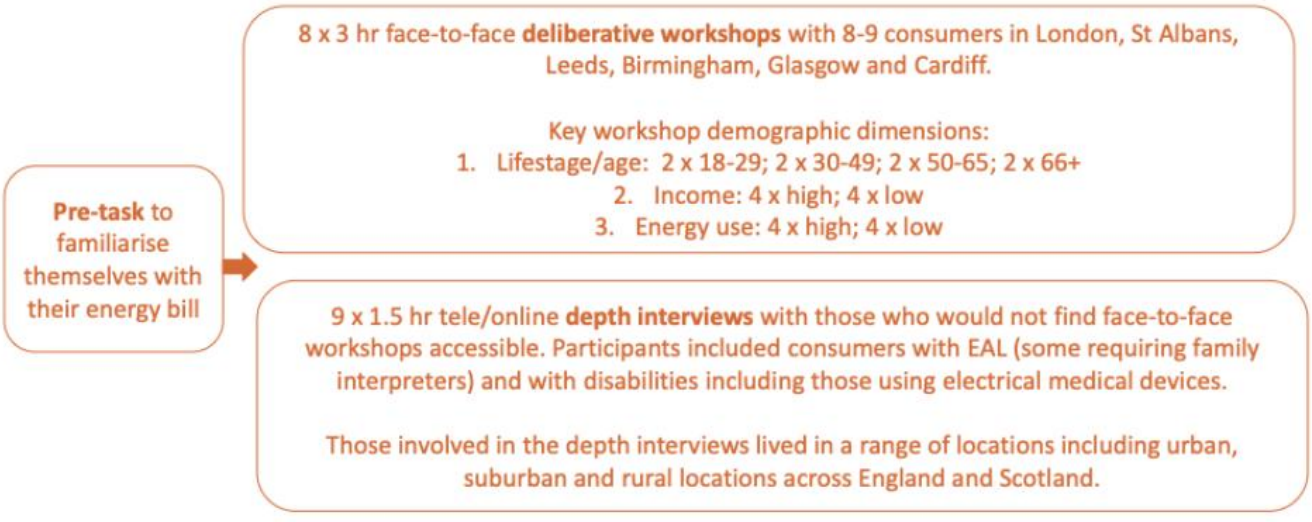
A deliberative research approach was employed in this research, where participants were provided with relevant information and time to consider and discuss it. This enabled participants to engage with the complex and technical nature of energy systems cost allocation and consider various options for future cost allocation. Our approach included:

- **A pre-task** asking participants to look at the breakdown of their energy bills and consider what the standing charge relates to.
- **Information about current energy system cost allocation**, provided using a 'pub quiz format' followed by further information in a visual slideshow format and facilitator script.
- **An information video**, devised and presented by a member of the Citizens Advice policy team, explaining the additional investment required in our energy systems and the case for considering new approaches to cost allocation.
- **Potential cost allocation options** presented both at a high level (e.g. high users pay more vs. high peak users pay more vs. those who can afford it pay more) and including specific cost allocation options (e.g. high users pay more standing charges vs. usage charges). These were presented using a combination of brief descriptions and visualisations of cost allocation approaches developed with a specialist design team.

A mix of data collection approaches were used to ensure access and inclusion. These included face-to-face workshops and online or telephone depth interviews:

- The extended (3-hour) deliberative workshops included participants grouped by common characteristics including age, income levels and whether they were high or low energy users.
- A modified version of this approach was used in a number of depth interviews with those facing barriers to attending workshops due to disability (most of whom had a medical need for energy) and/or having English as an Additional Language (EAL).

A summary of the methodology used is provided below:



Workshop	Location	Age	Income	Other characteristics
1	London	50-65	High: • Min 4 x 1st quartile • Min 4 x 2nd quartile	• 4 x high users of energy • Min 2 x people who have EV charged at home
2	North of England	30-49	Low • Min 4 x 3rd quartile • Min 4 x 4th quartile	• 4 x high users of energy • Min 4 in receipt of means tested benefits • Min 2 in energy debt • Min 2 with low energy flexibility
3	SE other	18-29	High • Min 4 x 1st quartile • Min 4 x 2nd quartile	• Min 4 x low users of energy
4	Midlands	66+	Low • Min 4 x 3rd quartile • Min 4 x 4th quartile	• 4 x low users of energy • Min 4 in receipt of means tested benefits • Min 2 in energy debt
5	Scotland (Edinburgh)	66+	High • Min 4 x 1st quartile • Min 4 x 2nd quartile	• 4 x low users of energy • Min 4 x rural/semi-rural
6	Scotland (Edinburgh)	18-29	Low • Min 4 x 3rd quartile • Min 4 x 4th quartile	• 4 x low users of energy • Min 4 in receipt of means tested benefits • Min 2 in energy debt • Min 4 x rural/semi-rural
7	Wales (Cardiff)	30-49	High • Min 4 x 1st quartile • Min 4 x 2nd quartile	• 4 x high users of energy • Min 2 x low energy flexibility • Min 2 x people who have EV charged at home • Min 4 x rural/semi-rural
8	Wales (Cardiff)	50-65	Low • Min 4 x 3rd quartile • Min 4 x 4th quartile	• 4 x high users of energy • Min 4 in receipt of means tested benefits • Min 2 in energy debt • Min 4 x rural/semi-rural

The research was undertaken in December 2025 and January 2026 by the senior team from Spark Insight led by Katie Pekacar and Monique Rotik. A total of 80 participants were represented in the research. Example discussion guides and stimulus used in this research are included in the Appendix to this report.

2.3 Structure of this report

The next sections detail the findings of the research, as follows:

3. Awareness and perceptions of the current cost allocation model
4. Response to information about energy system changes and potential cost impacts
5. Reactions to alternative cost allocation models
6. Conclusions and implications

3 Awareness and perceptions of the current cost allocation model

3.1 Initial engagement with, and understanding of, energy bills

The majority of participants had **not looked at their energy bill in detail** before participating in this research. Instead, their attention was predominantly on their bottom-line costs and whether these had changed over time. Some also tried to monitor their usage but this tended to be via supplier apps which provided usage analysis rather than unit costs; this was because kWh were perceived to be confusing and not to provide a consumer-friendly measure of usage. Those with pre-payment meters (PPM) had particularly low engagement with their bills as they were primarily concerned with how much and how regularly they needed to top up rather than what rates they were being charged. Some participants also had particular barriers to engagement with their bill due to other circumstances, such as some with English as an additional language (EAL) or mental health issues.

"I look at the amount, so I know how much I'm spending roughly on each one, but I very rarely look at the breakdown on each bill." (St Albans, 18-29, higher income)

"It's something I never understood anyway - all the kilowatt somethings - I just pay the bill." (Cardiff, 50-65, lower income)

"The paper bill you get has become very, very basic. If you go into the app, you really get a really good breakdown." (London, 50-65, higher income)

To prepare participants for the discussion about the current way energy costs are allocated, participants were asked to review their energy bill prior to attending a research session. When participants reflected on this task, most felt that energy bills are **challenging to understand** because of unintuitive terminology such as kWh and tariff descriptions, as well as different types of charges and the overall amount of information contained. More vulnerable consumers and those with PPMs were particularly likely to find energy bills to be confusing. Some felt that this discouraged them from engaging not just with their bills but also with the energy market.

"When I started looking at mine I didn't realise there were quite a lot of different charges, which I just think it's complicated because you'd have thought you'd just been charged for the fuel you're using." (Birmingham, 66+, lower income)

"What I find confusing is what tariffs you can be on, what is a fixed rate tariff vs. a different type of tariff. The usage I can wrap my head around but it's working out the cost based on the tariff that I find confusing." (St Albans, 18-29, higher income)

"I mean, I'm a reasonably educated person, I work with numbers a lot for my job, but I just have a mental block, I think, when it comes to energy. With any discussion about energy prices, it's like 'what on earth are you talking about?' I just end up going with the bottom line. 'What's it going to cost me per month?'" (Depth interview, female aged 54, medical need for energy)

A majority of participants knew their bill included **both standing charges and unit costs**, however:

- Most felt that standing charges were a relatively small part of their energy bill and were much **more focused on the cost of energy used**.

- Some vulnerable participants (e.g. low income, PPM users and EAL), were **not aware of standing charges** before this research. They thought their bill was made up of the energy they used and nothing else.

"Well, it has come as a surprise. I was not aware of this to be honest, that there's a standing charge. I just thought we just got billed of what you used." (Depth interview, male aged 45, EAL with wife translating)

Of those aware of standing charges, **not all knew what they paid for**. Some thought of them as paying for the infrastructure (pipes, cables and maintenance) and/or as a kind of 'access fee' for being connected to the National Grid. However, participants were less likely to identify the other components of the standing charge.

"I don't understand all the individual charges, but the standing charge is that for maintenance and things like that?" (Cardiff, 50-65, lower income)

"If I'm honest with you, I don't really understand it that much, the standing charge...So, can I ask then, the standing charge, what does it do? What is it there for? Is it necessary?" (Depth interview, male aged 50, disabled with medical need for energy)

Most **did not have strong feelings about standing charges** at the start of the research sessions. While many felt that energy bills were generally too high, and that they had gone up a lot in recent years, they did not attribute this to standing charges and most were not aware of whether standing charges had risen along with unit costs. As mentioned above, standing charges were not felt to form a large part of the energy bill and so were felt to be less important factors in bill increases than rising unit rates.

"[Standing charges are] a necessary evil I suppose is the way I look at it." (Depth interview, Perthshire, female aged 54, medical need for energy)

"I think that standing charges have been around for years and it's fair because you need the infrastructure to have it in place. So I think that's fine." (London, 50-65, higher income)

"I think it's quite fair to have that base subscription rate. Everyone's paying it." (St Albans, 18-29, higher income)

However, a small and vocal minority began the research with **strong negative feelings** about standing charges, based on information they had gleaned about:

- Standing charges being a fixed charge applied to bills which had gone up a lot in recent years.
- Examples they had heard of where people had self-rationed to an extreme extent because they couldn't afford their energy bills but were still accruing debt via standing charges.
- A belief that this charge was being used to subsidise energy companies to invest in renewable technologies, which a few felt was not a justifiable use of energy consumers' money, lacked transparency and was effectively providing a 'kick back' to what was believed to be an already highly profitable energy industry.

"Well, I think one of the biggest jokes has been the standing charge. So, our standing charge electricity is now 51 pence a day. That used to be five six pence a day." (London, 40-65, higher income)

"A lot of people complain about standing charge and, if you look at Martin Lewis, he'll say the standing charge is quite expensive really." (Birmingham, 66+, lower income)

"The charity I work for, we support young people moving into their home for the first time. That's something we see a lot, particularly when they have a [prepayment] meter, they're not aware that they're just accruing debt from the standing charge, even if they're not using [energy]." (St Albans, 18-29, higher income)

Some also had personal experience of being a low energy user, or cutting back on their energy use, and still being charged the same standing charge.

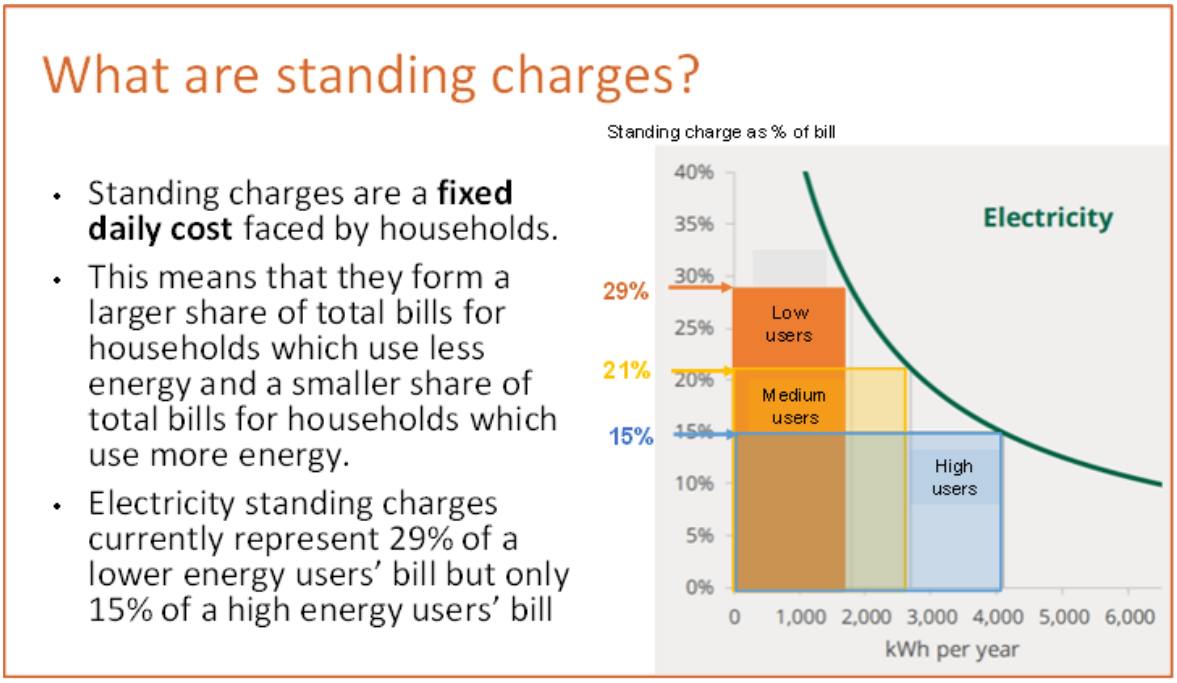
"For my gas I pay more in standing charge than I do for the gas itself because I only use it to cook." (London, 50-65, higher income, carer for someone with a medical need for energy)

"I won't put the heating on unless I really have to. So, I would probably keep a coat on longer or I won't put the heating on maybe until five o'clock at night. But I didn't realise, actually, by trying to keep the bills down I'm still paying. As I just said with that bill, looking at that £22 usage, an £18 standing charge is ridiculous." (Birmingham, 66+, lower income)

3.2 Responses to more information about current standing charges

Responses to information about the allocation of standing charges across energy users

Stimulus presented about standing charges as a percentage of energy bills



Participants had generally not considered that low and high users pay the same standing charge (and therefore that the standing charge represents a higher proportion of low energy users' bills) before taking part in the research.

Once informed, there were mixed responses. Some felt this **allocation between low and high users to be unfair,** especially for those trying to minimise their energy usage and energy costs.

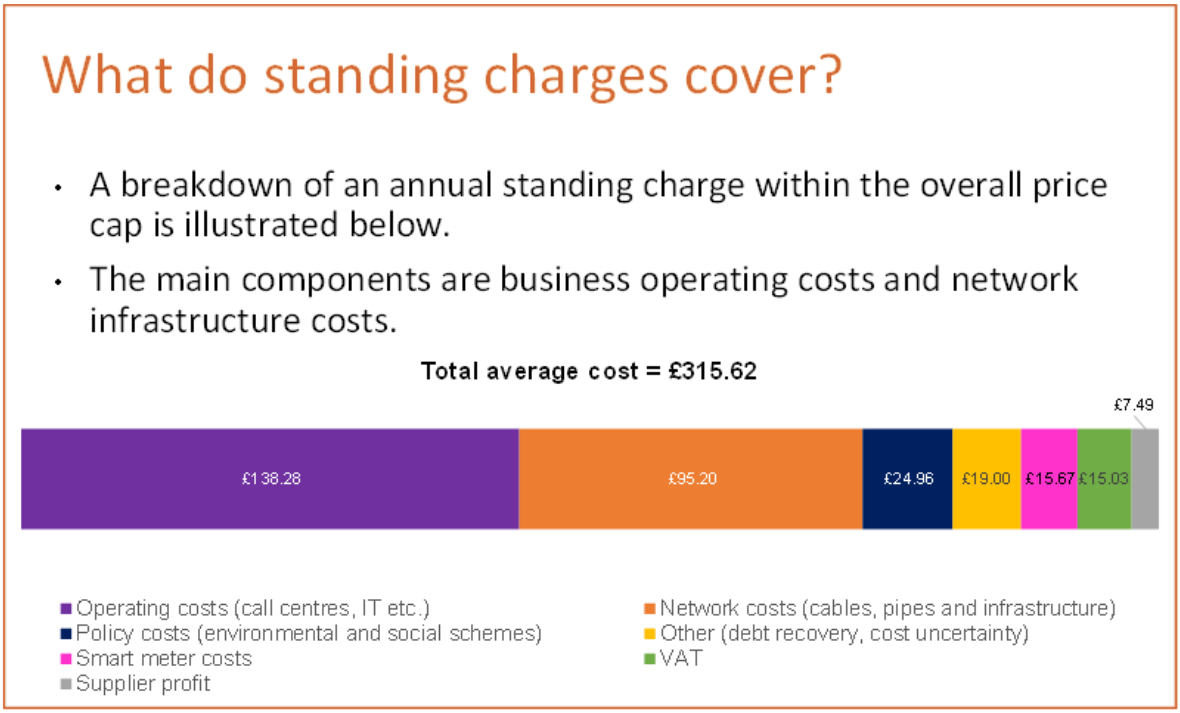
> *"I didn't know someone on their own pays so much standing charge...I don't think someone using much less, say in a one-bedroom apartment, you should be paying the same amount as a 3-bedroom house. I think they should be paying less than what I would be, because obviously I'd be using more than what they're using. It doesn't make sense to me, to be honest."* (Depth interview, female 48, minoritised ethnicity and medical need for energy)

However, others felt that **everyone should pay the same rate** for receiving the service, regardless of how much they use it (on the basis of it being a network access fee). Some who were of this view questioned whether standing charges should therefore be the same across all suppliers and energy deals.

> *"You're all using the same even if you're using electricity or not using electricity, you're hooked up to the grid and therefore using that service regardless of how much energy you use."* (St Albans, 18-29, higher income)
>
> *"It's like a flat rate admin charge, and then you're paying for the units or what you use. That's with the majority of services you're paying for... It's like when I'm taking car insurance out, if I'm not using my car for the whole month, I still have that. So, I get that from that point of view. It's basically charging me, like, a flat rate for the fact that you're getting a service."* (Depth interview, female 49, EAL)

Responses to information about the composition of standing charges

Stimulus presented about the composition of standing charges



When presented with information about what standing charges pay for, almost all were surprised at **how many different cost items the standing charge covered**. Some participants did not take issue with how the standing charge breaks down. However, others were critical of this and they tended to feel most negative about the **supplier overheads and smart meter costs** wrapped in the standing charge:

- Supplier delivery costs were felt by some to be too high a proportion of the standing charge, and many felt that this should have been included in the unit rate, similar to other products which are priced to include supplier overheads.

"Every company in the UK allows within their costs for their call centres, it would come out of their general profits. They would not say, okay, we're going to charge you an extra amount for our operating costs." (London, 50-65, higher income)

"They're not even that easy to get through to on the phone or anything. You're paying a lot for operating costs." (Birmingham, 66+, lower income)

- Smart meter costs were a bugbear for some because they felt that smart meters had been pitched as 'free' to consumers, when in fact they were paying for them. Those who did not have smart meters fitted yet were not happy to be paying for a service they did not receive.

"I was quite surprised at the charge for the smart meter...They don't have people coming knocking on your door going to come to read your meter anymore so that's a saving anyway." (London, 50-65, higher income)

Many participants were surprised to hear that billpayers were paying for **energy policy costs,** including the Warm Home Discount, through their energy bills but most felt that this was a small proportion of their bill each year and were **willing to cross-subsidise** more vulnerable consumers on this limited basis. That said, a minority were more ambivalent or negative about these costs:

- People who received the Warm Home Discount and had not realised they were also paying for it through their bills.
- Some who felt that the Warm Home Discount had been mis-sold to them as something 'government' was paying for and they felt this was another example of lack of transparency in how energy bills are calculated.
- Some felt that, if they were contributing towards lowering the energy bills for vulnerable consumers, energy companies should also be making an equal or larger contribution themselves.

"We are paying towards the Warm Home Discount. Of course, the money has to come from somewhere but the governments are going 'oh well we are providing the Warm Home Discount' and it's like, hang on a minute, we are buying our own Warm Home Discount." (London, 50-65, higher income)

The **allocation for supplier profits** in the standing charge also caused some comment:

- Some were surprised to see that that profits were a relatively small part of the standing charge and had expected it to be a higher amount. Although they broadly accepted this

amount was probably correct, they also felt that there was other profit being accumulated elsewhere in the energy system which was not accounted for in this breakdown.

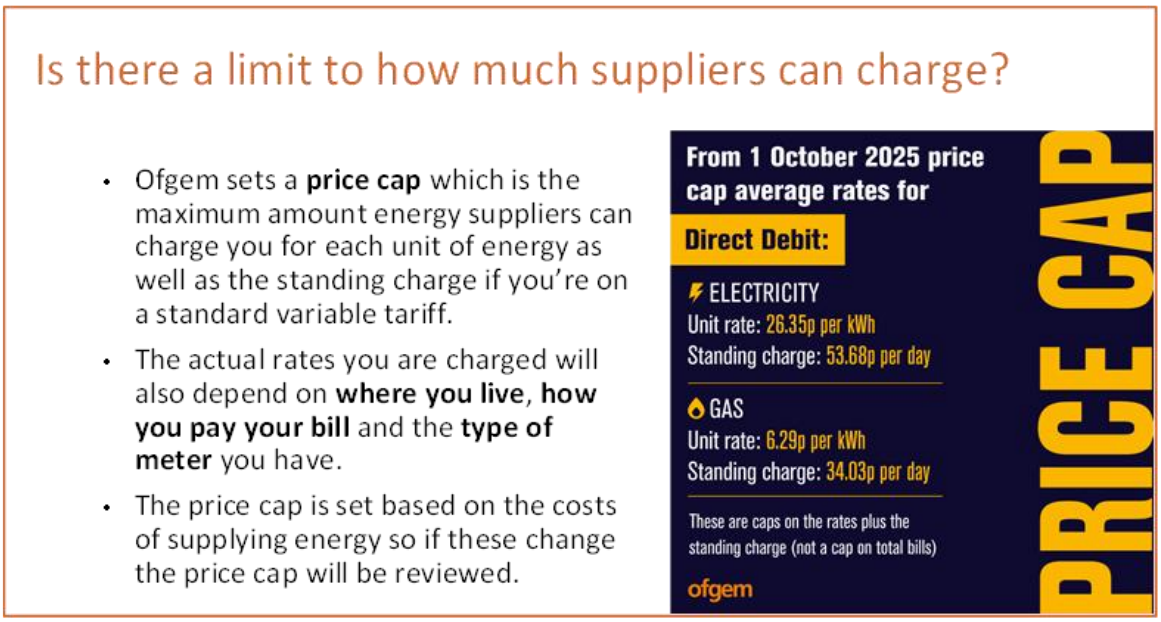
- A small minority felt that profit should be built into the unit rate rather than being included in standing charges, especially where they see standing charges as covering essential infrastructure for the energy system and other aspects of energy bills which are overseen and mandated by government policy.

"It includes kind of other running costs which are basically profits, let's say, but they're not being put in a profit column on the accounts books then that's not fair." (London, 50-65, higher income)

"The company that I have decided to sign up with shouldn't be benefiting from [the standing charge]." (Glasgow, 18-29, lower income)

Responses to information about the price cap

Stimulus presented about the price cap



There was some initial awareness of the energy price cap among participants but there **was not a high level of understanding** of how the price cap works (e.g. that it covers both unit costs and standing charges but only applies to those on standard variable tariffs and increases if costs of providing energy increases).

"I knew about it [the price cap] but I didn't know what it was though. I didn't know those are the figures." (Cardiff, 30-49, higher income)

In addition, most felt that it had *not* impacted their energy bills in a notably positive way because they did not know how much their bills would have been if the price cap was not instituted. Some checked their bills on being presented with example price cap figures (for electricity paid for by Direct Debit) and noted that the standing charge and unit rates they were paying were not the same as those in the price cap, which caused some confusion initially.

When facilitators explained that the price cap was to protect those on standard variable rate tariffs who may not actively engage with the market, this was broadly accepted as fair. However, some suggested that those who had taken on fixed rate tariffs should be similarly protected and should not be penalised by paying higher rates than the price cap for attempting to engage with the market.

"I think you have to have [the price cap] otherwise different providers will charge [whatever they want] probably and they'd be stuck with it, the people who never change." (Birmingham, 66+, lower income)

The price cap information also prompted some participants to compare the standing charge rates they pay with others in their workshop. They noted that they were all paying different amounts, which they found to be confusing in the context of the price cap, and also introduced the idea that there was a variation in standing charges across tariffs, which many had not realised before participating in the research. On learning about this variation some questioned the fairness of this as they expected these charges to be standardised (some even referred to them as 'standard charges').

Attitudes to current cost allocation of standing charges after receiving this information

Overall, the information provided about standing charges caused some participants to **reconsider what their energy bill actually is.** They came to the research believing they were paying for energy on the basis of their usage but began to regard energy bills as (at least partly) a form of taxation or levy for the delivery of services, and government initiatives funded through the standing charge.

"The tariffs and the VAT both seem to be like nothing more than a tax." (London, 50-65, higher income)

Amongst this group, some accepted that energy bills include a provision for energy system costs. However, others were critical of this, as they felt that energy bills should be purely a charge for service usage and that system costs should be paid for elsewhere. They felt that bundling in energy system costs was an inappropriate 'muddying' of the waters in terms of what energy bills were paying for, because it was using a for-profit company to collect what was essentially taxation-type activities such as bill support and infrastructure management income which the government was responsible for overseeing. Even some who were accepting of bills including energy system costs felt that this system had arisen without the knowledge of consumers, and without their explicit consent, which felt unfair.

Despite this debate, **most felt neutral about standing charges** following this section of the discussion and there was not a strong call for standing charges to be scrapped.

"I think at the end of the day, there has to be a baseline cost contributing to maintenance of the infrastructure. Otherwise, we're going to have similar issues to what we see with the water system." (St Albans, 18-29, higher income)

In addition, even those who felt the current cost allocation of standing charges between high and low users, or what it funds, is unfair regarded the following other aspects of energy system charges to be **bigger fairness issues**:

- General lack of affordability and that energy prices seem to keep rising.

- People who are high users through no fault of their own (e.g. medical need for energy, large households, fuel inefficient homes), and who struggle to pay, may not receive sufficient support.
- That some people are having to significantly self-ration energy use or make decisions about heating or eating.
- That the complexity of energy charging made it difficult for consumers to engage with the market to access the best deals.

4 Response to information about energy system changes and potential costs impacts

4.1 Information provided to participants about energy system changes

A video from Citizens Advice was presented to participants which included the following information:

- The scale of investment required in the energy system and what this would pay for (£80 bn recently announced for gas and electricity transmission, perhaps £150bn overall in the next 10 years).
- The move towards greater electrification (including home EV charging) meaning we will all become higher electricity users
- Potential future gas decommissioning (after the pilot workshop the information provided about gas decommissioning was reduced to a short statement that it may take place in future and would need to be paid for)
- How the investment process would work: upfront costs paid by investors, with total costs recovered from energy bills over the next 20-40 years.
- Estimated impact on energy bills with current energy cost allocation of c. £100-£150 per bill per year.
- The case for considering new energy cost allocation: the projected increase in the proportion of low users' energy bills that are made up of standing charges if the current system remains.

4.2 General reactions to information provided

Prior to receiving this information, participants hadn't appreciated the scale of investment required or that this meant the gas network would be fully decommissioned at some point.

They tended to find the information and sums involved overwhelming and difficult to process. Their main takeaway from the presentation was that their **bills would need to rise considerably** to fund this investment which caused some participants significant concern.

"That's a lot of money and who's going to pay for it? Probably us, we're going to end up paying more. I feel it's unfair for the lower-income people, you know, a lot of people can't afford to put food on the table, even when they're working. I mean, middle class and higher class would probably be alright with it, and they're gonna love the new technology, but what happens to the working class and lower-income people?" (Depth interview, female aged 48, minoritised ethnicity and medical need for energy)

"I just thought it's going to cost more and bring more pain. I just feel again that the consumers will have to foot the bill for something that the electric company should have been dealing with for years." (London, 50-65, higher income)

Some participants noted that, while the sums required were quite clear (albeit huge), the actual benefit of the investment for consumers - particularly in terms of **future saving on energy bills - was not clear or well defined**.

"I don't really much understand the benefits of it, but I understand what they're trying to do. They want everyone to kind of be an electric, you know, obviously, they're trying to obviously help the environment, aren't they?" (Depth interview, female aged 49, EAL)

"There's going to be new infrastructure, et cetera, et cetera. I was like 'okay, is it going to happen? Are people going to save money?' I think people just want to know whether they can save money from their bills. They don't really care about anything else. As long as you're saving money and the bills are not high, fine." (London, 50-65, higher income)

Similar to what was found in the consumer research conducted by Ofgem in 2025[3], some participants were **sceptical** about:

- Whether the infrastructure investment would achieve its aims.
- Whether the amounts required could go up and cost more than planned.
- Whether future governments would row back on this investment, thereby wasting energy consumers' money.

"Every major infrastructure project in this country has gone up in cost - doubled or trebled. They can't just keep coming back to the well for more." (Glasgow, 66+, higher income)

"No one knows what that will cost and you might not even see a benefit in our lifetime. So, who knows, we could end up with a different government who don't want to have green energy." (St Albans, 18-29, lower income)

Despite these questions, **only a small minority was actively opposed** to the investment. These tended to be participants who were already struggling to pay their energy bills, or those who were against standing charges at the beginning of the research sessions. Their position was that:

- It was too much for the country to afford at present, especially if those costs were going to fall on bill payers.
- Rather than spending money and raising consumers' bills, the government should be looking at ways to reduce bills.

However, there was **resigned acceptance** rather than active resistance toward the need for future energy infrastructure investment by most participants who wanted to ensure that Britain has a high-quality modern energy infrastructure.

"It's like a basic service. It needs to be maintained and funded well." (St Albans, 18-29, higher income)

[3] https://www.ofgem.gov.uk/sites/default/files/2025-07/Deliberative%20research%20on%20the%20future%20of%20energy%20pricing.pdf

Most were also aware and accepted that the country needed to move toward renewable energy and a more resilient energy infrastructure, despite not having thought about what that might mean in terms of costs, or who would pay for this before taking part in the research.

In addition, the majority agreed that raising standing charges to **c.35% of lower energy users' bills to fund the infrastructure investment would be unfair** and felt that other options to the current cost allocation model should be considered.

4.3 Willingness to pay for infrastructure investment

Participants' preference would be for these additional infrastructure costs to be borne by **other groups to consumers**, although there was no consensus on what the best alternative funding option would be:

- Most would prefer for energy companies to pay for this infrastructure instead of consumers, however they also felt that this may not be realistic because energy companies could refuse to pay or pass on the costs to consumers in some way.
- Some also felt that businesses, in particular large corporations, should contribute more toward the energy infrastructure upgrades as they were likely to be bigger users of energy, and therefore to put more pressure on the grid as well as to benefit more from lower costs in future.
- Some felt that the investment should be paid for out of general taxation, however the majority disagreed with this approach, feeling that taxes are already too high.

If consumers are to be required to fund this investment, participants had mixed views, based on the information provided, on what impact this could have on **their own energy costs:**

- Most of those on lower incomes felt that the additional cost would be very noticeable.
- However, those on higher incomes/not struggling to pay felt that they might not notice the additional cost (of just over £10 per month).
- Even some lower earners felt they were so disengaged from the detail of their energy bills, and resigned to the rising cost of living, that they may not realise if their standing charges increase in the future.

In terms of their own willingness to pay for this infrastructure, there were some variations between the attitudes of **high- and low-income** participants on such energy infrastructure investment:

- Lower income and vulnerable participants were more likely to be resigned to the costs involved, due to a feeling of lack of agency, but they were also more sceptical about whether this would result in benefits for them. They felt that the decision to make the investment had already been made, that energy bills would consequently go up and there was nothing they could do about it. They also perceived that other consumers than them would stand to gain most, such as EV users who were perceived to be already well off.

"I can understand that, you know, trying to get us to a more sustainable place in the future, we need the prices to go up before they can go down. I totally get that, but then the impact on those, like myself, who have a disability is really concerning, because I don't choose to use so much electricity. It's something that I have to do, if I don't charge my wheelchair, I can't move around. I can't stop using my stairlift, I still need to go up and down." (Depth interview, female aged 40, minoritised ethnicity and disabled/with a medical need for energy)

- Higher income groups tended to be more accepting that investment is probably needed and more able to envisage the potential benefits. However, they wanted to hold government and energy companies accountable for the investment to ensure that it provided the outcomes intended.

"I feel like it's quite like a generalised plan. They need to really think about which types of energy they want to prioritise… I think they need to make it a bit more streamlined so that they can invest as meaningfully and efficiently as possible." (St Albans, 18-29, higher income)

There were also some differences in how positively people viewed the investment based on **age, ethnicity and attitudes to renewable energy:**

- In general, younger people were more likely to feel positive about investing in renewable energy and envisage how this would positively impact them in future, such as through lower energy bills and environmental benefits.

"I do agree. It's like, if you are going to pay for something, renewable energy, the environment is the thing to pay for." (St Albans, 18-29, higher income)

- Older people were less inclined to feel that this investment would benefit them, because they would not be around 20-40 years in the future. However, some older people were positive about renewable energy for the benefit of future generations and felt that it was important to transition away from fossil fuels even though this might not benefit them personally.

"We're going to be paying for it but we won't see any benefit from it." (Cardiff, 50-65, lower income)

"It's good that they're thinking of going greener and everything right now." (Birmingham, 66+, lower income)

- Members of the South Asian community were very resistant to decommissioning gas for cooking and particularly resented being required to pay for something they actively did not want.

"We use our gas hobs for our cooking. We wouldn't be able to use electric, as Asian families, we'd struggle. Oh god, I don't know how we'd make our curries. I really don't like the idea of gas going. Is that what they're really looking at?" (Depth interview, female aged 49, EAL)

However, only a minority overall were **strongly opposed to energy consumers and/or the general public funding at least part of these costs.** This group felt that either energy companies should be paying or that energy infrastructure should be publicly owned. A larger minority questioned the

benefit to private investors and felt that the public should also receive a return on their investment in new energy infrastructure.

Overall, there was **no consensus about the fairest cost allocation** approach prior to introducing Ofgem's options.

5 Reactions to alternative cost allocation models

5.1 What alternative cost allocation approaches participants were asked to consider

Participants' views were sought on the following alternative cost allocation approaches that Ofgem is currently considering[4]:

A. Charges that vary with amount of energy used

- Option A1 - standing charge based on maximum use
- Option A2 - reduced standing charge, greater recovery from the unit rate
- Option A3 - no standing charge, recover all system costs from the unit rate with a rising block tariff

B. Charges that vary with time of use

- Option B1 - standing charge linked to use at peak times
- Option B2 - lower standing charge, offset by higher unit rates linked to use at peak times

C. Charges by location of use

- Option C1 - Standing charges vary regionally, reflecting different costs and signals
- Option C2 - Standing charges applied consistently to all GB regions

D. Charges that vary with ability to pay

- Option D1 - Income-based standing charge
- Option D2 - Wealth-based standing charge

Participants were asked about each of the high-level approaches before they were asked to consider the detailed options within these. As mentioned in the introduction, these were presented using a combination of brief descriptions and visualisations developed with a specialist design team.

5.2 Contextual factors influencing participants' responses

There were some key contextual factors at the time of this research that influenced many participants' responses to the information provided and their assessment of fairness in energy cost allocation. These included broader societal factors:

- **Cost of living:** participants perceived that the prices of many essential elements of life (e.g. housing, food, fuel) have increased dramatically since the COVID-19 pandemic, making it harder to afford the basic necessities of life.
- **Recent tax rises on wages for higher earners:** immediately prior to this research, the Chancellor announced tax rises for higher earners which were expected to impact many 'ordinary working people'.

[4] https://consult.ofgem.gov.uk/energy-supply/energy-system-cost-allocation-and-recovery-review/supporting_documents/energy-system-cost-allocation-and-recovery-reviewpdf

They also included energy-specific factors:

- **Energy price rises:** the high and ever rising cost of energy was believed to be making a substantial contribution to overall cost-of-living increases and causing some consumers to be forced to significantly self-ration in order to afford their energy bills.
- **Perceived complexity and opacity of bills:** lack of clarity in both bills and tariffs was perceived to discourage consumers from engaging with the energy market to access the best deals.
- **Lack of trust in energy companies:** participants did not feel confident that energy suppliers were transparent or fair in how they charged consumers for energy.

When participants assessed the fairness of different cost allocation models, this context had a strong influence on what they thought was fair. The impact of these factors meant that participants came from a starting point of **great reluctance to accept consumers paying more** for energy due to their view that current energy prices are already too high, their lack of trust in energy suppliers to charge them fairly and their expectation of a soon-to-be increased tax burden on working people who are already dealing with a high cost of living..

5.3 Personal circumstances and beliefs influencing participants' responses

Participants' concepts of what was fair in terms of cost allocation was also influenced by their circumstances and beliefs. There was no single definition of fairness, and participants remarked that what felt fair to one person, may feel unfair to another.

Those struggling to pay their energy bills focused on **affordability** – this was a basic hygiene factor in terms of fairness, and one that some felt was not being met at present, let alone in the context of paying for new investment. Those not struggling to pay did not necessarily consider this first in their assessment of fairness but they did generally agree that it is unfair if some consumers cannot afford a basic level of household energy. The focus on affordability also meant that it was easier for participants to suggest who should pay *less* than more under an alternative cost allocation model.

There were also some **other beliefs** that influenced some participants' perceptions of fairness in relation to cost allocation:

- **Energy is a consumer service**: Those of this view believed that consumers should pay for what they use and take responsibility to ensure that their energy use is within their means to pay.

"You should pay for what you use." (Leeds, 30-45, lower income)

"If you use it you should expect to pay for it." (Cardiff, 30-49, higher income)

- **Energy is an essential utility**: Those of this view believed that energy is more than just a consumer service and ability to pay should be a consideration.

"You can live without Netflix, but you can't live without gas and electricity." (St Albans, 18-29, higher income)

"I feel like, when you are paying tax, it's proportionate to your earnings, but with the standing charge everyone is paying the same amount. Why should someone earning less maybe be paying the same as me and why should someone earning more be paying the same?" (Glasgow, 18-29, lower income)

- **Energy is an asset**: Those of this view believed that those who stood to benefit most from the infrastructure investment and low carbon transition should pay more for it (this was not covered in Ofgem's options).

"We bang our drum about our self-sufficiency with energy in Scotland but where is the benefit to us? They sell it to other companies and then sell it back to us. The question I am asking then is 'what's the point of doing it in the first place'?" (Glasgow, 66+, higher income)

"Yeah, the winners here are the electric vehicle users. That's great if you could afford an electric vehicle but it costs a lot." (Depth interview, male aged 50, disabled with medical need for energy)

5.4 Reactions to charges that vary with the amount of energy used - overall

Charges that vary with the amount of energy used were more likely to be felt to be fair than other approaches as this **aligns with the user-pays principle** referred to above. It was felt that those who use more energy should also pay more because they put more pressure on the energy system than those who use less energy.

"This is my mentality - to me, if you're using more you can afford it because when you can't, you do cut back." (Depth interview, female aged 48, minoritised ethnicity and disabled with a medical need for energy)

In particular, **EV users were felt by some to get an unfairly cheap deal on energy**, while also having a big impact on the energy grid and contributing to the need for the investment infrastructure in the first place.

"I think that's why it is fair for people like me to be punitively charged and other people haven't got that cost to absorb [because their EVs are so cheap to charge]... So, if we're consciously investing to have an electric car, and it's going to use so many more thousand kilowatts per month and years, why should we not pay more towards that? Because we're having to build more energy infrastructure for it." (St Albans, 18-29, higher income)

In addition, this approach was perceived to address the **unfairness of low energy users paying a higher share of their energy bill in standing charges** than high users, despite putting less pressure on the grid.

"It should reflect on what you actually usage I think... So higher users will spend more on standing charges." (Leeds, 30-49, lower income)

"I'm looking at is it fair really for low users? Because if I'm kind of sitting in my house with my coat on, I'll be a low user. And then why am I doing that when I'm paying for somebody else to sit in their house nice and warm." (Birmingham, 66+, lower income)

The perception of fairness associated with this approach was also related to some participants' belief that it is **important for all consumers to control (and, if necessary, reduce) their energy use**, in order to ensure their bill is within their means to pay. This is despite the fact that:

- Many low users acknowledged their low use was due to external factors (such as being in a small household, being out of the house for the majority of the day and/or living in a well-insulated home) rather than active self-rationing.
- Some participants had tried to ration their energy use because they are in energy debt or struggling to afford their bills, and they reported that they found this very difficult to achieve without deleteriously affecting their health and wellbeing.
- The real-life examples that participants gave where they or people they knew had managed to noticeably reduce their energy use was through investing in solar panels or moving to a much smaller or more energy efficient property, measures that were either financially out of reach or impractical for many.
- Participants also noted that many devices used in the home these days need to run all the time and cannot be switched off (e.g. Ring doorbells, Wi-Fi routers etc.) which limits the extent to which consumers can reduce their energy use.

Related to this, some foresaw a potential additional positive impact of encouraging some people to **adopt more energy efficiency or low carbon measures** in their homes, as long as support was available to help those who couldn't otherwise afford this.

"High standing charges may incentivise people who are high users to start thinking about renewable technology or other ways. But this goes back to what other things the government can do to support high-usage families. They could have schemes running where they can help low-income families with, like, renewable technology, or even, you know, doing their loft or their walls, the covered walls, and stuff like that." (Depth interview, female aged 40, minoritised ethnicity and disabled with a medical need for energy)

However, a few suggested that the usage-based costs should only be levied to cover **additional infrastructure investment fee**, while parts of the standing charge are kept as they are currently.

"I had two kinds of streams. The first one was for maintenance. So, like, upkeep of the existing system. I think that shouldn't be proportional to how much you use because it's the same service and no one's getting it. But then if you're talking about new investment in green energy and, like, sustainable energy, then I think that should be proportional to usage because high users are going to benefit more from those reduced costs." (St Albans, 18-29, higher income)

There were also some who saw merit in this approach but wanted to ensure it is **only levied on those high users who can afford it.** They would not want people who have no choice about their high usage to be penalised, particularly if they are living on a low income. They felt this especially about those with a medical or health-related need for energy but also applied this principle to other low-income groups with high usage (e.g. large households, families with children etc.).

"I thought just, like, if you're using more energy, then you should be willing to pay for it and also contributing more towards maintenance of the infrastructure. I always feel that, like, vulnerable groups should be protected, though, like by the PSR and things." (St Albans, 18-29, higher income)

"I'm thinking of families who can't really afford it but have to put the heating on quite a lot because they've got young children and babies and all the rest of it. So that would be a shame if they're paying even more." (Glasgow, 66+, higher income)

"Maybe they need to kind of take consideration for people with health needs or pensioners. Maybe the government needs to give people with health needs or lower incomes exemptions, then." (Depth interview, female aged 49, EAL)

Without applying discounts or exemptions to low-income high users, participants could see a **negative unintended consequence** associated with this approach of encouraging people to self-ration energy (even more than currently) to the detriment of their health and wellbeing.

5.5 Reactions to detailed options for amount of use charging

Participants found it challenging to undertake analysis of the fairness of the detailed usage-based cost allocation options, because they had to make a lot of assumptions about the potential impacts of each on different types of consumers and did not have access to e.g. financial modelling.

In the absence of evidence about the potential impact of each approach, they used their own rules of thumb to assess the models – some of which conflicted with each other. This meant that it was not possible to develop a consensus across the sample and even within homogeneous demographic groups.

Factors considered by different participants when assessing the specific cost allocation options included:

- **Affordability** – whether the option was felt to make it more affordable for certain groups, particularly low users and those living on low incomes, was a key fairness consideration.
- **Predictability** – linked to affordability, predictability was very important to lower income earners as they wanted to be able to budget for their bills and avoid the risk of bill shock.
- **Simplicity** – this was also valued, as complexity was felt to be at odds with fairness because it acts as a barrier to engagement and bill optimisation.
- **Control** – some prioritised options that are proportionate to usage which were felt to best enable consumers to manage their energy spend by controlling or reducing that usage.
- **Transparency** – this was also mentioned by some who felt it was important to make it clear what any new investment-related charges were on rather than obscure these by bundling them in with other costs. However, it was also acknowledged that transparency could lead to greater complexity of bills and it was less important to most than simplicity.

Each of the detailed options was perceived to have both positives and negatives and, as such, none was seen as significantly fairer than the other:

	Perceived potential positives	Perceived potential negatives
All options	More affordable to low users	Less affordable to high users, especially those on low income and unable to reduce usage
Higher standing charges	More predictable bills compared to higher usage costs	More ability to control costs by reducing usage compared to higher standing charges
Higher usage rates	More ability to control costs by reducing usage compared to higher standing charges	Less predictable bills compared to higher standing charges
Rising Block Tariffs	As per higher usage rates plus potentially more simple as standing charges and unit rates are bundled into an all-in-one bill	As per higher usage rates plus less transparent about cost allocation

In terms of the options for charges based on amount of usage, it is also important to note that for those for whom this approach was acceptable, most were ultimately *not* in favour of **variable unit costs for higher usage**. They felt that if unit costs need to increase, everyone should pay the same higher rates and that high users will still pay more than low users this way due to their higher usage.

Participants were more inclined to feel that **variable standing charges** based on amount of usage are fair as it was expected that higher users put more pressure on the grid. However, there was also a minority view that the standing charge should be a flat rate as a standard access fee.

As such, on consideration the least popular option was the **Rising Block Tariff (RBT).** However, as mentioned above, this was on an 'in principle' basis rather than in response to detailed modelling of the impacts of these types of charges on different types of consumers.

5.6 Reactions to charges that vary with time of use - overall and options

Most were not aware that time-of-use tariffs already exist or that these are likely to become more common in the future to help balance the grid.

Differential charging for peak/off-peak use was expected to benefit those who can be more flexible in their energy use, particularly those who have invested in an EV or low carbon measures at home who were felt to be already in a better off position financially.

"I just have a real bugbear with electric vehicles. To me, that's sort of still at the elitist stage. It's been like the whole solar panel thing. You have to be economically well off to be able to invest in it. And it's not feasible for most people for another 10, 15 years when the prices come way down." (St Albans, 18-29, higher income)

However, such an approach was anticipated to **disadvantage the majority of households** who are unable to be flexible in their use, particularly those with a medical need for energy, and with young children at home, as well as those with standard work patterns. It was therefore felt that those with the capital to invest in new technologies in their home would benefit from cheaper rates of energy, while the majority not able to afford these would be subsidising the well-off.

"I've a child with autism who sticks to certain times - he has to have a bath when he comes home from school. That's something I couldn't change, and that will be the same for a lot of people across the country." (Cardiff, 50-65, lower income)

"The peak time is when, you know, you're getting up with your kids, or you're putting them down, so it's going to be really hard for them to change their usage, and they're the ones that are going to get drastically impacted, and especially where we're already looking at child poverty already and I would say. It's gonna impact them, especially where they're, like, a lower-income family." (Depth interview, female aged 40, minoritised ethnicity and disabled with a medical need for energy)

This also sparked a discussion of potential generational inequity, where those who had retired could make the most of off-peak rates while those in the working population would be penalised. In addition, some younger participants perceived that the older generation would have greater capital to put toward home upgrades than they would.

"The vast majority of people working, whether they're lower pay to mid and high, those are the people trying to fight to pay their bills, really. Those are people struggling most these days, working people." (St Albans, 18-29, higher income)

For all these reasons, a blanket adoption of this approach was **not perceived as fair** as participants wanted consumers to have a choice of time-of-use or flat-rate tariffs, depending on their needs.

Another potential issue identified was that if this approach led to widespread behavioural change, with many consumers moving to off-peak usage, the measures may then not generate sufficient revenue to cover infrastructure costs.

"They'll just make it so we all pay peak time prices." (Glasgow, 18-29, lower income)

Views of this approach **did *not* vary when considering the specific options**.

5.7 Charges that vary with ability to pay - overall and options

This was the most polarising approach overall with strong views both in support and opposition expressed:

- Some participants strongly felt that just because some consumers can afford to pay more for energy, they should not be charged more for the same service and effectively subsidise others' use.

"I think this [ability to pay] is the worst because then they're going to want all your information. They're going to know all your income, all your asset details. If you got to that, I'd jack my job in. I'd think get on Universal Credit... It's called not *making work pay."* (Leeds, 30-49, lower income)

- Others strongly perceived that this would be the most fair way to divide up the additional infrastructure investment.

"If you can pay a bit more, I think it'd be good to pay more." (Depth interview, male aged 50, disabled with a medical need for energy)

Negative responses to this idea were influenced by recent announcements of increases in taxes for working people which contributed to some believing it was not fair to require higher earners to shoulder the majority of the burden for infrastructure investments, when far greater wealth sits in corporations and investment portfolios rather than with working people.

"I'm a one-parent household, higher earner, but why should I be punished for having a good job? I worked my arse off to get into that position. it's not my fault I've got a good job - I'm not going to pay extra because of that. Plus, I've got all the other bills to pay by myself." (Leeds, 30-45, lower income)

Some also felt this approach would *not* be fair if it did not also consider people's **cost of living**, an issue felt to be particularly pertinent to disabled people due to the 'disability premium'.

"I do get a decent wage but, with my disability, I also have 50 other bills that I have to pay that a non-disabled person wouldn't have to pay and I'd automatically fall into this." (Depth interview, female aged 40, minoritised ethnicity and disabled with a medical need for energy)

Those who **supported the fact that the part of the current standing charge pays for infrastructure and energy policy objectives** were more likely to be positive about this approach to cost allocation, particularly in relation to the additional infrastructure investment.

There were mixed views about the two specific options provided for charging based on ability to pay:

- Cost allocation based on **income** (using HMRC data) was felt **by some** to be more accurate and flexible than assets, however others regarded it as intrinsically unfair to allocate energy costs based on earnings rather than usage.

"If your income is nothing, you pay a lower standing charge. And then as your income… increases, it's like a ladder, so it's more manageable." (St Albans, 18-29, higher income)

"I don't think it should matter what your career is for how much you pay for your energy. It's my business [what I earn] and nobody else's. The taxman gets enough of it." (Leeds, 30-45, lower income)

- Cost allocation based on **wealth** (using council tax bands) was felt **by some** to be more closely linked to predicted energy usage, and therefore fairer than an income-based model. In addition, some disabled participants felt that council tax would be fairer as it currently

takes into account their disability. However, others felt that those who are asset-rich did not necessarily have the means to pay higher energy bills.

"When you're looking at someone's income, you're not looking at their health condition, where I've got a premium because of extra bills, because of my disability, but the Council do provide some kind of a discount on your council tax bands." (Depth interview, female aged 40, minoritised ethnicity and disabled with a medical need for energy)

"Council tax bands are a bit of a blunt instrument because you will be starting to pull in the people who are asset-rich but cash poor." (Depth interview, female aged 54, medical need for energy)

5.8 Charges by location of use

Participants were not generally aware that the standing charge for energy (or water) currently varies by region.

Once informed, most felt that it would be **fairer to smooth these out** as people don't always have a choice of where they live, and those living in higher cost locations for energy, such as in rural areas, may also be disadvantaged in other ways (e.g. lower wages, poorer infrastructure).

"There'll be people who are born and bred in a certain area and they've got a livelihood there as well, and I don't think it's fair that they're penalised more. I think it should be just a flat rate across the country." (Depth interview, male aged 50, disabled with a medical need for energy)

"I think we should be paying the same, just because everyone's got to have energy and water, no matter where you go. We're not in a third world country." (Depth interview, female aged 48, minoritised ethnicity and a medical need for energy)

"If you're a farmer in Cornwall and you are providing milk for the UK and it's a lot more expensive to get the pipes there and infrastructure there, and you're paying for that, but actually you have to live on a farm to give milk. I just thinking again it's just completely unfair." (London, 50-65, higher income)

However, a minority felt that the charges should continue to **reflect the cost of supplying energy** to that location.

"I think it's fair to depend on the location where you are. Obviously, if it's costing more to send energy out to that particular place, then that area needs to be charged more. That's with everything. I know when I'm paying for insurance, in certain areas, the insurance is more high, depending on population, accidents, and there are certain places where they're more cheap. Yeah, I'm happy with that." (Depth interview, female aged 49, EAL)

"I'm just thinking of my Auntie. She lives on Islay, which is like a tiny island off the coast of Scotland and it costs her like £18 to get Amazon parcel delivered because it just takes like a week. So, if it's the same problem, energy providers are having to get stuff over there, it's going to have to cost them more to reach them." (St Albans, 18-29, higher income)

5.9 Willingness to cross-subsidise others

As mentioned in previous sections, there was consensus that those who have **high energy use 'through no fault of their own'** (i.e. due to medical need, disability etc.), and are struggling to pay their bills, should be supported financially. Some participants presumed that those who needed help with their energy bills due to medical reasons already receive this. However, this was not borne out by the experiences of many participants who did not receive financial support, despite needing to use more energy for health-related reasons.

> *"My mum's blind and she's basically immobile so now we have a stair lift and watch the electric bill go up."* (London, 50-65, higher income)
>
> *"There are people who get support through their benefits, whether it's for disability or other medical stuff. But for her, because it's more chronic [arthritis], it's not really recognised. And she experiences more cold, she has to run the heater more and needs the use of her water and such."* (Depth interview, female aged 47, EAL and with a medical need for energy)

Once informed, participants did not object to the current contribution that consumers make to **support others struggling to pay their energy costs** through the standing charge, partly because it is perceived to currently constitute a very small part of their bill.

> *"I don't think it hurts to help people out if they're struggling."* (Birmingham, 66+, lower income)
>
> *"Say if you're house bound because you're old, you're elderly, you're disabled, you've got to keep the heating on because it's bloody cold most of the time. So, penalising those people just based on their life circumstances and to me that's not very fair."* (London, 50-65, higher income)

However, there were some caveats to this acceptance:

- There was some disagreement with energy suppliers collecting this levy on behalf of the government via consumer bills rather than being funded from taxation. This was exacerbated by the fact that participants were not aware of this prior to this research and felt that their consent for this had not been obtained.
- Related to the above point, some felt that it was not fair for energy consumers to be collectively 'righting the wrongs' of a system where some people cannot afford to pay for energy. This was felt to be a bigger issue which needed to be addressed through broader social levers rather than consumers' energy bills.
- If consumers are to continue to be required to cross-subsidise those in need of support, it was strongly felt that energy suppliers should also be responsible for contributing to this support given that they are perceived to have made the high profits from delivering energy to consumers.

Some were also concerned that means tested cross-subsidisation could have the unintended negative consequence of placing too high a burden on households who are **just outside the threshold for support**, potentially triggering them to struggle to pay their energy bills.

"That's a tricky one, isn't it? Because you might end up putting someone who's actually just about making it, and then they get a raft of everyone else who's getting a levy through some scheme or some support, and that family that's doing okay may no longer be okay, because you just drowned them with more expense." (Depth interview, female aged 40, minoritised ethnicity and disabled with a medical need for energy)

Overall, many participants felt that it is challenging to determine who is **really 'in need' of support** and they did not want to encourage people to rely on subsidy and support rather than seeking to improve their situation and contribute with the majority.

"I think there needs to be some kind of like means tested. I don't think they should just be given out but I think there should be some investment into going to make sure that those discounts are going to the people that actually need it." (St Albans, 18-29, higher income)

Some participants therefore wanted those receiving this support to be an exception, rather than the rule or for the support to be focused on those perceived to be in greatest need such as those who have age-related frailty, a disability or medical need for energy. Others had a wider definition of who should be eligible for support, to include others living on low incomes, especially if they have children at home. This debate revealed a broader tension in interpretation of fairness - between those feeling it is about what is **best for the majority** vs. those who regard this as being what is best at **protecting a vulnerable minority -** which also applied to participants' reactions to the potential new cost allocation models.

"We go back to that small proportion of people that need it to stay alive, and I do feel bad for that small proportion, but most people aren't in that situation." (St Albans, 18-29, higher income)

"It's not fair that some families with children, babies, old people, can't afford to put the heating up, having to choose between food and electricity. So, I do agree that people with more money should have to pay more to help." (Depth interview, female aged 48, minoritised ethnicity and disabled with a medical need for energy)

6 Conclusions and implications

6.1 Conclusions

- There was low overall engagement with and understanding of energy bills among consumers across the board. Energy bills were perceived to be complex and to lack transparency, particularly in terms of what standing charges currently include. However, even after detailed discussion of current standing charges, **participants did not generally support removing standing charges**.
- Participants were generally not aware of the need for large-scale public investment in the energy infrastructure due to the energy transition. While most **generally accepted that the investment was necessary**, there were some significant concerns about the impact on consumer bills and recent track record in successfully completing large-scale public infrastructure projects.
- Participants came from a starting point of **great reluctance to accept consumers paying more for energy** due to their view that current energy prices are already too high, their lack of trust in energy suppliers to charge them fairly and their expectation of a soon-to-be increased tax burden on working people.
- Responses in this research suggest that there would be more public acceptance of consumers and/or tax payers being required to contribute to the required infrastructure investment if they can be assured that **both consumer and public benefit** from this investment is strong and outweighs the benefits to private investors and energy company shareholders.
- Participants found it **challenging to evaluate the fairness of alternative cost allocation** models. This was partly due to differences in how fairness was interpreted based on **personal beliefs**, such as whether they saw energy as primarily a user-pays style consumer service, an essential utility which everyone should have sufficient access regardless of their means, or an asset that those benefiting most from should contribute most to.
- There was a particular tension between the idea of **'fairest for the greatest number' and 'fairest for the most vulnerable'** reflected in this research.
- These differences meant that there was no **consensus about which approach** would be fairest overall, although it can be said that:
    - The majority preferred charges based on **amount of usage,** while some preferred charges based on **ability to pay** or a combination of usage and ability to pay.
    - Charges based on **peak-time usage** were felt to be potentially very unfair to a large number of consumers and most advantageous to the more wealthy in society who could invest in new technologies and this was therefore the least preferred option.
- Most felt that geographic differences in standing charges should be **smoothed out.**
- In the absence of impact assessments, **evaluating the detailed options was particularly difficult**, with participants deferring to sometimes contradictory rules of thumb (such as

which was expected to be most affordable for priority groups, simplest to understand or most transparent about what costs were included, or as affording consumers most control over their usage/bills or greatest predictability over their charges). However, it can be said that most were ultimately *not* in favour of **variable unit costs for higher usage (i.e. RBTs)**.

- Whichever cost allocation approach and detailed options end up being adopted, there was a strongly held view that those who were **high energy users because of medical needs or disabilities** should receive financial support if their bills were unaffordable. There was also general consensus that **those living on very low incomes who were self-rationing their energy use** in order to reduce their bills should not be further disadvantaged by high standing charges, and some also felt that these groups should also receive financial support.
- In addition, there was some willingness from consumers to **cross-subsidise those struggling to pay,** particularly if they have a health-related need for energy or young children at home, both currently and in the energy transition. However, there were concerns about how 'genuine need' would be established and what potential impacts the requirement to subsidise others would have on those just outside the threshold for support.

6.2 Implications

The findings from this research have a number of implications for Citizens Advice's position on the Ofgem consultation on future energy cost allocation:

1. **Capacity charges may have consumer appeal:**

- Citizen Advice's specific suggestion of capacity charges - focused on high-consuming electric technologies like EVs and heat pumps – was not tested as we focused on Ofgem's consultation options.
- However, these may have appeal to consumers as it was felt that those putting most pressure on the grid and/or currently benefiting most from cheaper usage rates should pay their fair share.

2. **Risks perceived with higher unit rates and RBTs:**

- Whilst there was some initial interest in higher unit rates and RBTs, there was also opposition to these, especially with respect to RBTs which require higher users to pay a differential unit rate.
- In addition, there was no strong appetite for dropping or reducing current standing charges.
- The risks perceived with RBTs and higher/only unit tariffs are broadly in line with Citizens Advice's position on these options.

3. **Agreement on need for targeted bill support:**

- Participants broadly agreed with Citizens Advice's recommendation for targeted bill support.
- However, it was felt that this presented risks to consumers who are just about managing if they were expected to fully fund this support through their bills.

4. **Views on moving levies off bills to taxation impacted by recent events:**

- The Chancellor's recent announcement of tax threshold freezes was influential and contributed to a perception that 'ordinary working people' were being over-taxed.
- So, while some felt that more infrastructure costs should be funded by taxation others were reluctant for this to happen.
- Views on this may be different in the future, once the impact of taxes and energy charges on individuals are better known.

5. **There is opportunity for further specific research to inform Citizens Advice's position:**

- Into views of the fairness specifically of capacity charges as per Citizens Advice's proposal.
- Into views on the fairness of how gas decommissioning is funded.

Appendix

Deliberative workshop discussion guide with domestic consumers about future energy systems cost recovery

Timing/session	Content	Stimulus required

Introduction and review of pre-task
 	
(15 mins)
	• *Moderator to welcome participants and explain research:*
	  ○ This is independent research for the charity, Citizens Advice, in order to inform their policy and campaigning work
	  ○ The research topic is about how energy bills are structured
	  ○ Not a test - just interested in opinions and experiences
	  ○ Ground rules - one at a time, fair share of conversation, respect differences
	  ○ Explain recording and any observers
	• *Participant introductions:* Who you live with at home, what you do/did for a living, and any interests or hobbies?
	• *Moderator to go through the pre-task with participants:*
	  ○ Who here hadn't looked at their energy bill in detail before taking part in this research? *Show of hands*
	  ○ How well do you feel you understand your energy bill having looked at it?
	  ○ What, if anything, do you find confusing?
	  ○ What do you think the standing charge is for?
	  ○ Do you think of yourself as a high, medium or low energy user? *Show explainer slide to help participants self-define*
		• Pre-task

Understanding and views on how bills are currently allocated (40 mins)	• Now we're going to have a little quiz about energy bills – don't worry if you don't know the answers, it's just supposed to be a bit of fun, but we do have some sweets to share out for those who guess the most right answers • *Ask participants to work in pairs and hand out the answer sheets* • *Once everyone is ready, read out the first question, allow time for a short discussion and answer, then move onto the next one etc. until all questions have been answered*	• Pub quiz • Facilitator answer slide show with additional facts

Timing/session	Content	Stimulus required

	• *Ask participants to swap sheets with another team and then moderator reads out the correct answers, with the supplementary facts, and teams mark answers*
	• *Tally up who got the most answers right and then share out the sweets (probably best if everyone gets some, but the winners could have their own bag!)*
	• *Read out additional information slides, stopping after each one:*
	  ○ What stood out to you?
	  ○ Any questions/anything unclear?
	  ○ How do you feel about what you have learned?
	• *Once all information slides have been covered ask:* How fair do you think the current system of charging for energy is? What makes you say that? *Probe for perceived fairness of:*
	  ○ Same standing charge for high and low users
	  ○ What standing charges cover
	  ○ Usage charges - flat vs. time-of-use
	  ○ Price cap
	• *Introduce pen portraits – slide show, go through each one asking:*
	  ○ How does the current structure of energy bills affect them? How fair is this?
	  ○ How would reducing/removing standing charges affect them? How fair would this be?
	• Assuming we don't have a magic wand to make it all cheaper, how should current costs be distributed in the fairest way across different types of energy users? *Prompt:*
	  ○ Should there be the same standing charge for high and low users or should it differ?
	  ○ Should the standing charge be reduced/removed even if this means unit costs will increase?
	  ○ What if anything should be done for those less able to pay?
	  ○ *Moderator summarises on flipchart suggestions of what would make cost distribution fairer*	

Why Ofgem is considering changing the way costs are shared in energy bills	• Moderator introduce this section by saying: 'We're now going to hear from Citizens Advice about the reason why the way costs of energy provision are distributed across energy users will need to change'	• Loom video • Participant workbook

Timing/session	Content	Stimulus required

(15 mins)	• Moderator play video, letting participants know they can take notes while watching in their workbooks if they wish
	  ○ Once the video has finished playing, moderator to ask:
	  ○ Write down 3 words that come into your head when hearing this – or circle 3 of the emojis in your booklet -or a combination of both! Ask participants to read out their words once this is completed, or indicate their emojis
	  ○ What stood out to you from the presentation?
	  ○ What are your first thoughts about what you have heard?
	  ○ Do you have any questions? (note questions down, explain as the moderator you may not be able to answer all of them)	

BREAK (10 min)	• Food is served, comfort break	
Looking at different ways of dividing up costs on energy bills (60 mins)	• *Moderator to read 'recap of key points from video' slide* • *Concept order rotated across workshops (moderator consult rotation grid at the bottom of this guide for order in their workshop). Moderator to follow the process outlined below:* • For *all approaches **except geographic considerations**, moderator read out overview of approach and ask participants:* Please individually complete the 'fairness meter' for this idea in your workbook – how fair/unfair is this idea overall? *Encourage participants to think about society in general, including all of the people/examples we have discussed before, and not just themselves* • *For all approaches **except geographic considerations**, moderator read out specific options and place participants in pairs. Ask participants:* In your pair discuss how fair the approach is overall and also try to agree which specific option you think would be the most fair – you can use the notes page to explain your reasons. *Encourage participants to think about society in general, including all of the people/examples we have discussed before, and not just themselves* • *For **geographic considerations**, ask:* In your pair, try to agree which specific option you think would be the most fair – you can use the notes page to explain your reasons. *Encourage participants to think about society in general, including all of*	• Moderator slideshow and script • Participant booklet • Concepts x 4

Timing/session	Content	Stimulus required

	the people/examples we have discussed before, and not just themselves
	• *Once each pair has discussed for 5-10 mins moderator invite the whole group to come together and discuss:*
	  ○ *(For all approaches except geographic considerations)* Overall, how fair is this approach to paying for energy costs *(refer back to the 'fair-o-meter' scores)*
	  ○ *(For all approaches)* Which specific option would be fairest and why?
	  ○ *Moderator to note down the points made on a flip chart*
	• *Repeat for subsequent approaches/options*
	
	<u>Note to moderators:</u> *If participants raise other ways that energy system costs could be recovered (e.g. general taxation spending, recovering more from large non-domestic consumers, tax on energy suppliers' profits etc.) say there will be an opportunity to discuss this later but we want to understand that if charges to energy users do change, what's the fairest way for this to happen*	

Perceived fairness of different approaches to calculating and dividing costs on energy bills
(35 mins)
	• Considering everything we've discussed so far, who would it be fairest to ask to pay more towards infrastructure costs in future? Why do you say that? *Allow participants to discuss other sources of funding (e.g. general taxation, business users, supplier profits, etc.) here but move on*
	  ○ Assuming that at least some of these costs will need to be paid for by household energy users, who would it be fairest to ask to pay more?
	• Do you think any of approaches we discussed previously shouldn't be considered at all? Which ones and why?
	• How fair do you feel the options are where higher users pay more than lower energy users?
	  ○ What about higher users due to medical need or a fuel inefficient home that they can't afford to improve? (refer to the relevant pen portraits if needed)
	• How fair are the options where people who use more of their energy at peak times pay more than off-peak users?
	  ○ What about those who can't be flexible in their energy use, like those with a medical need for energy or who
		None

Timing/session	Content	Stimulus required

	have young children at home? *(refer to the relevant pen portraits if needed)*
	• How fair are the options which take into account people's ability to pay? *(refer to the relevant pen portraits if needed)*
	  ○ Look out for any mentions of people struggling to pay being subsidised by people who are better able to pay and probe whether this is seen as fair or not
	• How fair is the option where people in certain regions pay more? What about the alternative where people in lower cost regions subsidise others in higher cost regions?
	• Could some of the options be combined together or changed to be fairer?
	• Might some energy users need extra support even with the fairest option? Who might need additional support?
	  ○ How do you think this support should be provided and funded?
	  ○ How do you feel about means-tested bill relief (like Warm Home Discount) or reduced price 'social' tariffs for low-income households (currently offered for water bills).
	  ○ How do you feel about the fact that these measures would be paid for by all energy users?	

Summing up and close (5 mins)	• To sum up, what is the one thing you think needs to be done to ensure energy charging is fair in future? • Thank and close	None

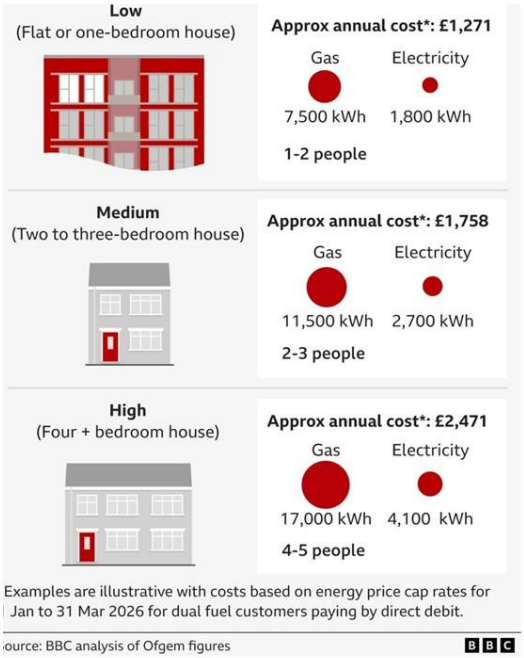
Pub quiz

1. What proportion of an average energy bill is standing charges?
2. How do standing charges affect low vs. high users?
3. Why do we have standing charges/what do they cover? (to explain that the majority of infrastructure upgrade costs are paid for this way rather than by unit costs or general government spending funded by taxation)
4. How are people charged for their energy usage? (to introduce time-of-use tariffs to benefit flexible energy users)
5. Is there a limit on what standing charges suppliers can charge? (to introduce the price cap)
6. What would happen if there were no longer standing charges (to convey that previous research shows that standing charges are unpopular but if they didn't exist costs would have to be recouped in another way e.g. by increasing bills for consumers who use more energy including those with a health-related need or low income living in fuel inefficient homes. We could also explain that this is why in a recent review, Ofgem decided not to abolish standing charges)

Stimulus materials (shown as Powerpoint presentation)

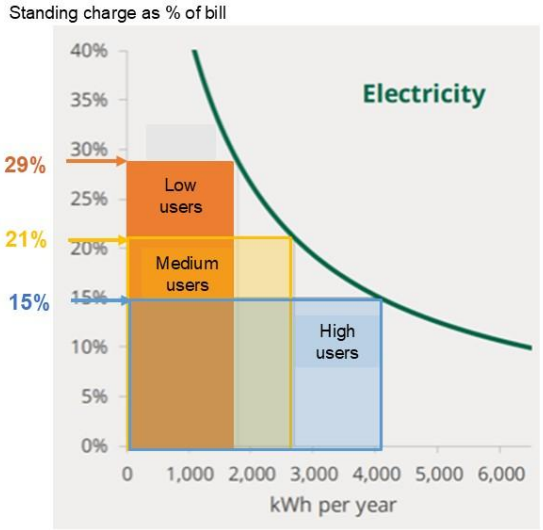
Citizens Advice workshop on the future of energy bills

Understanding different levels of energy use



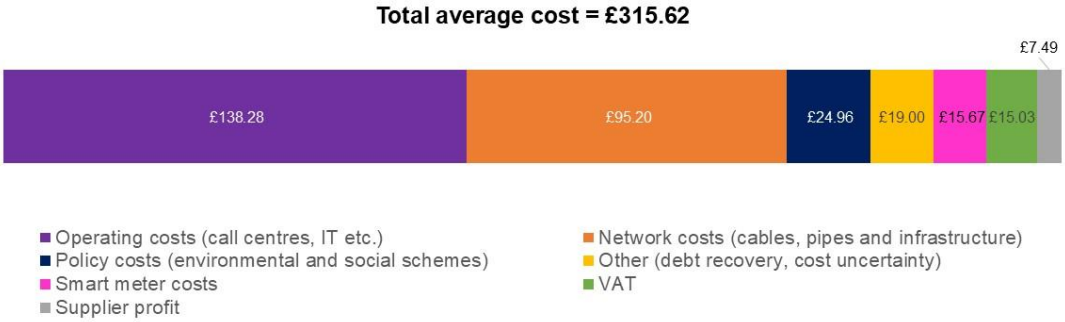
What are standing charges?

- Standing charges are a **fixed daily cost** faced by households.
- This means that they form a larger share of total bills for households which use less energy and a smaller share of total bills for households which use more energy.
- Electricity standing charges currently represent 29% of a lower energy users' bill but only 15% of a high energy users' bill



What do standing charges cover?

- A breakdown of an annual standing charge within the overall price cap is illustrated below.
- The main components are business operating costs and network infrastructure costs.



How are people charged for their energy usage?

Currently, most people pay the **same unit rate** for energy at whatever time of day it is used. This is regardless of whether their tariff is fixed term or variable over time.

However, there are a limited number of **time-of-use tariffs** on the market which are cheaper at certain times

With these, cheaper rates are charged when there is **less demand for energy** or more energy is being generated

In the future, it is expected that there will be more time-of-use tariffs available to help balance the grid by **incentivising people to use energy more flexibly**

Is there a limit to how much suppliers can charge?

- Ofgem sets a **price cap** which is the maximum amount energy suppliers can charge you for each unit of energy as well as the standing charge if you're on a standard variable tariff.
- The actual rates you are charged will also depend on **where you live**, **how you pay your bill** and the **type of meter** you have.
- The price cap is set based on the costs of supplying energy so if these change the price cap will be reviewed.

What would happen if there were no standing charges?

- Previous research by Ofgem found that standing charges can be unpopular with consumers.
- However, removing standing charges would mean higher energy unit prices – they would need to **include costs for maintenance of the energy system**.
- Higher unit costs would particularly **affect high energy users**, including people with young children or medical users of energy at home, some of whom will be low-income households.
- Only consistently low energy users are likely to be financially better off with no standing charges.

Pen portraits

Meet Penny

HIGH ENERGY USER

CAN'T CHANGE THE TIMES SHE USES ENERGY

Penny is 74 and has lived in the same 2-bedroom terraced house for many years. Her husband recently passed away so she is now living there alone.

Penny has COPD and severe arthritis. She uses an electric oxygen concentrator at home for 15 hours a day and needs heating on to help manage pain.

This means that Penny is a high energy user, including at peak times.

Meet Jim, Amara and their two children

HIGH ENERGY USERS

CAN'T CHANGE THE TIMES THEY USE ENERGY

Amara and Jim live in a 4-bedroom detached house with their two children, aged 1 and 3.

They are high energy users due to the size of their home and the needs of their 4-person family (e.g. cooking, baths and showers, laundry and heating).

In addition, due to their children's routines and their own work schedules the family often use energy at peak times.

However, both Amara and Jim have well-paid jobs and they find their energy bills manageable.

Meet Janet and Vikram

LOW ENERGY USERS

CAN CHANGE THE TIMES THEY USE ENERGY

Janet and Vikram are in their 50s. Since their children left home they wanted to downsize so they bought a new-build energy efficient home which also has solar panels and battery storage.

Their energy use is low as they can draw on the solar energy they produce before having to use electricity from the grid.

They are on a new time-of-use tariff which has much cheaper rates at off-peak times. To benefit from this, they have set their home battery to charge at off-peak times and they can draw on the stored power when they need to use electricity at peak times.

Meet Ben

LOW ENERGY USER

Ben is 37 and lives alone in a small flat. He has been unemployed for six months since he got laid off and has been struggling with basic living costs.

He has been trying to cut down his energy costs by turning off heating and minimising his use of the stove and oven.

This means that he is a low energy user, but he still finds his energy bills difficult to manage. He pays the same daily standing charge even if he doesn't use much or any electricity.

Recap of key points from the video

1. Decarbonisation will bring considerable benefits to consumers including **lower usage costs**
2. But to achieve this we will need **significant investment** in our electricity grid and renewable energy sources
3. Typically, infrastructure costs are paid for by our daily **standing charges**
4. However, the scale of investment now required would mean standing charges would end up being **a lot higher**
5. We need to think about the alternative ways of distributing these costs across energy users which would be **most fair**

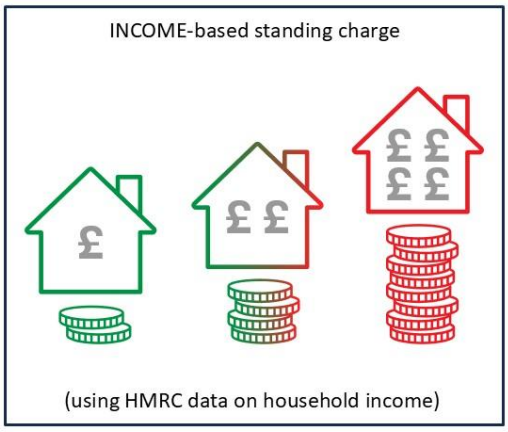
Options for how costs could be shared across energy bills

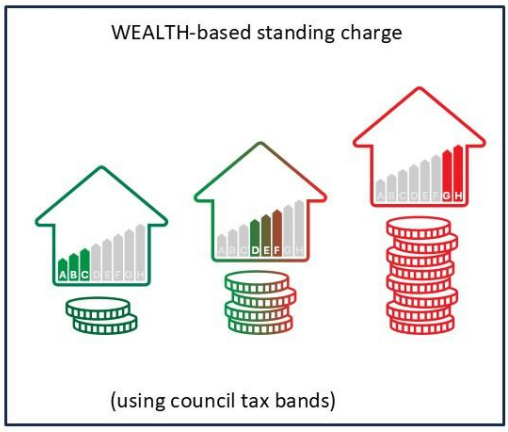
Spark Insight

Charges that vary depending on your ability to pay

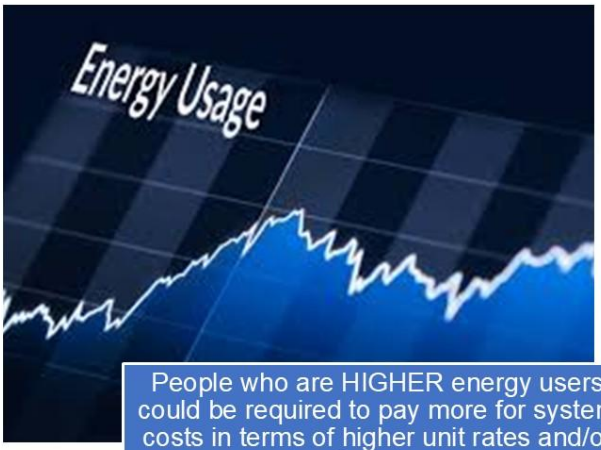
People in higher income bands, or who have more expensive homes, could be required to pay higher standing charges to cover system costs on the basis that they are more able to afford additional costs.

Charges that vary depending on your ability to pay - how this might work





Charges that vary depending on how much energy you use

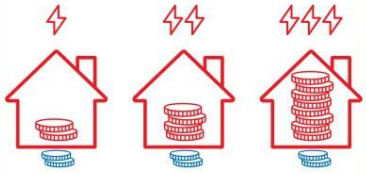


People who are HIGHER energy users could be required to pay more for system costs in terms of higher unit rates and/or standing charges.

Charges that vary depending on how much energy you use – how this might work

HIGHER standing charge for HIGH energy users

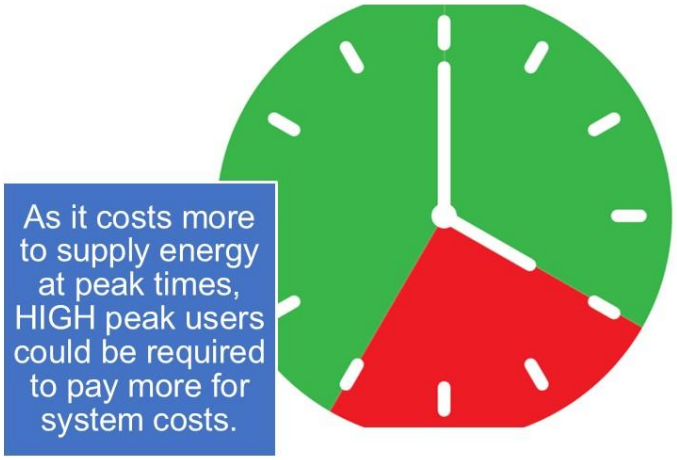
LOWER standing charge and HIGHER unit rates



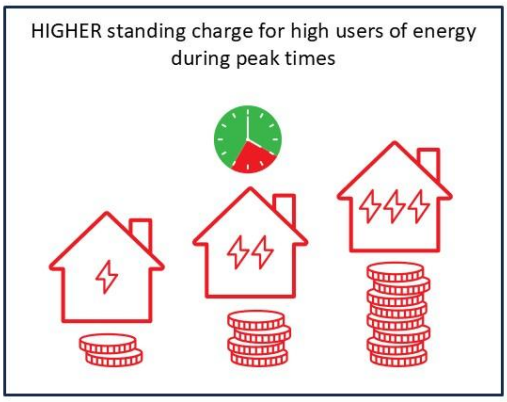
Rising Block Tariffs

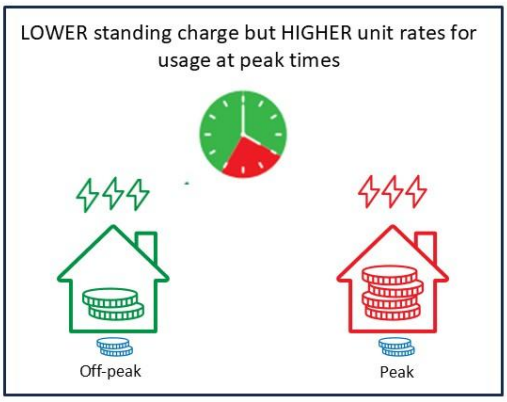
- NO standing charge
- Unit price split into BLOCKS – first one cheapest while blocks for higher use become progressively more expensive

Charges that vary with peak use



Charges that vary with peak use - how this might work





Charges that vary (or NOT!) depending on where you live

Some areas are more expensive to provide energy to, while others are cheaper/easier to supply.

Standing charges could continue to vary regionally reflecting different costs of providing energy

Standing charges could be applied consistently across GB regions

Thank you!

Spark Insight