

# **Citizens Advice response to Ofgem's 'Introducing a zero standing charge energy price cap variant'**



# Executive summary

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We welcome the opportunity to engage with Ofgem on proposals to introduce a zero standing charge variant within the price cap. We do not support the proposals contained within the consultation, given their significant complexity and implementation challenges. The proposed consumer journey is unclear and incoherent, considering that consumers are being asked to choose between default tariffs, at which stage a fixed product is likely to be more beneficial.

The proposals also carry high levels of risk. Poor choices on tariffs could mean that consumers are worse off, with limited means of rectifying this if a ban on switching is also implemented. This is exacerbated by poor consumer understanding of standing charges, and could create risks of mis-selling. It's important to emphasise that some consumers in vulnerable circumstances - namely those with medical needs that require higher energy usage and prepay consumers - are more prone to harm under some of the variants, given that fixed costs will be recovered through an increase in unit rates.

Poor design choices could create loopholes which enable consumers to avoid paying a fair share and drive up prices for everyone else. Policies to counteract these risks, like eligibility criteria and risk premia, add further complexity and cost. Some of the options are likely to exclude electricity-only customers from any benefit. They may be using less energy overall than some dual fuel households, but are high users of electricity. This includes those on traditional electric heating who are often in the deepest fuel poverty. Others, like Rising Block Tariffs, are not feasible for non-smart meter customers and create more significant risk of rationing and under-recovery of costs.

The consultation recognises that whilst zero standing charge tariffs already exist in the market, there is low take up. Ofgem hypothesises this is due to them being unattractive to consumers as they offer little-to-no cost savings for consumers. As such, we are unconvinced (based on the case put forward in the consultation) that sufficient consumer demand exists for a zero standing charge default tariff that is designed to recover fixed costs. We ask that Ofgem provides a more compelling evidence base before taking this work forward.

We encourage the regulator to focus its attention on minimising fixed costs in the energy system as well as its longer term project to consider alternative ways of recovering fixed costs that may be fairer. These workstreams can have more lasting benefit to consumers and avoid the unintended consequences of the short-termist reforms proposed thus far.

We're also concerned that these changes counteract the need for tariff innovation and increased consumer flexibility as part of the Clean Power 2030 plan, and could increase overall system costs. The introduction of a Consumer Duty, removing the need for some prescriptive rules, alongside wider retail reform will give more meaningful consumer choices that pass through the benefits of low carbon energy.

Please see our detailed response to the consultation below.

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## Case for change

### **1. Do you have any views on our case for change, including the potential consumer benefit of zero standing charge tariff options?**

We feel the consultation fails to put forward a compelling case for change. The consultation makes clear that zero standing charge tariffs already exist for prepayment customers, but these tariffs have low take up from consumers. Ofgem acknowledges that this low take up may be because any zero standing charge product will need to recoup fixed costs of the energy system, and so consumers are unlikely to achieve cost savings by switching to these tariffs.

Ofgem's case for change is predicated on increasing consumer choice. However, the consultation does not provide evidence that there is sufficient demand from one or more sub-groups of consumers for a zero standing charge product that recovers the energy system's fixed costs. Further, Ofgem's case for change fails to identify any consumers that would benefit from the variant. Low-energy users may benefit from minor cost savings, but the consultation makes clear that cost savings are not the driver for this change.

We agree that there is clear consumer interest in increased control over their energy bills. However, control is not sustainable under these reforms - given that consumers will likely face rising costs over time if the variant has to increase disproportionately to cover fixed costs. It is important to note that changes would also reduce control for prepayment meter users, who will face even higher costs in winter, increasing their chances of self-disconnection. Given the regulator's plans to make zero standing charge tariffs available this winter - and trial with prepay consumers - the risk of self-disconnection is heightened.

Lower usage customers are set to benefit the most from the variant, however this subgroup may lose other types of control over their energy - particularly around switching (should proposals to block this go ahead).

We believe that the regulator's resources would be better spent on work to minimise fixed costs in the energy system (including Ofgem's review of supplier operating costs and network price controls) which could have a positive impact on the cost of standing charges, and on its longer term project to consider how recovery of costs can be fairer. The latter is likely to require the involvement of

government, or greater powers for Ofgem to use data matching, in order to successfully achieve its policy aims<sup>1</sup>.

We would also encourage Ofgem to ensure consumers who face significant challenges from standing charges (such as those in more vulnerable situations or prepayment customers who routinely self-disconnect in summer) are protected.

We welcome DESNZ's proposal to expand the Warm Home Discount to all households on means-tested benefits, which we view as a crucial avenue for providing targeted bill support in the near term - whilst energy prices remain higher than historical norms. The WHD offsets a large portion of standing charges for consumers who benefit.

It is important to recognise the role a Consumer Duty could play in increasing consumer choice by boosting innovation. With trust in energy suppliers being much lower than providers in other markets<sup>2</sup>, a Consumer Duty would increase engagement in the market by reassuring consumers that firms will act in the consumer's best interest and provide products which offer fair value. A Consumer Duty would also provide reassurances to suppliers, particularly around the limited need for more prescriptive regulation for new products and services which can stifle innovation.

## **2. Do you agree that introducing a zero standing charge variant is an effective way for us to achieve our case for change? Yes / No**

No.

Ofgem's proposed zero standing charge price cap variant is highly complex, and creates significant unintended consequences that then must be addressed. The price cap variant proposal requires consumers to 'opt in' a product that provides little to no financial savings versus the current price cap, and therefore does not make a persuasive proposal to address the case for change.

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<sup>1</sup> Citizens Advice (2025) [Response to DESNZ's 'Review of Ofgem'](#)

<sup>2</sup> Ofgem (2024) [Consumer impacts of market conditions survey: wave 5 \(January to February 2024\)](#)

We note that asking consumers to choose between default tariffs is in essence oxymoronic, and the overall consumer journey is unclear at this stage. Even where consumers are making an active choice between tariffs with their existing supplier, it is likely that they stand to save more money on a fixed product - as opposed to the variant tariff.

We emphasise the risks emerging from consumers making a poor choice on tariffs, and subsequently paying more for their usage than they are currently. This risk is heightened should consumers use more energy than anticipated.

This approach relies on consumers making good choices about tariffs in a media landscape that perpetuates a more negative perception of standing charges. Given this context, the risk of consumers making a choice that proves financially detrimental increases substantially. Should this change go ahead, Ofgem will have to implement careful safeguards to ensure suppliers provide their customer base with the correct information to mitigate this risk. The regulator will also have to protect consumers against the mis-selling of tariffs, in the case of unscrupulous suppliers and / or sales staff.

Ofgem proposes limiting the number of times a consumer can switch to the zero standing charge variant each year, which requires new processes for suppliers and the likes of RECCo.

Whilst we note that the number of consumers switching multiple times per year is likely to be highly limited (given most consumers switch to a fixed term tariff) we don't support the objection to switching the consultation proposes - and feel it is counterintuitive to Ofgem's case for change which is predicated on increasing consumer choice. The regulator should also explore how far this aligns with price cap legislation around the need to maintain incentives to switch.

Suppliers may also have reservations about a block on switching under the variant. In research on tariff structures, suppliers indicated to us that consumers should be able to leave/exit a tariff if it was costing them more than they were expecting<sup>3</sup> - which this variant has the potential to cause. We feel a more appropriate safeguard against seasonal switching would be an exit fee, designed

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<sup>3</sup> Citizens Advice (2021) [Innovation in the tariff market: Discussion paper on how new tariffs can work better for people](#)

to recover the fixed cost the customer would have incurred under the regular price cap.

It is important to note that additional regulatory requirements for suppliers to offer certain types of tariffs may act contrary to proposals to make the market more innovative and responsive to consumer needs. This sentiment is echoed in our 'Ripping off the band-aids' report, which explored the extent to which excessive requirements are inhibiting the ability for suppliers to specialise and in turn, introduce new and innovative products to the market<sup>4</sup>.

### **3. What alternatives should we consider to achieve the case for change?**

To build a case for change, we think Ofgem should develop evidence that there is sufficient consumer demand for a zero standing charge tariff that recovers fixed costs. We understand a previous call to input generated tens of thousands of responses voicing frustration with standing charges, but there is a lack of evidence that this specific cohort of consumers (i.e. those wanting to recover their fixed costs through unit rates) is unserved by the current energy market.

Should the regulator demonstrate unserved consumer demand for this product, we encourage Ofgem to explore any regulatory barriers that prevent energy suppliers offering these tariffs. Ofgem's case for change lacks a compelling explanation about why suppliers do not currently offer these tariffs if there is sufficient consumer demand for them.

In the absence of regulatory barriers, a more straightforward approach may be for Ofgem to work with energy suppliers to develop low or zero standing charge fixed tariffs. This would enable them to use different approaches to mitigate the risks that Ofgem has identified through tariff design, eligibility criteria, fair usage criteria and/or exit fees, set in line with its existing rules.

This would enable a clearer assessment of the demand from consumers for these products, and provide valuable insight for Ofgem's longer term review on cost recovery. We note that a fair pricing rule, similar to that adopted by the FCA in its Consumer Duty, would offer stronger safeguard for consumers in relation to non-default energy tariffs.

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<sup>4</sup> [Citizens Advice \(2023\) Ripping off the band-aids](#)



We would remain concerned that a regulatory requirement to offer certain tariffs could act as a limit on supplier innovation. A time limited requirement that gives flexibility over tariff design and only applied to larger suppliers could limit this risk.

We note that longer term reforms (such as Ofgem's review of the recovery of system wide energy costs) could look at alternative ways of recovering fixed costs that may be fairer or tackle the affordability risks, without some of the unintended consequences of the piecemeal reforms that have been considered so far.

## **Tariff structures and impacts**

### **4. What views do you have on the various structures that we could adopt to allow consumers to contribute to fixed costs through a unit rate rather than a standing charge?**

As mentioned, we think Ofgem should develop evidence that there is sufficient consumer demand for a zero standing charge tariff that recovers energy system fixed costs.

We agree that block tariffs are more complex, and with particular concerns arising from consumers being unable to predict what their bills will be. We note that falling block tariffs (FBTs) are very similar in practice to a tariff with a standing charge. We recognise that FBTs are already used by some suppliers, and pose some benefits for prepay consumers by preventing standing charge debt from accruing when off-supply. Equally, we recognise that FBTs have limited benefits for other consumer groups, and carry with them a limited (but evident) risk of under recovering fixed costs.

We do not support rising block tariffs, given the loose correlation between usage and income. In a recent report<sup>5</sup>, we highlighted a more significant variation in outcomes between income deciles on RBTs. This is evidenced in prior analysis conducted in collaboration with the Social Market Foundation, which found that 26% of households in the poorest decile could lose out under an RBT.<sup>6</sup>

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<sup>5</sup> Citizens Advice (2025) [Frozen in place: Why the Government needs to move quicker to address energy affordability](#)

<sup>6</sup> Citizens Advice (2023) [Fairer, warmer, cheaper: new energy bill support policies to support British households in an age of high prices](#)

We are also concerned that RBTs may not be technically feasible for non-smart meter customers, and that digitally disengaged consumers are less likely to be able to track their usage and understand how to respond to minimise their costs. If consumers choose an RBT in the mistaken belief it will save them money, or if they subsequently increase their usage (e.g. because they stay at home more due to ill health), they may face paying significantly higher energy bills. RBTs may also reduce the level of control for prepay consumers, by increasing the variability of their charges according to the period over which the blocks are calculated.

We note that the options proposed are likely to exclude electric-only consumers from any benefit, given their high electricity usage - even if they might have lower overall energy usage than some dual fuel households. This includes those on traditional electric heating who are often in the deepest fuel poverty.

Making tariff structures more complex could increase the likelihood of consumers switching to an unsuitable tariff. This notion was echoed by suppliers in our research on smart-enabled and EV tariffs<sup>7</sup>, who largely indicated that greater complexity in tariff structures could mean that people could make a decision that was wrong for them.

## **5. Please share your feedback on the modelling we have undertaken, including what additional risks or considerations we should be taking into account, and whether there are additional or more appropriate consumption scenarios to consider.**

We found Ofgem's modelling of the different options, risks and considerations difficult to engage with. The modelling focuses mainly on the under recovery risk for suppliers, when it should focus equally on the direct impacts for consumers - particularly for higher energy users, who may see their costs rise under the variant.

We note that Ofgem's zero standing charge price cap variant brings additional complexity for consumers, suppliers and industry bodies. This complexity is

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<sup>7</sup> Citizens Advice (2021) [Innovation in the tariff market: Discussion paper on how new tariffs can work better for people](#)

evident in the tariff structures proposed (which increases the likelihood of poor consumer choices on tariffs), as well as the need for new processes for suppliers and REECo should a switching ban be implemented. We are unconvinced that this additional complexity is justified based on the case for change put forward by Ofgem.

## **6. How do we best manage the risk of under recovery of fixed costs in the interest of consumers?**

The consultation recognises that if take up and consumption is different to what is assumed in modelling, the risk of under recovery increases. It is difficult to understand the real extent of this risk, but in general we recognise the need for some risk premia to be built into the variant tariff. We are strongly opposed to spreading the risk premium across all consumers on the price cap, which would cause energy bills to rise across the board and could drive up costs for vulnerable high energy users.

The choice of tariff design also impacts the risk of under-recovery. We strongly oppose the use of RBTs which carry the greatest risk of under-recovery, and could drive consumers to ration their energy usage.

In general the other steps needed to minimise the risk of under recovery of fixed costs add further complexity for consumers. As mentioned, an exit fee may serve as an appropriate safeguard against the risk of seasonal switching. We also agree that eligibility criteria may be necessary for the variant, however we feel the application of criteria may prove challenging for reasons outlined below. To reiterate, we do not support proposals to block consumers from switching, which is counterintuitive to increasing consumer choice and could leave consumers trapped in unsuitable tariffs.

## **7. What are your views on our assessment of the impacts and trade-offs of these options?**

As mentioned, we feel that all the proposals give rise to unintended consequences. The potential for consumer detriment is high, given the risk that consumers could switch to an unsuitable tariff - and subsequently be trapped in it - for an extended period. There is also the risk that the under recovery of

supplier costs could open consumers up to higher costs, and negatively impact customer service outcomes due to lack of resources.

There are numerous risks attached to implementing a zero standing charge variant - and the consultation has not demonstrated that consumer benefits will outweigh these risks.

## **Implementation approach**

### **8. Please share your feedback on the potential criteria and process for joining and leaving the zero standing charge price cap variant.**

As mentioned, we find it difficult to envision the cohort of consumers this variant is suitable for and it is therefore difficult to advise on eligibility criteria.

Ofgem playing an active role in eligibility assessments for the variant would go beyond its traditional approach as a regulator, which has avoided making decisions about pricing that can reasonably be considered social policy. It would also be a shift from a market in which consumers make choices about their products, to one in which the regulator is doing so. This also feels counterproductive to Ofgem's case for change, which is centred around increasing consumer choice.

The practical application of eligibility criteria is also likely to be challenging. Consumers cannot be easily identified based on characteristics without access to data held by the Government. Suppliers may not always have access to consumption levels to inform minimum consumption requirements. Without this information, suppliers could be asked to identify consumers on a case by case basis, which would be administratively complex.

### **9. Considering our assessment of the challenges and opportunities around non-smart meters, prepayment meters and multi-rate meters, what could be done in these areas to support the success of a zero standing charge price cap variant?**

Not answered.

## **10. Do you have any views on how suppliers could offer block tariffs to consumers without smart meters? Yes / No**

Not answered.

## **11. What support should be in place for consumers in deciding if the variant is the right tariff for them?**

Given that what is being proposed is a choice between default products, it's likely that many consumers will not engage with the variant.

That being said, we feel the variant could prove burdensome for consumers who do choose to engage, as they would likely play a role in identifying themselves as suitable - considering suppliers are unlikely to have access to the relevant data to facilitate an adequate eligibility process.

We believe that making the variant 'opt-in' only is not a strong enough measure to protect consumers from making the wrong decision about tariffs, with the current media discourse on standing charges potentially increasing this risk. There is the added risk that consumers will be unable to reverse this decision for an extended period, if blocked from switching as the consultation proposes.

Should the variant be implemented, we stress the need to make prepay consumers aware that their daily costs will likely rise in the winter months, and that this could increase their risk of self-disconnection or self-rationing. This could also increase costs for suppliers, if consumers make greater use of Additional Support Credit as a result.

## **12. Are there any considerations we should make in relation to supplier implementation and ongoing delivery of this price cap variant? Yes / No**

Yes.

We are concerned that there have been occasions when zero standing charge tariffs were offered previously where they were poorly explained by suppliers, with some consumers choosing tariffs that didn't necessarily offer them the best outcome based on their own usage. Some consumers are also over-optimistic about their ability to reduce their consumption.

Should this change go ahead, we would support a duty requiring suppliers to offer guidance to consumers on which tariff would be best for them. It's

important to note that a Consumer Duty would alleviate this need, given that suppliers would be required to focus on good consumer outcomes and provide fair value.

### **13. Please share your views on trialling or phasing implementation, and how this might work effectively.**

Whilst we agree that any significant changes should be subject to a trial and subsequent phased implementation, we do not support prepayment consumers being the target of such steps under the variant.

Across several calls to input, we have warned against increasing unit rates for prepay customers, which would increase seasonal variation in energy costs - making energy more expensive in winter months and increasing the risk of disconnection<sup>8 9</sup>. As mentioned, given the regulator's plan to roll out the variant ahead of the winter, this risk is heightened.

Should this change be implemented, we would encourage the regulator to target trials at a more suitable cohort that have no supply risk.

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<sup>8</sup> Citizens Advice (2024) [Response to Call for Input on standing charges](#)

<sup>9</sup> Citizens Advice (2024) [Response to Ofgem's 'Refreshing our Consumer Vulnerability Strategy'](#)

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