Consultation

Requirement to offer lower standing charge tariffs

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This is our statutory consultation which sets out proposals requiring domestic energy suppliers to offer a lower standing charge tariff. We particularly welcome responses from consumers, energy suppliers, consumer groups and charities. We would also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at ofgem.gov.uk/consultations. If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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Foreword

The energy system is evolving rapidly, and with it, the expectations of consumers. More households are adopting low-carbon technologies, generating their own energy, and engaging more actively with their energy use. It's vital that the way costs are recovered from consumers keeps pace with these changes.

Under the current arrangements, many of the essential fixed costs of running the energy system – such as the infrastructure that gets energy to our homes and businesses– are recovered through standing charges. This means that each energy consumer pays a set amount each month to cover these costs.

These are essential parts of our energy system – but we have heard loud and clear the views of many consumers that they don't think standing charges are the best or fairest way to recover those costs. People feel that standing charges can limit choice and flexibility, through our recent consumer surveys and through the responses to our call for input in standing charges.

And while there is no consensus for how tariffs should change, most respondents favoured a reduction – but not removal – of standing charges, even when told this could raise their bills. That consumer feedback has strongly informed the proposals we are setting out here. We plan to ensure domestic suppliers offer a lower standing charge tariff at all times, meaning consumers will be able to choose from a wider range of tariffs to meet their own preferences. However, we have adjusted our proposals so that those tariffs will be required in the competitive market, rather than as a variant to the price cap. By doing this, we hope to see greater competition and more choice for those consumers who want to take advantage of this kind of tariff.

These proposals won't result in cheaper bills for all consumers, the essential costs of running the energy system need to be paid for – but they can provide consumers with better choice and control in how they pay.

This is an important step in our wider work that is looking at how the costs of the energy system should be allocated and recovered, which aims to better understand whether, as the energy system changes, other approaches to cost allocation could result in fairer tariffs that work better for consumers.

We want to ensure costs are recovered in a way that is fit for the future and fair for consumers, particularly those in vulnerable circumstances. This is a comprehensive review and we will be bringing forward the next steps early next year.

But when consumers have already been telling us for some time that they want more choices when it comes to standing charges, it would not be right to hold back the changes we can make now. How these new tariffs work, and consumers' experience of them, will be kept under review as we carry out our wider work.

Ofgem's core purpose is to ensure that we are protecting consumers' interests, now and in the future. Where consumers tell us that an issue is important to them, as clearly and loudly as they have done on standing charges, it is vital that we listen and respond accordingly. When consumers are telling us that there is a genuine demand for something that is not being fulfilled by the market, it's right that the regulator steps in. The proposals we're publishing today reflect that commitment and represent an important step forward in delivering an energy market that works for consumers.

Tim Jarvis
Director General, Markets

Executive Summary

What are standing charges?

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

However, we have heard feedback on the increases in standing charges expressing a desire for change. We cannot remove costs entirely, but we can give consumers more choice in how they pay for them or reallocate them. This statutory consultation sets out near-term proposals to give consumers choice and control over how they can pay for their energy use. Our cost allocation and recovery review (CARR) is considering how costs can be reallocated in the long term.

Our proposals

We launched our review with a standing charges call for input in November 2023. We then published an options paper in August 2024 and a policy consultation in February 2025. In July 2025, we published our next steps on standing charges which stated that we would be considering alternatives to making changes as part of the energy price cap and circulated a working paper to key stakeholders.

We are proposing to require that suppliers must have available, at all times, in all regions, at least one lower standing charge tariff. We consider that this approach would allow the introduction of offers that would provide greater consumer choice and control into the market from early 2026. The proposals would also allow suppliers to set tariff pricing that reflects their business and customer base.

In our proposals, we are aiming to achieve two key objectives. The first is to offer consumers choice and control over how they pay their standing charge costs. The second is to allow suppliers to recover efficient costs. This policy relates to our priority of ensuring fair prices, as we seek to increase choice and control over how standing charge costs are paid, which is balanced against supplier resilience and financeability. The proposals are not designed to be an affordability intervention and may not be suitable for all consumers. Affordability is the remit of government, and we continue to work closely with them to develop and deliver schemes to improve these outcomes.

We consider there is a case to introduce more lower standing charge options into the market. Our omnibus survey has indicated that the majority (62%) of consumers consider standing charges to be unfair. In our online experiment, most participants (58%) stated that standing charges should be reduced or removed. Even when told their bills would be higher from a standing charge reduction, 50% of higher energy users still opted to reduce standing charges. Our Impact Assessment highlights that this policy would bring the benefit of consumer choice. These tariffs are unlikely to provide bill reductions compared to the cheapest tariffs in the market and may even increase bills subject to a consumer's energy use. However, based on evidence from our recent consumer research, we consider this policy positively impacts consumers by fulfilling a genuine demand for these tariffs that is not being fulfilled in the market currently.

We are proposing to require suppliers to offer a tariff with a standing charge that is at least £150 below the price cap standing charge (i.e. nil consumption level). We are also considering whether we should go further, for example by requiring a £200 reduction. This range corresponds to around half of the expected standing charge in the coming year. However, we cannot make the costs go away entirely. Rigidly forcing suppliers to offer zero standing charges – for example - may reduce the choice that we are seeking to promote and may lead to more expensive tariff offerings.

We consider that the lower standing charge tariffs should be available for consumers on all payment types and on both smart and traditional meters but propose to allow eligibility to be limited to consumers that meet a minimum consumption threshold. We are aiming to set this threshold in a way that vacant second homes do not benefit at the expense of others.

Further, our proposed consumer protections for the tariffs include principles for reasonable unit rates and best practice for transparent communication of tariffs. We intend to ensure that these requirements are proportionate, by considering introducing a minimum consumer threshold for suppliers.

We are looking more broadly at how all energy costs are distributed and paid for as part of the CARR. This review aims to ensure that costs are recovered from consumers in a way that is fit for a low carbon future. This will include the role of standing charges in future tariffs. We plan to set a time-limitation for the changes in this consultation, to ensure that they are continuing to achieve their objectives as the CARR progresses.

We welcome views and evidence on this statutory consultation and request responses submitted via our Citizen Space consultation page or sent to standingcharges@ofgem.gov.uk by 22 October 2025. We will consider all responses with a view to publishing a decision by the end of the year. Should we make a decision to implement such a policy on this timeline, we would expect to see the new lower standing charge tariffs in the market from early 2026.

1. Introduction

This chapter outlines Ofgem's ongoing work to reform how standing charges are applied in the domestic energy market. It explains the rationale behind standing charges and recent increases. The chapter also summarises the consultation process to date, including stakeholder engagement and consumer research, and sets out the proposal to require suppliers to offer at least one lower standing charge tariff. Finally, the chapter outlines next steps, including timelines for consultation, decision publication, and implementation in early 2026.

What are we consulting on

1.1 We launched our review with a standing charges call for input in November 2023. This was followed by a domestic retail options paper in August 2024 and a policy consultation on introducing a zero standing charge price cap variant in February 2025. We have considered stakeholder feedback on all of these publications and published a summary of responses with our online consultation.

1.2 In July 2025, we published our next steps on standing charges which stated that we would be considering alternatives to making changes as part of the energy price cap. We also circulated a working paper to key stakeholders setting out options on requiring suppliers to offer a lower or zero standing charge tariff.

1.3 We have reviewed and considered responses received to our previous consultations and working paper. In the light of stakeholder responses and our own analysis to date, which we describe in this document, we are now formally consulting on changes to the Standard Licence Conditions (SLCs) to require suppliers to offer a lower standing charge tariff, to improve consumer choice and control over how consumers can pay their energy bills.

1.4 Accordingly, this Statutory Consultation is accompanied by statutory notices of our intention to modify SLC 22A.

Background

1.5 In response to our consultations, we have heard views from stakeholders, including consumers, highlighting a clear appetite for change in how standing charges form a portion of their bills. Additionally, while stakeholders were supportive of positive change, they were concerned that issues consumers are facing are heavily linked with wider affordability concerns.

1.6 Our consumer research has indicated that most consumers feel that standing charges are unfair, and that they should be lower than they are currently. However, views are split on how the costs should be restructured, with only some preferring to remove standing charges altogether. Our research suggests that at present, standing charges may currently be perceived as exceeding acceptable levels. The details of these research findings are discussed in our updated case for change.

1.7 We have carefully considered feedback from suppliers and consumer groups to our July 2025 working paper and many raised concerns about requiring a lower standing charge tariff. Suppliers highlighted potential operational and cost implications, while consumer groups and charities (CGCs) questioned whether the policy would risk confusing consumers. These perspectives have informed our approach and are reflected in the proposals we set out in this consultation.

1.8 Standing charges play a legitimate role in the retail energy market. They recover the fixed costs of the system: costs that do not vary by energy use. This includes suppliers fixed operational costs of serving each consumer, for example running energy supplier call centres, the cost of network upgrades and maintenance necessary to keep all consumers connected and fund the technologies to progress towards net zero targets.

1.9 Average dual fuel standing charges for domestic Direct Debit consumers on standard variable tariffs have risen from £186 per year in October 2021 to £320 per year in October 2025. This coincided with sharply rising energy costs and household inflation.

1.10 Our current prediction is that electricity network charges will rise further in the future, due to increased investment required in electricity networks as part of the energy transition. For example, our recent projection was electricity standing charges will rise from around £190 in April 2025 to £230 by April 2026, and £280 by 2031.

1.11 We are also looking more broadly and longer-term at how energy costs are distributed and paid for as part of the Cost Allocation & Recovery Review (CARR). This will include a fundamental review of the standing charge and unit rate model as we consider whether it is the best fit for our transition to a clean energy system.

Document overview

1.12 Chapter 2 sets out our case for change and policy aims for requiring suppliers to offer at least one lower standing charge tariff. It also summarises findings from the working paper and earlier consultations

1.13 Chapter 3 seeks views on defining lower standing charges. It explains why we have moved away from zero standing charge tariffs in favour of lower and sets out our proposed options for setting this.

1.14 Chapter 4 discusses consumer eligibility for the tariffs and proposes to introduce a minimum consumption threshold to mitigate the largest risk of under-recovery and reduce the level of risk premium needed, therefore making these tariffs more attractive to consumers that may want to choose to pay their standing charge in a different way.

1.15 Chapter 5 addresses supplier eligibility and application of the Standard Licence Conditions (SLCs). This includes proposals on whether the policy should apply to all suppliers or a subset and the period for which the SLCs should apply and may be reviewed.

1.16 Chapter 6 outlines our proposals on consumer protection and compliance.

1.17 The appendices include: Appendix 1 - List of consultation questions, Appendix 2 – Proposed modifications of Standard Licence Conditions, Appendix 3 – Impact Assessment, and Appendix 4 – Privacy notice on consultations.

Next steps

1.18 We welcome any written comments by **22 October 2025**, submitted via our Citizen Space consultation page or sent to standingcharges@ofgem.gov.uk**.** Please include detail and supporting evidence in your comments wherever possible. We will carefully consider stakeholder feedback following the close of this statutory consultation.

1.19 Our aim is to publish a decision by the end of the year. If we make a decision to implement the policy on this timeline, we would then expect to see new tariffs in the market from early 2026.

Consultation stages

Stage 1

Consultation opens 24 September 2025

Stage 2

Consultation closes (awaiting decision). Deadline for responses 22 October 2025

Stage 3

Decision published by the end of 2025

Stage 4

Implementation early 2026

How to respond

1.20 We want to hear from anyone interested in this consultation. Please send your response to standingcharges@ofgem.gov.uk or submit via our Citizen Space consultation page .

1.21 We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

1.22 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, your data and confidentiality

1.23 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

1.24 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

1.25 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

1.26 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

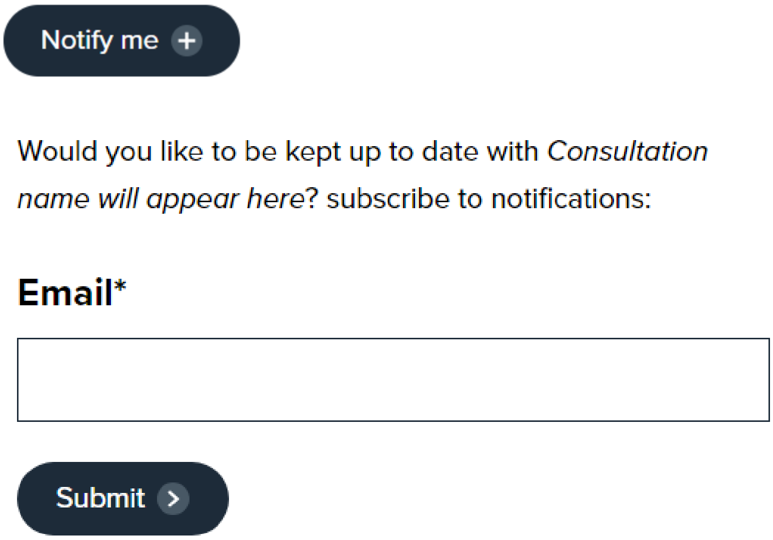
1.27 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. Choose the notify me button and enter your email address into the pop-up window and submit. [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)



Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

2. Context and policy aims

This chapter provides a recap of the previous consultation and working paper on standing charges and an overview of stakeholder feedback. We also set out our updated case for change, policy aims and intent for requiring lower standing charge tariffs.

Questions

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

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

Recap of previous consultations

Background

2.1 In our February 2025 policy consultation, we consulted on introducing a zero standing charge price cap variant with the aim to provide consumers with more choice over how they pay for their standing charge costs.

2.2 In July 2025, our working paper provided details of an alternative proposal that would require suppliers to have available at all times, in all regions, at least one lower standing charge offer. We noted that this option could allow suppliers with different consumer bases and commercial considerations greater flexibility with tariff design.

2.3 We acknowledge the strong feedback we have received from consumers for change on standing charges. Therefore, throughout our standing charges review, we have also called for lower or zero standing charge tariffs to be introduced voluntarily but have not seen the pace of change needed to meet our policy goals.

Previous stakeholder feedback

2.4 As highlighted in our summary of responses, a significant number of suppliers expressed scepticism or opposition to the zero standing charge price cap variant proposals. In particular, suppliers highlighted that the proposals could cause consumer detriment and favoured more systemic reform. Many CGCs were also critical of the price cap variant. Some argued that the proposals were of limited benefit to consumers as the aim of the policy is to offer choice rather than financial savings.

2.5 In response to our policy consultation, two suppliers and an industry body suggested offering a fixed term zero standing charge tariff as an option for consumers as an alternative approach to the zero standing charge price cap variant to achieve our objectives. This was considered a favourable alternative as it could reduce competitive distortion, and each supplier could reflect the realities of their consumer base. In addition, it was highlighted that this could improve our understanding of consumer preferences and how this innovation could be best delivered in the market.

Stakeholder feedback on requiring lower or zero standing charge options

2.6 In response to our working paper, suppliers largely opposed the route of requiring lower standing charge tariffs. Many suppliers highlighted the risk of cost under recovery (particularly as consumers who have lower consumption may be more likely to select these tariffs). There was also wider support for delaying any standing charges intervention until the outcomes of the CARR were determined. Some suppliers also advocated for a later implementation date to allow greater time for system development and mitigation of potential risks. However, one supplier highlighted a preference for mandating these tariffs relative to implementing a zero standing charge price cap variant to avoid the increased under recovery risk of this option.

2.7 CGCs also largely disagreed with our considerations on requiring lower standing charge options. Some groups highlighted that short-term standing charge reform could cause increased complexity for consumers and worse outcomes. Some groups also outlined that the primary motivation for change should be to protect those who suffer the most acute harms from standing charges (including prepayment meter (PPM) consumers). One consumer group advocated for an option that automatically switched consumers who could benefit onto the lower standing charge option, and that price protection is built in (akin to an option under the price cap).

Our proposed approach

2.8 We are proposing to require that suppliers must have available, at all times, in all regions, at least one lower standing charge offer.

2.9 Through requiring these offerings, we expect there to be competitive pressure in the market where this requirement delivers choice to consumers who want a lower standing charge tariff. We have considered the option of introducing a zero standing charge price cap variant this winter. However, we are now proposing to require suppliers to introduce lower standing charge tariffs, with the option for this to be in the competitive market. This option may not be suitable for all consumers, but the aim would be to offer greater choice while also providing suppliers with different consumer bases and commercial considerations greater flexibility with tariff design relative to a price cap variant. This approach would also allow us to see more choice for consumers sooner than if we were to implement a price cap variant, with the aim to introduce more options in the market from early 2026. We consider it important to provide this choice soon to consumers, and ahead of our longer-term work relating to CARR.

2.10 We have previously intervened in the competitive market in some circumstances to protect consumers. For example, preventing suppliers from increasing prices on fixed term tariffs and preventing them from automatically rolling consumers onto another fixed term offer when their current one ends and setting rules for treatment of domestic consumers when their fixed term contracts end. We have also previously introduced requirements to deliver greater choices for consumers in how they pay for their energy, including requiring that suppliers offer a range of payment methods to suit different consumer needs. In comparison to the zero standing charge price cap variant, requiring lower standing charge offers and giving the flexibility for this to be offered in the competitive market, could enable suppliers to price on their own commercial terms, and reflect their consumer needs.

The case for change

Background

2.11 In our February 2025 policy consultation, we outlined that many consumers value choice and control over their bills and how they pay for standing charge costs. We also noted that standing charge costs represent energy system costs that do need to be paid for, and so any policy option would reflect how costs are paid for, not whether they are paid.

2.12 In the July 2025 working paper, we noted that consumers should have the option to move to a lower standing charge tariff. We have heard strong sentiment from consumers for more choice, and that they find the high upfront nature of fixed costs can be a barrier to managing energy costs.

Stakeholder feedback

2.13 In response to our February 2025 policy consultation, many CGCs supported the principle of reform, highlighting that standing charges can make up the majority of low energy users' bills and a zero standing charge option could bring benefits for particular low-income consumers. Some suppliers also welcomed the policy intent to provide consumers with greater choice and flexibility in how they pay for energy.

2.14 On the other hand, many suppliers disagreed with the case for change. Key concerns expressed were that the prevailing concern amongst consumers was the overall size of their energy bills, rather than having control over the constituent parts of the bill and that there could be increased consumer detriment if their bills increase due to switching to a lower or zero standing charge tariff. Some CGCs felt that the measures lacked the robustness to address the deep-rooted affordability issues faced by households.

2.15 In response to the working paper, many suppliers continued to express support for giving consumers more choice and control but considered that alternative mechanisms should be used to achieve this. For example, many suppliers considered the CARR could increase lower standing charge options in the market. One supplier pointed to addressing this issue more effectively through market wide half hourly settlement and further time of use tariff options. Suppliers also cited the limited data currently available about consumer interest, uptake and behaviour for these tariffs and expressed concerns about under recovery risk. Some CGCs also advocated for more a more systematic review of costs through CARR.

Updated case for change following stakeholder feedback and further analysis

2.16 We consider that there is a case to require suppliers to offer lower standing charge tariffs. This is because our recent consumer research suggests that consumers perceive standing charges to be unfair and some consumers value the option to control how they pay for fixed charges even in the presence of higher bills. Therefore, we consider that the requirement could broaden choice for consumers by introducing lower standing charge tariff options that are not widely available currently.

2.17 Earlier this year, we conducted a programme of consumer research to consider consumers' attitudes towards standing charges and cost allocation. The omnibus survey conducted in January 2025 measured domestic energy consumers' top-of-mind attitudes towards standing charges on energy bills. In addition, an online behavioural experiment conducted in March 2025 explored how information provision and cost allocation trade-offs related to standing charges influence consumer attitudes towards energy costs. We also conducted deliberate research on consumers' views on the future of energy pricing in February to March 2025.

2.18 In the omnibus survey, 62% of respondents said they think standing charges are unfair and around half said they would prefer a cost structure that removed or reduced standing charges and increased unit rates. The top reasons selected for preferring to reduce or remove standing charges tend to be principle-based. Among those consumers who stated a preference for reducing or removing standing charges and raising unit rates, the top reasons provided were a preference for charges to be based on actual usage (61%), the view that standing charges penalise low energy use households (58%) and the belief that standing charges are too high (47%).

2.19 Within our online behavioural experiment, consumers were asked to actively choose the level they thought standing charges should be set at.[1] They were presented with a zero-sum trade-off scenario, where they could adjust the standing charges, and would be shown the cost implication for the unit rate. In this scenario, most participants stated that standing charges should be reduced or removed (58%), of which 11% felt they should be removed. Seventeen percent thought that standing charges should remain the same and 25% thought that standing charges should be increased. Despite understanding the implications of reducing standing charges- namely, higher unit rates- on average participants still favoured a modest decrease. Even when told their bills would be higher from a standing charge reduction, 50% of higher energy user participants, still opted to reduce standing charges. This suggests that standing charges at the time of the experiment may have exceeded what consumers considered acceptable, even when they were informed of the increase in unit rate and potential for financial consequences.[2]

2.20 We also note that consumers who were provided with enhanced information allocated more to standing charges (48p versus 45p in the basic information group). This suggests that additional information around standing charges increases the allocation for it, but it is notable that even with this information many consumers still chose to reduce the standing charge level relative to the default. In addition, lower energy users were significantly more likely to report standing charges as unfair, suggesting that they are already aware of the personal impacts of a change in standing charges and reflected this in their responses in the experiment.

2.21 Based on these findings, we continue to consider that there is a case for consumers to have greater choice and control through introducing more lower standing charge options into the market. Introducing more of these options for consumers would allow for energy bills on these tariffs to reflect changes in consumption levels to a greater extent (through a greater allocation of costs to

[1] The default level in the experiment was 60p, which was what most GB regions were paying for standing charges at that time.
[2] It is important to note that standing charges have since decreased, and the results should be interpreted in that context.

unit rates), which could help consumers feel an increased sense of control of their energy costs.

2.22 The findings from our deliberative research as part of this package also indicated that participants favoured a simpler, more predictable energy system that protects energy consumers. Generally, participants were in favour of a fair energy pricing system. However, views on what is fair were highly subjective, with the concept meaning different things to different people. Some participants expressed concerns that more complex pricing structures could disadvantage consumers who may have limited ability to engage and therefore be more likely to end up on the ‘wrong’ tariff. Affordability of energy bills was seen as paramount. We recognise the trade-off between increasing consumer choice and increased complexity. We set out our proposals for consumer protection in Chapter 6, which includes appropriate tariff communication best practice.

2.23 We also recognise stakeholder feedback that favoured the wider CARR to take a more holistic approach to cost recovery, which may also result in more lower standing charge options. We will continue to work on the CARR which aims to make the system fairer and more efficient. However, alongside this we consider that there is a case to introduce lower standing charge options in the shorter term, to provide greater choice and control to consumers sooner. We can then review whether the requirement for suppliers to offer these tariffs continues to be fit for purpose in light of the outcomes of CARR.

Policy objectives and intent

Ofgem’s consumer objectives and framework

2.24 We consider that the requirement for suppliers to offer lower standing charge tariffs can bring the benefit of increased consumer choice. As a result of the proposals, consumers would have options of tariffs that provide greater choice and control over how they pay for part of their standing charge costs. We set out below a consideration of our statutory duties. We also discuss our policy intent, which includes suppliers setting reasonable rates and having appropriate communication to allow consumers to make informed choices.

2.25 We propose to implement a requirement that suppliers must have a lower standing charge offer, at all times, to all payment methods and in all regions via the Standard Licence Conditions (SLCs), which would set parameters for the introduction of these tariffs. When we exercise our powers to make amendments to the SLCs, we must consider our statutory duties, including our principal objective set out in the Electricity Act 1989 and Gas Act 1986. This is to protect the interests of existing and future gas and electricity consumers, and wherever appropriate to further this objective by promoting effective competition. We have carried out a Public Sector Equality Duty (PSED) assessment as part of our Impact Assessment (IA). Our assessment is that the proposed changes do not overlap with the PSED significantly, we consider that consumers with disabilities or over a certain age are likely to see no impacts as they will likely not opt for the tariff as it could increase their bills.

2.26 Our decisions are ultimately guided by our statutory duties. One of the ways we assess policy options is to identify trade-offs between different consumer interests through the Consumer Interests Framework in our Multi-year strategy to help us fulfil our principal objective. For our proposal on requiring suppliers to offer lower standing charge tariffs, we consider that the 'Fair Prices' factor of the framework would be appropriate as we seek to increase choice and control for consumers over how standing charge costs are paid. We would also balance this against supplier resilience as we consider supplier recovery of efficient costs (financeability) on the lower standing charge offerings. 'Quality and Standards' is also important as we consider how suppliers communicate new tariff options to consumers to allow them to make active and informed decisions about which tariff is most appropriate for them.

2.27 This also ties into our Consumer Confidence programme as this work contributes to a more consumer-centric energy market, given the strong feedback we have received from consumers expressing desire for change on standing charges.

Background

2.28 In our February 2025 policy consultation on a zero standing charge price cap variant, we set out two key policy objectives:

- to offer consumers choice and control over how they pay for their standing charge costs and
- to allow suppliers to recover efficient costs

2.29 In our July 2025 working paper, we also added three policy outcomes that we would expect to assess suppliers against their requirement to offer lower standing charge tariffs, including:

- suppliers must have available, at all times, in all regions, at least one lower standing charge offer
- these tariffs are effectively communicated to consumers so that they are able to make informed choices about whether to switch
- the tariffs are also required to be priced reasonably while suppliers are able to recover their costs and make a reasonable return

Stakeholder feedback

2.30 Many suppliers who commented on our policy objectives generally noted agreement with the principle of offering greater consumer choice. However, they expressed concerns about their ability to design lower standing charge tariffs that are commercially viable but still attractive to consumers, particularly given greater costs being allocated to variable charges (unit rates) that can vary seasonally. Some suppliers asked for discretion over most design elements to support commercial viability. One supplier also proposed objectives for the requirement, including a simple, transparent approach that applies to all suppliers; an effective approach to maximise the benefits for consumers and suppliers; for the tariffs to commence from April 2026 and appropriate mitigations to address the risk of cost under recovery.

2.31 CGCs also widely emphasised the importance of clear consumer communication, linked to our outcome on consumers being able to make informed choices about whether to switch to these tariffs. Some consumer groups advocated for standardised presentation of tariff elements and tailored support for digitally excluded or low-literacy consumers in relation to any new lower standing charge options.

Our proposed approach

2.32 Taking into account the stakeholder feedback, we have considered the best mechanism to help achieve our policy objectives. We are carrying forward our key policy objectives into this work as we consider they remain valid and appropriate to:

- offer consumers choice and control over how they pay for their standing charge costs
- allow suppliers to recover efficient costs

2.33 We also noted previously that lower or zero standing charge options are not designed to be an affordability measure or intervention. As an economic regulator, we cannot make these costs go away and suppliers should be able to recover efficient costs. Measures for targeted affordability support sit within the remit of government.

2.34 Our policy intent is captured in the following points:

- **Suppliers must have available, at all times, in all regions, at least one lower standing charge offer.** This captures the intent to provide consumers with greater choice and control over how they pay for their standing charge costs, and providing this in all regions and, at all times, helps to maximise that consumer choice. We include this requirement within the proposed SLC drafting.

- **These tariffs are effectively communicated to consumers so that they are able to make informed choices about whether to switch to a lower standing charge option.** We recognise that these tariffs may not be suitable for all consumers, so aim to ensure that suppliers provide consumers with appropriate information (such as standing charge and unit rate levels) to allow them to make an informed choice about whether to switch. We note that existing SLCs set out requirements for tariff communication and ensuring that consumers can make informed choices (e.g. SLC 25), and we discuss some examples of best practice for these tariffs in Chapter 6.
- **Tariffs are priced reasonably while suppliers are able to recover their costs and a reasonable return**. This reflects that unit rate pricing on these tariffs should be at a reasonable level, so that they are not unattractive to the majority of consumers. This is balanced against the requirement for suppliers to be able to recover their efficient costs. We include proposed SLC drafting on this point. This requires that suppliers ensure the unit rate is reasonable, including by having regard to the cost of supplying energy to the domestic consumer; comparative tariffs and their costs; and any other relevant matter.

2.35 We recognise that this approach is an untested area for the market, where it is difficult for us to accurately predict consumer and supplier responses. We propose to monitor the supplier offerings, taking the above policy intent into account, and stand ready to consider further measures if we do not see competitive offerings delivering real choice being brought to market. We discuss further our considerations around assessing supplier performance against each of these areas in Chapter 6. This includes considering how they meet our wider consumer outcomes, and how they fit with our proposed SLC changes and existing SLCs.

3. Setting a lower standing charge tariff requirement

This chapter sets out our approach to defining a requirement for suppliers to offer a lower standing charge tariff. We are proposing to amend the SLCs to require suppliers to offer a tariff with a standing charge that is priced £150 below the price cap nil consumption level. We are however considering whether we should go further and require a £200 reduction.

Questions

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

3.1 Following feedback from our July working paper and further consideration, we are not proposing to proceed with the option of requiring suppliers to offer a tariff in the competitive market with no standing charge. Instead, we are proposing to amend the SLCs to require suppliers to offer a tariff with a standing charge that is priced £150 below the price cap nil consumption level. We are however considering whether we should go further and, for example, require a £200 reduction.

3.2 Our July working paper set out a number of options with regards to requiring suppliers to offer a lower standing charge tariff. This ranged from requiring a smaller reduction in the standing charge to requiring that suppliers must offer a tariff with no standing charge.

3.3 We noted that a zero standing charge requirement may be simpler to implement and easier in terms of consumer communications, however recovering all fixed costs through the unit rate increases the potential for under-recovery of fixed costs significantly for suppliers. To manage this higher level of risk, suppliers may be more likely to price tariffs as either falling block tariffs[3] or price in very large risk premiums to account for this risk. High risk premiums are likely to make the tariffs less attractive to consumers, limiting choice in the market.

3.4 When considering how to set a 'lower' standing charge requirement, one of the approaches we outlined in the working paper was to set the requirement to allow suppliers to recover 'pass through' costs such as policy, industry and

[3] A falling block tariff uses two or more unit rates, with the first higher unit rate applying up to an initial level of consumption with the lower rate applied to any consumption above this point.

network costs. This option means that suppliers would need to recover their operational costs for these tariffs via the unit rate.

Stakeholder feedback

3.5 In their responses to our July working paper, suppliers generally favoured a requirement for a 'lower' standing charge tariff as opposed to a zero standing charge tariff requirement. Some suppliers noted that the higher the required reduction in standing charge, the higher the revenue risk to their business which would consequently result in a higher risk premium attached to these tariffs.

3.6 One supplier argued that Ofgem should allow suppliers flexibility to choose the level of standing charge reduction under the requirement, noting that they were best placed to understand the nature of their consumer base.

3.7 Some suppliers noted they agreed with the approach outlined by Ofgem in the July working paper, whereby the requirement for a 'lower' standing charge would be set with reference to pass through costs within the price cap. It was however noted by most suppliers that these costs, particularly network and policy costs, are likely to change over the next few years and any requirement would need to take this into account.

3.8 Where CGCs responded to this question, they tended to support a zero standing charge requirement. One respondent noted that PPM consumers currently build up standing charge debt throughout the summer and a zero standing charge tariff would help to support these consumers.

Our proposed approach

Mandating a zero versus lower standing charge

3.9 Following feedback from our July working paper and further consideration, we are not proposing to proceed with the option of requiring suppliers to offer a tariff in the competitive market with no standing charge. Instead, we are proposing to amend SLCs to require suppliers to offer, as a minimum, a tariff with a 'lower' standing charge.

3.10 As noted in the working paper and in supplier responses, a zero standing charge requirement has the potential to drive the highest under-recovery risk for suppliers and, as a result, is most likely to drive high risk premiums on unit rates to account for this. As set out in Chapter 2, one of our primary objectives is to increase choice for consumers in the market and very high unit rates driven by high-risk premiums is unlikely to achieve this.

3.11 Our research on domestic consumer views on energy pricing found that when presented with information on how unit rates will increase if standing charges decreased, consumers are more cautious about reducing them. In the omnibus survey where respondents were asked about preferred cost structure, 28% preferred to remove standing charges entirely. However, respondents were less likely to select the removal of standing charges option when we presented them with a modified version of this question in the online experiment, just 11% felt they should be removed entirely. In this a 'don't know option' was removed and they were shown, in real-time, the impact of reducing or increasing standing charges on unit rates. The online experiment participants were also more likely than survey participants to choose to increase standing charges and reduce/remove unit rates – a quarter of online experiment participants selected to increase standing charges.

3.12 We note the responses raised by CGCs and recognise that standing charges can contribute to build up of debt in the summer months. It is important to note that this policy is not able to provide affordability support and any reduction in standing charge will likely imply an increase in the unit rate. We note that a lower standing charge approach will still help to mitigate the build-up of debt in the summer for those consumers that choose to take up one of these new tariffs. We also note that some suppliers already offer zero standing charge tariffs for PPM consumers.

3.13 Taking these points together, we consider that requiring all suppliers to offer zero standing charge tariffs may result in less choice for consumers rather than more and therefore would not meet our policy objectives. The rest of this chapter focuses on our proposed approach to defining a requirement for suppliers to offer, as a minimum, a tariff with a 'lower' standing charge.

Our proposed approach to defining a 'lower' standing charge

3.14 Following further consideration and feedback to our working paper, we are proposing to set a requirement for suppliers to offer a tariff with a fixed reduction against the nil consumption[4] price cap level. Given current market offerings, we do not consider a requirement that allows suppliers to set their own level of standing charge reduction would achieve the outcomes set out in Chapter 2.

3.15 There are a number of options for setting a 'lower' standing charge requirement. As set out in our July working paper, one approach is to set a level

[4] Ofgem's price cap sets out the price cap at benchmark and nil consumption. The latter represents a cap for a customer that uses no consumption, this effectively acts as a cap on the standing charge.

with respect to the level of 'pass through' costs within the price cap. Under this approach, suppliers would broadly retain the ability to recover all fixed costs that they receive via third parties, while increasing the ability of consumers to choose how they pay supplier operating costs. We define pass through costs as the sum of the following cost lines in the price cap methodology:

(i) Policy costs
(ii) Network costs
(iii) Industry costs
(iv) Levelisation allowance

3.16 The above four cost categories account for approximately £168 of the average standing charge within the October 2025 price cap (c.£320). Setting a requirement with respect to these costs would mean consumers would see a c.£150 reduction in standing charges relative to the cap.

3.17 We want to ensure that the new tariff offerings reflect consumer demand and note that the approach set out in paragraph 3.16 represents a decrease in standing charges of less than 50% compared to the cap. We are therefore considering whether to go further, for example to require suppliers to offer tariffs that represent a £200 discount from the nil consumption dual fuel cap level. Depending on a reduction of £150 or £200, we propose that it is split between fuels as a reduction of £65 to £90 for electricity consumers and a reduction of £85 to £100 for gas consumers, broadly reflecting the ratio of non 'pass through' costs in the cap.

3.18 To guarantee that these offerings are available to consumers, we are minded to amend the SLCs to require suppliers to offer a tariff with a standing charge at least £150 below the price cap nil consumption level. We are however seeking views on whether this level should be increased as noted above. We consider that a range of £150 to £200 below the nil consumption level may be appropriate.

3.19 In coming to a final decision on the level of reduction, amongst other considerations, we will use stakeholder feedback and further analysis to balance our objectives of increasing consumer choice while ensuring supplier financeability. We particularly welcome views from stakeholders on the degree to which this level may affect the likely choices available to consumers.

3.20 We note the concerns by some suppliers that there may be movements in future cap costs. Setting the requirement to move relative to the cap should help to mitigate this issue by ensuring the requirement is updated in line with the quarterly price cap updates.

4. Consumer eligibility and minimum consumption threshold

This chapter sets out our proposed approach to consumer eligibility for the tariffs, including all payment methods, and for consumers on both smart and traditional meters. It also sets out our proposal to allow suppliers to limit eligibility for lower standing charge tariffs to consumers that meet a minimum consumption threshold.

Questions

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

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

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

Consumer eligibility

Background

4.1 In the working paper, we set out a range of options on how lower or zero standing charge tariffs could be targeted at particular consumer groups. This included the tariffs must apply to all domestic consumers (covering PPM, Direct Debit and Standard Credit consumers); allowing suppliers to exercise discretion in which consumers they offer the tariffs to; or prescribing the tariffs for particular consumer groups. Within this, we considered targeting PPM consumers and/or smart meter consumers.

4.2 For each of these choices, we considered the trade-off between suppliers having the ability to recover efficient costs (as the risk of under recovery could reduce if the tariff is available to a smaller number of consumers); against the amount of choice for consumers offered as a direct result of the policy.

Stakeholder feedback

4.3 Many suppliers expressed support for targeting the lower standing charge tariffs at PPM consumers. The key reasons provided for this were that many PPM consumers have been shown to be adversely affected by rising standing charges, due to accruing debt from these costs during periods of not using energy (for example gas standing charges accruing over summer). Furthermore, targeting a smaller consumer cohort could reduce supplier risk of cost under recovery. On the other hand, two suppliers opposed targeting PPM consumers, highlighting that this cohort have higher fixed costs, which could increase the level of under recovery risk. Another supplier commented that the higher unit rates of lower standing charge tariffs could increase the risk of self-disconnection for PPM consumers in the winter, when consumption levels are higher. It was also highlighted that PPM consumers already have access to lower or zero standing charge tariffs in the market.

4.4 The majority of suppliers advocated for the tariffs to only be open to smart meter consumers. They cited the benefits of having accurate and timely consumption data for suppliers to determine their level of under or over recovery and monitor the impact of the policy. Suppliers also noted that smart meters would also facilitate efficient implementation of block tariff designs if suppliers chose to use these. It was also noted that using smart meters could allow consumers to be more aware of their own consumption levels and could reduce consumer detriment from inaccurate billing and consequent back billing.

4.5 CGCs widely supported the tariffs being available to all consumers, with no exclusions based on payment method or meter type to avoid excluding vulnerable consumers who may not be able to switch payment methods or get a smart meter for reasons outside of their control. Some charities also emphasised the importance of providing additional support for PPM consumers, for example highlighting that costs will increase during periods of higher consumption (such as over winter), which could increase the risk of self-disconnection or energy rationing. A consumer group also highlighted that the benefits of smart meters are largely predicated on having functioning in-home display (IHD) units and asked for our voluntary standards on smart meters to include this. We have included consideration of this point within our statutory consultation on smart meter guaranteed standards of performance, setting out that the issues with smart meters can be very broad and include not only the meter but also the IHD and the consumer's bill.

Our proposed approach on consumer eligibility

4.6 Our proposal is to prescribe the tariffs for all payment types, and for consumers on both smart and traditional meters.

4.7 We are proposing to require the tariffs to be available for all payment types as one of our key policy objectives is to increase choice and control for consumers, and this would allow a wider group of consumers to be able to switch to these tariffs without changing their current payment method. In addition, our omnibus survey findings indicated that 63% of Direct Debit electricity or gas consumers, 57% of standard credit consumers and 55% of PPM consumers said that standing charges were unfair. This indicates a perception across many consumers on all payment types of discontent with standing charges, and so these tariff offerings would aim to introduce greater choice across payment methods. We recognise the feedback we received from many suppliers that targeting a smaller cohort of consumers could help to reduce the risk of cost under recovery, however we consider that other design features of the tariffs could help to mitigate this risk, such as having lower standing charges rather than zero, with unit rates that are set at a reasonable level while allowing for recovery of efficient costs (discussed further in paragraphs 6.5 and 6.6).

4.8 In addition, we are proposing that the tariffs are offered with a requirement for both smart meter and traditional meter consumers. We recognise that having a smart meter could allow consumers who choose to switch to these tariffs to have greater visibility over their energy usage and costs. As these tariffs are not intended to be an affordability measure and suppliers will need to recover efficient costs, we recognise that the unit rates on these tariffs will likely be higher relative to similar tariffs that have higher standing charges. Therefore, tracking consumption can help consumers to review the impact of these higher unit rates. Similarly, having access to accurate consumption data can help suppliers more accurately track their recovery of costs. However, we also note the considerations raised by CGCs that consumers who are unable to install smart meters for reasons outside of their control (for example signal issues or lack of space for a smart meter) may benefit from the increased control provided by these tariffs. Therefore, we consider that the tariffs should also be accessible to this group of consumers. We recognise that suppliers may choose to offer different lower standing charge tariffs depending on consumers' meter type.

Minimum consumption threshold

Background

4.9 Our July working paper set out our considerations on whether to allow suppliers to limit eligibility for lower standing charge tariffs to consumers that met a minimum consumption threshold. We noted that a minimum consumption threshold could help to mitigate the most severe under recovery risks by excluding vacant or largely vacant households. Adopting this approach would however inevitably exclude some consumers with low usage.

4.10 We noted that, in the absence of a minimum consumption threshold, there is a possibility that owners of vacant or largely vacant properties (an example being secondary summer holiday properties) become the primary beneficiaries of the policy due to their extreme low consumption. These households would likely present the largest source of supplier under recovery risk and may increase the risk premium paid by all consumers who opt onto the tariff.

4.11 In the working paper, we set out three options which could be used to set a minimum consumption threshold, including:

- use of a consumption proxy for primary residence (for example, three months' worth of average annual consumption)
- use of a low percentile of annual consumption for the threshold (for example, the bottom fifth percentile)
- allowing suppliers discretion to set their own threshold for their tariff

4.12 We suggested that suppliers may benefit from flexibility in how they assess whether a consumer meets the minimum consumption threshold as this would allow them to use the data which is available to them. Alternatively, the working paper raised the possibility of allowing suppliers to develop a different mechanism entirely (such as assessing household usage patterns) to exclude non-primary residences from the tariff.

4.13 The working paper also set out our thinking around situations where consumers are deemed to be eligible for the tariff based on forecast data, but their actual outturn consumption once on the tariff is less than the minimum threshold.

Stakeholder feedback

4.14 The majority of suppliers that responded to the July working paper stated that allowing them the ability to restrict eligibility of these tariffs to consumers that consumed above a minimum threshold was appropriate. The majority stated that this would reduce, but not remove, the under-recovery risk for these tariffs and therefore bring down the uplift to the unit rate need to account for any risk of under-recovery. One supplier noted that the inclusion of a threshold added complexity to the design of tariffs.

4.15 The majority of CGCs did not support the inclusion of a minimum consumption threshold. Some raised concerns that this approach risked excluding low-income consumers currently rationing their energy usage. CGCs noted that suppliers should develop separate criteria to identify and exclude second homes.

4.16 There were mixed responses from suppliers in response to the proposed options on how we could set a minimum consumption threshold. Some suppliers noted that they should be free to set their own policy in relation to minimum consumption thresholds noting that this enables them to make tariffs that are not loss making whilst still attractive to some consumers. Two suppliers noted that an approach that allowed more discretion for suppliers may lead to an inconsistent approach that would add complexity and confuse consumers.

4.17 Other points raised by respondents in relation to setting a minimum consumption level included:

- one supplier noted that using a consumption proxy would not reflect the diversity of consumer profiles across suppliers
- two suppliers noted that practically it would be much simpler to apply minimum consumption thresholds if the tariff was available only to consumers with a smart meter
- multiple suppliers mentioned that these changes may require system changes and suppliers need time to address the challenges
- one supplier noted that Ofgem should consider providing guidance on how suppliers should deal with a consumer who meets the requirement on one fuel but does not meet the threshold for the other fuel
- one CGC raised that a simpler method could be to ask consumers to confirm the tariff is for their primary residence on sign up and to disclose that they would need to be able to prove this if challenged

Our proposed approach on minimum consumption threshold

4.18 In any approach to setting a minimum consumption threshold (or alternative method), we consider that there will be a trade-off between mitigating under recovery (and consequently risk premiums on tariffs) and allowing low consuming households who may benefit from the choice of a lower standing charge option to access the tariff.

4.19 Following further consideration and policy thinking, we are proposing that suppliers limit eligibility for these tariffs to consumers that use above a minimum level of consumption. We recognise that will inevitably exclude some consumers who consume less energy and are self-rationing due to affordability issues. Our policy is not intended to act as an affordability measure and is unlikely to provide savings on bills. Allowing suppliers to limit eligibility for these tariffs to the lowest consuming consumers would mitigate, to some extent, the biggest risk of under-recovery and reduce the level of risk premium needed and therefore make tariffs more attractive to other consumers that may want to choose to pay their standing charge in a different way. As the threshold would be a minimum requirement, suppliers could offer these tariffs to all consumers if they choose to.

Calculating a minimum consumption threshold

4.20 We are proposing to calculate a minimum level of consumption by estimating a proxy for the minimum level of consumption used by a primary residence. We propose to calculate the level based on what an average consumer would have consumed over 90 days. We have chosen a period of 90 days to align with other indications of residency in other areas such as Capital Gains Tax.

4.21 Using the above method, we are proposing to set minimum consumption thresholds at 666kWh and 2,836kWh per annum for electricity and gas respectively.[5] Suppliers would therefore have the ability to limit the availability of these tariffs to consumers whose annual consumption is expected to be above this level. Basing the threshold on 90 days of average consumption creates a relatively low bar to entry which should limit exclusion of primary residences with low consumption whilst still excluding vacant or largely vacant properties. We consider that the use of a low bar to entry expands access and therefore expands tariff choice for the majority of consumers (with increasing choice being a key objective of the policy).

4.22 To inform our decision, we have used the Office for National Statistics (ONS) Living Cost and Food Survey data to estimate the number of consumers in key groups that would be excluded based on the threshold set out in paragraph 4.21. The table below sets out our analysis of the number of consumers that would be excluded based on our proposed minimum consumption threshold.

Table 4.1 – Number of consumers in key groups that would be excluded from the new tariffs

[5] This represents 90 days worth of average consumption.

Consumer group	Number of households excluded	Percentage of group population
Low-income consumers	169,000	4%
Consumers in receipt of disability benefits	116,000	3%
PPM consumers	62,000	2%
Standard Credit consumers	99,000	7%

4.23 We note the suggestion by one CGC that consumers should be asked to confirm primary residence on take-up of the tariff. It is not clear how this proposal would work in practice, particularly if a dispute arises between the consumer and supplier over whether the residence is truly the consumer's main property.

4.24 We note that some suppliers suggested that they should retain discretion over how and where to set the threshold. We consider that this may lead to an inconsistent approach which could be difficult for consumers to navigate, or could be set at a level which does not adequately balance mitigation of risk with allowing access for the majority of consumers.

4.25 Whilst we recognise there are differences in supplier consumer base, we do not propose to set a different level for each supplier. Setting a different threshold for each supplier would be complex and would likely be confusing for both industry and consumers.

Implementation of the minimum consumption threshold

4.26 We are proposing to allow suppliers the discretion to assess whether or not a consumer meets the minimum consumption threshold. This would allow suppliers to use data available to them. We note that suppliers should have, or are able to get, access to industry data that should allow them to assess this and under current licence conditions, suppliers are required to collect consumption data, which helps them with their billing. We do however note that the data would be 'backward looking' and actual consumption may vary from forecast.

4.27 As noted in our July working paper, it may be the case that some consumers are deemed to be eligible based on forecast data, but actual outturn consumption means that the consumer consumed less than the minimum threshold. We do not consider it necessary to prescribe how suppliers approach these situations, as we expect suppliers to respond appropriately on a case-by-case basis. As set out in Chapter 6, the tariffs would continue to be subject to other license conditions that protect consumers and we would expect any terms (e.g. exit fees) to be made clear and transparent to consumers.

4.28 We are not proposing to provide any detailed guidance on how suppliers design tariff offerings if a consumer meets the minimum threshold for one fuel but not the other.

4.29 We note that some suppliers raised the point that this would be easier to implement for consumers with smart meters. For reasons outlined in the section above, suppliers would be required to offer these tariffs to both smart and traditional meter consumers.

5. Supplier eligibility and new licence conditions

This chapter outlines the considerations, stakeholder feedback and proposals for supplier eligibility. The chapter also discusses the considerations for the application of the licence conditions including the length of time for which the conditions could apply and the review considerations for making the conditions longer-term.

Questions

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

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

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

Supplier eligibility

Background

5.1 The requirement for suppliers to have available, at all times, in all regions, at least one lower standing charge offer requires the introduction of new licence conditions, which would apply to the Gas and Electricity Domestic Standard Supply Licences. By default, these would apply to all suppliers that hold a domestic supply licence, unless specified otherwise.

5.2 In our working paper, we set out that we were considering whether to limit the licence conditions for requiring a lower or zero standing charge tariff offering to a subset of suppliers. The options included limiting this requirement to suppliers with 150,000 or more domestic accounts or 50,000 or more domestic accounts, to align with previous instances where we have applied obligations proportionately.

Stakeholder feedback

5.3 There was support from suppliers and CGCs for the requirement to apply to all suppliers and not be restricted to large suppliers only. Most respondents argued that an even playing field was the most reasonable way forward and encouraged competition in the market and preventing distortions. Additionally, most stakeholders noted that by applying this across the supply market, it provided the greatest potential for consumer choice.

5.4 Two respondents noted that smaller suppliers may have disproportionate costs if the requirements were applied to all suppliers. The respondents noted that the proposals were complex and smaller suppliers had disproportionate cost of regulation due to their size. One respondent also noted that they had less ability to spread costs and so cost-recovery was more of an issue for smaller suppliers. However, one respondent also noted that restricting to large suppliers only could provide smaller suppliers with a competitive advantage.

5.5 We received a variety of feedback in relation to how the policy design may impact on a supplier's consumer segmentation or tariff design. Most feedback noted that there were concerns about cost recovery risks due to the proposed design, and the need to potentially adjust or add new tariff offerings elsewhere to compensate for this risk. Respondents also noted that lower standing charge tariffs would be more likely to be favoured by consumers with low consumption, adding to under-recovery risks. A small number of respondents noted that their consumer composition was atypical with a higher proportion of vulnerable consumers, and so they may have additional challenges around marketing their products due to their position in the market or recovering costs. One respondent noted a trial would help understand consumer behaviours better.

Our proposed approach on supplier eligibility

5.6 Our proposal is to include a threshold for suppliers, such as 50,000 domestic customers. This would ensure that over 99.5% of current customers would be with suppliers that are eligible suppliers. We received feedback in the working paper that smaller suppliers may face disproportionate regulatory or cost risks due to their proportionate size, or that some suppliers may have different cost risks due to their consumer composition or position in the market.

5.7 We note that the standard SLCs typically apply to all suppliers, however several conditions include exceptions typically based on customer size. For example, Condition 28C (Milestone Assessments), sets out two different thresholds for suppliers, one at 50,000 domestic customers and one at 200,000 domestic customers. When a supplier approaches these milestones, this triggers a Milestone Assessment, in which Ofgem assesses the supplier's ability to ensure it can operate and finance a customer base beyond the threshold and its ability to meet regulatory obligations. These thresholds are selected as the suitable thresholds for which considers a suppliers' growth and demonstrate its ability to comply with more complex regulatory obligations.

5.8 In addition to 28C, several other licence conditions within both the gas and electricity domestic supplier licences also apply customer thresholds where the regulatory, cost or operational burden is seen as disproportionate or not feasible for smaller suppliers due to complexity or other factors.

5.9 We recognise that we did not receive responses from many smaller suppliers, and so the evidence is limited for the specific impacts of the policy proposals on these specific suppliers or new entrants. We note that setting a threshold at 50,000 domestic customers may result in some moderately-sized suppliers being eligible for the requirements and therefore we are seeking views from wider stakeholders, in particular from smaller suppliers or new entrants potentially affected by different thresholds. We are also seeking any views or additional evidence from stakeholders on the overall cost of implementation and ongoing compliance with this requirement.

Application of the Standard Licence Conditions (SLCs)

Background

5.10 The introduction of new SLCs will set the basis for the lower standing charge tariff requirement on domestic (gas and electric) suppliers. The SLCs detail how the requirements are applied and the validity period for which the conditions should apply. Appendix 2 sets out the draft SLC changes we are proposing to make.

5.11 In our working paper, we set out the potential to introduce a requirement for the licence conditions to be reviewed by Ofgem (either periodically or at a specific stage), to ensure that these remain fit for purpose for suppliers and consumers. We requested feedback on this consideration, noting this would provide the opportunity to formally link this with the outcomes of the CARR.

Stakeholder feedback

5.12 There was very strong support for Ofgem undertaking a review of the policy if implemented through the introduction of licence conditions on suppliers. Most respondents argued that the review should assess compliance and policy impacts on suppliers and consumers against the key objectives, or through the creation of success criteria. Respondents noted that key metrics could include consumer uptake and feedback and financial impacts.

5.13 Several respondents noted the importance of a review considering the expected increase in fixed cost elements in the next few years, which will impact on the standing charge. Other respondents noted that a review was necessary to consider the policy interactions with CARR or the Consumer Confidence project.

5.14 The working paper did not have a specific question on whether the requirement should be temporary (time-limited) or enduring. However, some respondents argued the intervention should be temporary (or with a trial period) until the completion of a review. Respondents suggested that Ofgem include provisions for the review within the licence conditions (typically 12 or 18-months post implementation) or to include sunset clause which would time-limit the condition unless extended following a review.

5.15 Two respondents opposed the introduction of an Ofgem review due to concerns that the policy aims were unrealistic. One noted a review could lead to further intervention in the market while the other argued the conclusion of the CARR should occur before introducing long-term licence conditions.

Our proposed approach on the application of SLCs

5.16 We are proposing to include a sunset clause within the SLCs so that the requirement to offer lower standing charge tariffs initially applies for a limited period, such as 2-years, with the option for us to review and decide to extend this period. We are keen for further evidence to set out what a suitable period could be.

5.17 The period would need to consider the length of time to collect a suitable amount of data with seasonal impacts and it would need to provide sufficient time for a review of the impacts of the policy before the period expires. Additionally, the period would need to consider the appropriate time to allow for further development and considerations under the CARR and ensure that any review of the licence condition is considered as part of the expected deliverables of this workstream.

5.18 We anticipate that a review of the requirements would consider the policy objectives and expected deliverables (as outlined in Chapter 2), in addition to the objectives and deliverables of the CARR. The review would consider if it were appropriate to extend the condition in the long-term, beyond the expiry date. We would set out more detail for what the review could consider as part of the future CARR consultation process, or alongside this.

5.19 We consider this approach provides the best flexibility for assessing the impact of the policy against its objectives, while ensuring that this takes into account the longer-term interactions and potential changes to the landscape from CARR.

5.20 We recognise that introducing a sunset clause has the potential to create uncertainty over the long-term application of the tariffs in the market. However, we consider that it is important to assess the short-term impacts on the market and consumers before making a decision on the long-term. Additionally, it is important to provide time and flexibility for CARR to develop its outputs and deliverables, as this will consider the future of standing charges and the allocation of other relevant costs.

6. Consumer price protection and compliance approach

This chapter sets out our proposals around consumer protection relating to the requirement to offer lower standing charge tariffs, including ensuring reasonable unit rates and enabling consumers to make informed choices. We also set out some compliance considerations.

Questions

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

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

6.1 We are proposing to require that suppliers introduce tariffs with lower standing charges. We recognise that this is likely to mean that the unit rate for these tariffs may be higher relative to other tariffs, to allow suppliers to recover their efficient costs. We also recognise the importance of having tariffs that are viable and reasonable for consumers. Therefore, we are proposing to have appropriate consumer protection and compliance mechanisms for consumers who may take up these tariffs to support the following key areas (in line with our policy intent discussed in Chapter 2):

- Ensuring that unit rates are reasonable, while suppliers can recover their efficient costs
- Ensuring that consumers are able to make an informed and active choice to switch to a lower standing charge tariff, supported by appropriate supplier communication

Ensuring reasonable unit rates

Background

6.2 In the July working paper, we outlined a key policy outcome for tariffs not to be priced excessively while suppliers are able to recover their costs and make a reasonable return. We also set out that we could follow a similar approach to the Financial Conduct Authority's (FCA) Consumer Duty and use 'fair value' assessments to understand more about how suppliers are pricing these tariffs. Further, we highlighted a range of existing SLCs to help consumers compare tariff options, including provision of an estimated annual cost upon joining a tariff, which would help consumers see the possible effect of a higher unit rate of a lower standing charge tariff on their bills.

Stakeholder feedback

6.3 In response to the working paper, suppliers raised concerns about how to judge setting an appropriate unit rate. They cautioned that the rate will unavoidably be higher due to increased risk and lack of ability to predict the demographics of consumers who take up the tariff. They advocated for leaving unit rate setting up to suppliers, arguing they are best placed to understand the nature of their consumer base, and the potential for losses relating to increasing the demand variable risk in new areas.

6.4 The majority of CGCs supported the introduction of requirements for transparent tariff reporting. One CGC called for specific protections against excessive unit rate pricing and a consumer group called for a broader ‘fair pricing’ rule which sets out expectations for firms. Two CGCs advocated for consumers to be defaulted on to the cheapest available tariff based on their usage.

Our proposed approach

6.5 Taking the feedback into consideration, we are proposing to create a requirement that suppliers must ensure these tariffs are priced reasonably. This would still allow suppliers to determine and set their own unit rates in a way that is competitive and best suited for their consumers. However, we would reserve the right to ask for the rationale and methodology behind their unit rate if a tariff’s unit rate appears to be excessive.

6.6 As the appropriate unit rate would differ between suppliers due to their consumer demographics and commercial considerations, we propose to include a licence requirement that suppliers ensure the unit rate is reasonable, including by having regard to:

- the cost of supplying energy to the customer,
- comparative tariffs and their costs,
- and any other relevant matter.

6.7 This approach would require suppliers to justify their rationale for why the unit rate can be considered reasonable. It also provides flexibility for suppliers to set out their rationale as they see fit, with the option to make the case for taking into account other cost elements we may not have otherwise considered or other matters we may consider relevant.

6.8 We may issue further guidance or best practices following implementation, if we decide to progress the policy after considering feedback from this consultation.

6.9 We also reserve the right to carry out reviews of suppliers' assessments of compliance with the principle of 'reasonable' tariff pricing. This could involve suppliers providing us with their methodology for determining the unit rates on these tariffs. We may also conduct ex-post monitoring of the margins that suppliers make under any new lower standing charge options. We consider that this approach is proportionate, using transparency as an approach to enable consumers to make informed choice (as discussed below), but using additional reviews and compliance processes as appropriate to ensure consumer protection and reasonable pricing. Based on consideration of the results of any assessment undertaken, we may take further action. This could involve working with suppliers to bring them into compliance, or enforcement action.

6.10 We have also reviewed the FCA's Consumer Duty when considering a requirement for suppliers to price these tariffs reasonably, and in particular the factors that the FCA consider in assessing fair value. These FCA requirements are designed to apply for multiple products and services, while we consider it most proportionate to consider reasonableness of these specific tariffs given the broader protections in the energy sector such as the price cap. Nonetheless, we intend to apply broadly consistent principles, noting that unit rates may be higher for these tariffs.

6.11 We have also considered stakeholder feedback that consumers should be defaulted onto the cheapest available tariff for them. As we have highlighted in our policy aims, the introduction of lower standing charge tariffs is not an affordability measure but provides the option of greater choice and control for consumers. We therefore do not consider that it would be appropriate to default consumers onto this tariff. Any switch may be based on assessment of past consumption, which could change in future and result in increased bills for consumers. And more generally, such a measure would be a significant departure from the current design of the competitive market and so would be best considered as part of a broader review to minimise unintended consequences.

6.12 We are separately conducting a trial of a split standing charge tariff design. These trials will aim to default a sample of smart meter consumers into a scheme that offers lowered standing charges in return for reduced electricity consumption during peak hours. This will allow us to test a form of defaulting in a trial environment. This in turn can provide some insights about the consumption patterns for consumers who have been defaulted into the trial. We consider this is a more appropriate setting to consider defaulting at this time.

Ensuring informed choices

Background

6.13 In our working paper, we set out that we recognise there is a risk consumers may switch to a lower standing charge tariff without realising that the higher unit rate could mean they may not be better off. Additionally, as these tariffs may be fixed tariff offerings, there is a further risk that if consumers choose this tariff and later find it to be unsuitable, they could face exit fees in order to switch (we discuss this in Chapter 4).

Stakeholder feedback

6.14 In response to the working paper, some CGCs said they would like to see further requirements on suppliers to provide clear information about tariffs. This included communication with consumers to help them understand the personal impact of switching to these tariffs, based on their usage. Additionally, one group considered that some level of reporting or transparency around available tariffs would be needed to demonstrate compliance, to support consumers' understanding of them.

6.15 However, others, as well as suppliers, stated that they consider the existing requirements on suppliers to be sufficient to protect consumers. Some suppliers also highlighted that as they currently report tariff information to Ofgem, any reporting requirements should be built into this framework, to avoid additional specific reporting requirements for these tariffs which could increase the regulatory burden.

Our proposed approach

6.16 Informed choice for consumers is supported by existing SLC requirements (including SLC 25- Informed Choices- Tariff comparability and marketing and SLC 31F- Encouraging and enabling engagement). We expect that suppliers would continue to follow these requirements when communicating the new lower standing charge tariffs. Within this, we expect that each tariff information label would be published on suppliers' websites, in line with SLC 31F.11- Tariff Information Label. We propose to complement these SLCs with examples of supplier best practice, discussed further in paragraph 6.21.

6.17 As part of the compliance framework, we are also proposing that suppliers would be required to submit evidence demonstrating how they have made available at least one lower standing charge tariff. We would collect this information as part of existing requests to reduce regulatory burden.

6.18 Existing SLCs support in enabling customers to make informed choices about their tariffs. SLC 25 specifies that suppliers must put in place information, services, and/or tools to enable domestic consumers to easily compare and select tariffs, taking into account the consumer's characteristics and/or preferences. SLC 31F also requires suppliers to provide an estimated annual cost to a consumer when they join a new tariff, enabling them to see the possible effect of the higher unit rate of a lower standing charge tariff on their bills.

6.19 While considering how to adequately support consumer choice, we expect suppliers to adhere to the requirements under the existing SLCs, such as SLC 0, which ensures that consumer service arrangements and processes are complete, thorough, fit for purpose and transparent. In addition, suppliers are required to ensure they have and maintain robust internal capability, systems and processes to enable the licensee to efficiently and effectively serve each of its consumers (SLC 4A- Operational capability).

6.20 Further to the supply licence, legislation also places requirements on how suppliers engage with their consumers (for example The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 and the Equality Act 2010). Suppliers should also use the Priority Service Register (PSR) to check if communications are in an accessible format and as far as is reasonably practicable, appropriate to the needs of consumers in vulnerable situations (SLC 26.5 (e), under SLC 26- Priority Services Register).

6.21 As part of meeting existing requirements in the SLCs and legislation around consumer communication and transparency, we expect suppliers to consider examples of best practice around tariff communication. For example, suppliers could include messaging at all customer engagement points for the lower standing charge tariffs. This could include that the unit rates on these tariffs are expected to be higher and that consumers may pay more relative to the cheapest available tariff depending on their consumption. A further example of best practice is that some suppliers who currently offer tariffs with varying standing charge rates show a comparison of these tariffs to consumers on the quote journey. We consider that having access to this information would allow consumers to be able to make informed choices. With the lower standing charge options, for example, this would show how unit rates on the tariff would likely be higher relative to other tariffs.

7. Interactions with other workstreams and next steps

We discuss our interactions with other Ofgem workstreams, including the CARR, consumer confidence programme and debt and affordability.

Interactions with other workstreams

7.1 As outlined in our previous consultations, the standing charges work has interactions with other Ofgem workstreams. These include the CARR, consumer confidence programme and debt. We are actively working with these workstreams to ensure consistency with the proposals set out in this document.

Cost allocation and recovery review

7.2 We are aiming to implement lower standing charge tariff options into the market to provide consumers with more choice and control. In the longer term, we are also considering, through the CARR, how we can take a more holistic view of how energy system costs feed through to consumer bills, balancing efficiency and fairness. We recognise that a significant portion of the current standing charge levels reflect pass through costs, and any more fundamental changes to standing charges would require a broader consideration of cost allocation which could lead to changes in pricing in the retail market. The review provides the opportunity to consider a range of options for how to allocate costs between standing charges and unit rates, and different tariff structures, as well as between different types of consumers.

7.3 The CARR call for input was published on 30 August 2025. Within this, we consider a wide range of approaches for allocating and recovering costs, including how this could feed through to the structure of costs that suppliers face and how they are passed on to consumers through tariffs and bills, including the role of the retail price cap.

7.4 We are proposing to include a sunset clause within the SLCs so that the requirement to introduce lower standing charge options initially applies for a period (such as two-years) with the option for Ofgem to decide to extend this period. This will provide time for further development under the CARR and ensure that any review of the licence condition is considered as part of the expected deliverables of this workstream.

Consumer Confidence work programme

7.5 We consider this work aligns with our broader Consumer Confidence programme. To date, we have engaged informally with suppliers, charities and consumer groups to help define the outcomes that suppliers should deliver for consumers in this area. We will soon be publishing a Call for Input on this work and are keen to hear stakeholders' views.

7.6 Noting that our broader Consumer Outcomes are subject to further consultation, we consider that these policy proposals are aligned as requiring suppliers to offer lower standing charge options would expand consumer choice. Through our proposed consumer protections outlined in Chapter 6, the measures also reflect our aim to ensure that consumers are charged reasonable prices for their energy and are supported in making informed decisions.

Debt and affordability

7.7 As highlighted in Chapter 2, we recognise that stakeholders have expressed concern that issues consumers are facing are heavily linked with wider affordability concerns. However, through the proposals set out in this consultation, we cannot make the costs go away and suppliers have to be able to recover efficient costs. Targeted affordability support falls within the remit of government, and we will continue to work with them on this.

7.8 Separately, we recognise that some stakeholders have highlighted that consumers that rely on higher energy usage are already struggling with energy debt. We also recognise that standing charge reform is unlikely to materially reduce the extraordinary levels of debt currently present in the domestic energy market. We have published proposals for a debt relief scheme for people who have got behind on their energy bills during the energy crisis and may struggle to repay. We aim to update stakeholders on this work in the autumn on the scheme and on our broader debt strategy.

Next steps

7.9 We welcome any written comments by 22nd October 2025, submitted via our Citizen Space consultation page or sent to StandingCharges@ofgem.gov.uk. Please include detail and supporting evidence in your comments wherever possible. We will carefully consider stakeholder feedback following the close of this statutory consultation.

7.10 Our aim is to publish a decision by the end of the year. Should we make a decision to implement such a policy on this timeline, we would then expect to see new tariffs in the market from early 2026.

Appendices

Index

Appendix 1 – List of consultation questions

Questions

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

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

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

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

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

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

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

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

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

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

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

Appendix 2 – Proposed modifications of Standard Licence Conditions (SLCs)

The section below summarises proposed new paragraphs to both the gas and electricity Standard Licence Conditions along with the description and rationale for change.

22AA.1 - Electricity & Gas

This clause applies condition 22AA.1 to licensees with 50,000 or more domestic customers.

22AA.2 - Electricity & Gas

This clause requires the offering of a lower standing charge tariff to customers.

22AA.3 - Electricity & Gas

This clause requires the offer of a lower standing charge tariff to not require a change in customer payment method.

22AA.4 - Electricity & Gas

This clause provides the definition of the Minimum Consumption Threshold.

22AA.5 - Electricity & Gas

This clause requires the Unit Rate element of the Lower Standing Charge Tariff to be set at a reasonable level.

22AA.6 - Electricity & Gas

This clause sets out the conditions for termination of SLC 22AA.

22AA.7 - Electricity & Gas

This clause sets out the conditions for the Authority to extend the termination date of SLC 22AA.

22AA.8 - Electricity & Gas

This clause provides various definitions outlined within SLC 22AA.

To: All holders of an electricity supply licence

Electricity Act 1989

Section 11A(2)

Notice of statutory consultation on a proposal to modify the standard conditions of all electricity supply licences

1. The Gas and Electricity Markets Authority ('the Authority')[6] proposes to modify the standard conditions of all electricity supply licences granted or treated as granted under 6 of the Electricity Act 1989 by inserting new standard condition 22AA.

2. We are proposing these modifications in order to require suppliers of electricity to make lower standing charge tariffs available to their customers to increase the choice and control consumers have in how they pay their bills, while allowing suppliers to recover efficient costs.

3. The effect of these proposed modifications is to:

    - Establish a requirement on suppliers with over 50,000 domestic customers to offer at least one lower standing charge tariff to customers without requiring the customer to change their payment method.
    - Introduce a minimum consumption for customers to be eligible.
    - Require suppliers to offer a unit rate at a 'reasonable' level.
    - Introduce termination and extension clauses for the licence condition.
    - Provide definitions to allow for the new requirements.

4. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from information.rights@ofgem.gov.uk.

[6] The terms "the Authority", "we" and "us" are used interchangeably in this document.

5. Any representations with respect to the proposed licence modifications must be made on or before 22 October 2025 to: Standing Charges policy team, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to standingcharges@ofgem.gov.uk.

6. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.

7. If we decide to make the proposed modification/modifications it/they will take effect not less than 56 days after the decision is published.

....
David Hall
Deputy Director, Pricing Strategy
Duly authorised on behalf of the Gas and Electricity Markets Authority
24 September 2025

New condition 22AA of the Electricity Supply Licence – Lower Standing Charge Tariffs

The following new standard condition 22AA is proposed to be inserted after standard condition 22A in the Electricity Supply Licence:

Condition 22AA. Requirement to offer lower standing charge tariffs

22AA.1 This condition applies to a licensee that supplies, or together with any of its Affiliates jointly supplies, electricity or both electricity and gas, as authorised by its licence(s) to supply electricity or gas to Domestic Energy Premises, to 50,000 or more Energy Customers at Domestic Energy Premises.

22AA.2 The licensee must make available to each Domestic Customer, that meets the Minimum Consumption Threshold, the option to enter into a Domestic Supply Contract for at least one Lower Standing Charge Tariff.

22AA.3 The offer in paragraph 22AA.2 must not require the Domestic Customer to change payment method in order to enter into the Domestic Supply Contract.

22AA.4 The Minimum Consumption Threshold means Domestic Customers with Annual Consumption Details of at least 666 kWh.

22AA.5 The licensee must ensure that the Unit Rate element of the Lower Standing Charge Tariff required by paragraph 22AA.2 is set at a level that is reasonable, including by having regard to:

(a) the cost of supplying electricity to the Domestic Customer;

(b) other Tariffs available to Domestic Customers and the Charges for those Tariffs; and

(c) any other relevant matter.

22AA.6 Standard condition 22AA will cease to have effect at 23:59 on 31 January 2028, or such later date as specified by the Authority publishing a statement in Writing.

22AA.7 The power to specify a later date in paragraph 22AA.6 may be exercised by the Authority on more than one occasion (up until and including on any later date specified by the Authority).

22AA.8 For the purposes of this condition:

"ChargeMax(nil)" has the meaning given to ChargeMax in standard condition 28AD.7, in relation to the relevant Domestic Customer, where Benchmark Annual Consumption Level is nil kWh.

"Domestic Energy Premises" means premises which (with respect to the supply of electricity) are Domestic Premises, or (with respect to the supply of gas) satisfy the definition of 'Domestic Premises' at standard condition 6 of the Gas Supply License.

"Energy Customer" means a person who is (with respect to the supply of electricity) a Customer, or (with respect to the supply of gas) a 'Customer' in accordance with the definition at standard condition 1 of the Gas Supply Licence.

"Lower Standing Charge Tariff" means a Tariff with an annual Standing Charge that does not exceed ChargeMax(nil) minus £65.00. Where this would require the annual Standing Charge to be less than zero, the annual Standing Charge will equal zero.

"Minimum Consumption Threshold" has the meaning given in standard condition 22AA.4.

To: All holders of a **gas supply licence**

Gas Act 1986

Section 23(2)

Notice of statutory consultation on a proposal to modify the standard conditions of all gas supply licences

8. The Gas and Electricity Markets Authority ('the Authority')[7] proposes to modify the standard conditions of all gas supply licences granted or treated as granted under section 7A of the Gas Act 1986 by inserting new standard condition 22AA.

9. We are proposing these modifications in order to require suppliers of gas to make lower standing charge tariffs available to their customers to increase the choice and control consumers have in how they pay their bills, while allowing suppliers to recover efficient costs.

10. The effect of these proposed modifications is to:

    - Establish a requirement on suppliers with over 50,000 domestic customers to offer at least one low standing charge tariff to customers without requiring the customer to change their payment method.
    - Introduce a minimum consumption for customers to be eligible.
    - Require suppliers to offer a unit rate at a 'reasonable' level.
    - Introduce termination and extension clauses for the licence condition.
    - Provide definitions to allow for the new requirements.

11. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from information.rights@ofgem.gov.uk.

12. Any representations with respect to the proposed licence modifications must be made on or before 22 October 2025 to: Standing Charges policy team, Office of

[7] The terms "the Authority", "we" and "us" are used interchangeably in this document.

Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to standingcharges@ofgem.gov.uk.

13. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.

14. If we decide to make the proposed modification/modifications it/they will take effect not less than 56 days after the decision is published.

....

David Hall
Deputy Director, Pricing Strategy
Duly authorised on behalf of the Gas and Electricity Markets Authority
24 September 2025

New condition 22AA of the Gas Supply Licence – Lower Standing Charge Tariffs

The following new standard condition 22AA is proposed to be inserted after standard condition 22A in the Gas Supply Licence:

Condition 22AA. Requirement to offer lower standing charge tariffs

22AA.1 This condition applies to a licensee that supplies, or together with any of its Affiliates jointly supplies, gas or both gas and electricity, as authorised by its licence(s) to supply gas or electricity to Domestic Energy Premises, to 50,000 or more Energy Customers at Domestic Energy Premises.

22AA.2 The licensee must make available to each Domestic Customer, that meets the Minimum Consumption Threshold, the option to enter into a Domestic Supply Contract for at least one Lower Standing Charge Tariff.

22AA.3 The offer in paragraph 22AA.2 must not require the Domestic Customer to change payment method in order to enter into the Domestic Supply Contract.

22AA.4 The Minimum Consumption Threshold means Domestic Customers with Annual Consumption Details of at least 2,836 kWh.

22AA.5 The licensee must ensure that the Unit Rate element of the Lower Standing Charge Tariff required by paragraph 22AA.2 is set at a level that is reasonable, including by having regard to:

(a) the cost of supplying gas to the Domestic Customer;

(b) other Tariffs available to Domestic Customers and the Charges for those Tariffs; and

(c) any other relevant matter.

22AA.6 Standard condition 22AA will cease to have effect at 23:59 on 31 January 2028, or such later date as specified by the Authority publishing a statement in Writing.

22AA.7 The power to specify a later date in paragraph 22AA.6 may be exercised by the Authority on more than one occasion (up until and including on any later date specified by the Authority).

22AA.8 For the purposes of this condition:

"ChargeMax(nil)" has the meaning given to ChargeMax in standard condition 28AD.6, in relation to the relevant Domestic Customer, where Benchmark Annual Consumption Level is nil kWh.

"Domestic Energy Premises" means premises which (with respect to the supply of gas) are Domestic Premises, or (with respect to the supply of electricity) satisfy the definition of 'Domestic Premises' at standard condition 6 of the Electricity Supply License.

"Energy Customer" means a person who is (with respect to the supply of gas) a Customer, or (with respect to the supply of electricity) a 'Customer' in accordance with the definition at standard condition 1 of the Electricity Supply Licence.

"Lower Standing Charge Tariff" means a Tariff with an annual Standing Charge that does not exceed ChargeMax(nil) minus £85.00. Where this would require the annual Standing Charge to be less than zero, the annual Standing Charge will equal zero.

"Minimum Consumption Threshold" has the meaning given in standard condition 22AA.4.

Appendix 3 - Impact Assessment

A2.1. This impact assessment (IA) supports Ofgem's statutory consultation on a proposal to introduce a change to the Supplier License Conditions (SLCs) that would require energy suppliers to have available at all times, in all regions, at least one lower standing charge offer.

A2.2. As noted in our consultation document, we have received strong feedback from consumers expressing desire for change on standing charges. Our recent consumer research suggests that consumers perceive standing charges to be unfair and some consumers still value the option to control how they pay for fixed charges even in the presence of higher bills. To date, we have not seen the emergence of tariffs with a significantly lower standing charge and therefore are proposing to introduce this intervention into the market in order to increase consumer choice and control and reflect consumer preferences in tariff offerings in the market.

A2.3. Our consultation document sets out the following two key policy objectives for this intervention:

1. Offer consumers choice and control over how they pay for their standing charge
2. Continue to allow suppliers to recover efficient costs

A2.4. This assessment draws on consumer behavioural research, stakeholder feedback, internal analysis, and emerging policy design work to test the likely impacts of our preferred option. It aims to provide evidence to support decision-making, ensure regulatory proportionality, and meet Ofgem's obligations under the Public Sector Equality Duty.

Scope and approach

A2.5. This IA analyses the impact of introducing a SLC to require suppliers to offer a lower standing charge tariff. All impacts within this draft IA are assessed against a counterfactual of not intervening in the market to address consumer concerns around standing charges. We have assessed the impacts of this policy intervention based on three broad categories, including:

a. Consumers – including how the policy might influence choices, perceptions of fairness, consumer control and energy bills.
b. Suppliers – including cost recovery, implementation burdens, and compliance.
c. Ofgem/regulatory costs – including the costs of monitoring and compliance

d. The wider energy retail market – including any implications for competition and market dynamics.

A2.6. Where we have referenced price cap figures, these are based on price cap levels announced in August 2025 for the period October to December 2025.

A2.7. We will monitor the outcomes of this policy through existing market data to assess whether the key policy objectives continue to be met. Based on this assessment, and in line with our Evaluation Strategy, we may decide to conduct an evaluation of the policy if deemed necessary. We welcome stakeholder views on approaches to monitoring this policy.

Summary of findings

A2.8. **Benefits of consumer choice -** This policy intervention will increase the number of tariffs in the market with a lower standing charge allowing consumers the choice of a tariff that allows more control over how they pay a portion of their standing charge. As noted below, these tariffs are unlikely to provide bill reductions compared to the cheapest tariffs in the market and may even increase bills. Evidence from our recent consumer research found that some consumers, even when told reductions in standing charges would increase their bills, still opted for a decrease in standing charges. We do therefore consider this policy positively impacts consumers by fulfilling a genuine demand for these tariffs that is not being fulfilled in the market currently.

A2.9. **Implementation and compliance costs -** Suppliers are likely to see some costs of implementing the new requirement, including system and process changes. There is also likely to be ongoing compliance and regulation costs but we consider that the approach set out in main document is unlikely to constitute a significant ongoing regulatory burden. We do however note that this is an area of uncertainty and would welcome stakeholder feedback, including evidence of potential costs.

A2.10. **Potential for supplier under-recovery –** Our proposal would require suppliers to recover a portion of fixed costs via the unit rate. This has the potential to carry a risk of under-recovery of revenue. We do however note that suppliers would have the ability to develop offerings that suit their commercial interests and therefore can choose tariff designs to minimise their potential under-recovery risk.

A2.11. **Impacts on regulation and Ofgem costs –** We do not consider there to be any significant costs for Ofgem given our proposed approach to compliance but will reconsider this ahead of a Decision.

Impact on consumers

A2.12. Currently, the energy retail market offers relatively limited variation in tariff types with regards to standing charges. Whilst some suppliers do offer discounted standing charges, these tend to only offer modest reductions compared to the level within the price cap. As of August 2025, we note that there are currently a total of 37 tariffs on the market which offer a lower standing charge compared to the price cap. The largest discounts tend to be no greater than £100 below the price cap, although the majority of these tariffs require consumers to take up additional services e.g. boiler cover.

A2.13. Whilst we note that there are some tariffs in the market that provide discounts on standing charges, and in some case no standing charge, these tend to be limited to PPM consumers with a smart meter only. This leaves the majority of consumers with little flexibility in how they pay for their energy, and in particular the fixed costs of energy supply.

A2.14. We have recently conducted consumer research aimed at better understanding consumer's perceptions on energy pricing. The findings showed strong evidence that many consumers are confused about the role of standing charges and feel disempowered by their ability to control them. The majority (58%) of consumers see standing charges as unfair even when presented with further information and trade-offs. The introduction of this policy may support this preference, ensuring the wider availability of an alternative tariff structure.

Potential pricing of tariffs

A2.15. Under our proposal, suppliers would retain the ability to price the tariffs in line with their commercial interests (subject to the requirement on the standing charge as part of our proposal) and customer base. There is therefore a level of uncertainty over how these tariffs may be priced in the market if we were to implement this policy. We can however expect suppliers to take into account the expected consumption of consumers on these tariffs in order to ensure recovery of revenue as well as the degree of uncertainty associated with recovering fixed costs from unit rates. Both of these factors are likely to lead to a higher unit rate, including a risk premium.

A2.16. Although there is a high level of uncertainty over how final bills could evolve for consumers that opt to take up one of the new tariffs, it is unlikely that the tariff would be the cheapest available in the market, even for most low consuming consumers.

Impact on consumer choice and control

A2.17. This policy intervention would increase the number of tariffs in the market with a lower standing charge. As per the proposal in Chapter 3 of our consultation, consumers would have available tariffs that offer a significant discount to the standing charge. This offers consumers a greater degree of choice over how they pay aspects of their standing charge, fulfilling the primary objective of this policy.

A2.18. As noted above, these tariffs would unlikely be the cheapest tariffs in the market and therefore unlikely provide true bill reductions for the majority of consumers and may even increase bills. We do however note that findings from our recent consumer research found that some consumers, even when told reductions in standing charges would increase their bills, still opted to decrease standing charges.

A2.19. There does however remain a potential risk that consumers make choices that do not ultimately align with their preferences, particularly if they believe that tariffs will bring them bill savings. It is therefore important that tariffs are communicated clearly and transparently, allowing consumers to make well informed choices.

A2.20. The overall impact of this policy on consumer choice is likely to be positive, with more tariffs available in the market. The level of success and take-up of these tariffs depends heavily on the pricing of the tariffs and how willing consumers are to pay to control how they pay standing charge costs.

Distributional impacts

A2.21. Previous Ofgem IAs have noted that reallocating standing charges to unit rates can have a negative impact on consumers with higher consumption, including some consumers who may have lower levels of income or medical disabilities that prevent them from reducing consumption. We note that consumers would only see impacts of this policy if they opt to switch to one of the new tariffs and therefore low income, high usage households would not be automatically affected as per previous policy proposals.

A2.22. We do note that due to the eligibility criteria set out in Chapter 4 of our consultation there are some consumers that may not be able to access these tariffs. In particular low, usage consumers that do not meet the minimum consumption threshold may not be eligible. We have set out the relevant groups impacted in Table 4.1 in the consultation.

Impacts on suppliers

A2.23. This section sets out our initial view on the impacts on suppliers resulting from the proposed change to the SLC's to introduce a requirement on energy suppliers to have available at least one lower standing charge offer.

A2.24. We have below set out our initial view of the impacts on suppliers' costs as a result of implementing and complying with the requirements as well as estimated impacts on cost recovery. We welcome stakeholder feedback on our draft IA in these areas particularly in relation to quantifying implementation and compliance costs.

Supplier implementation and compliance costs

A2.25. If we were to implement the new requirement, it is likely that suppliers would incur set up costs in order to offer the new tariffs. In response to our July working paper, suppliers noted that, to comply with and implement the new requirement, they would require system changes to implement new tariff structures and design consumer quote and journey processes. Suppliers noted it is currently difficult to predict the specific challenges of these system changes as tariff design requirements are currently unknown.

A2.26. In addition to implementation costs, there may be some ongoing regulatory and compliance costs to suppliers for example if Ofgem was to carry out an assessment of whether suppliers met the principle of 'reasonable' tariff pricing. We currently consider these costs to be minimal as we are not putting in place a complex compliance framework, however we welcome views on this from stakeholders.

A2.27. We received some limited feedback from smaller suppliers that they may face disproportionately higher regulatory costs due to their size. In particular, small suppliers cited a lack of resources compared to their larger counterparts and the burden of having the ability to absorb an under-recovery risk that they may face as a result of offering such tariff. As per our proposals in Chapter 5, we are proposing to introduce a threshold to prevent small suppliers from having to offer these tariffs.

A2.28. We note that this is an area of uncertainty and we welcome any further feedback from suppliers on the likely costs of implementing the requirements from this policy intervention.

Cost recovery and financial implications

A2.29. Standing charges traditionally allow suppliers to recover fixed costs, regardless of consumption level. Recovering a proportion of fixed costs via a volumetric rate has the potential to lead to under-recovery of revenue for suppliers. This risk is heavily dependent on the design of the tariff elements including the structure of unit rates (e.g. block or single rate) and the implementation of a minimum consumption threshold. In addition, the total risk will depend on the number of consumers that opt to take up this tariff.

A2.30. We are not proposing to regulate how suppliers structure tariffs any further than the requirement on the standing charge. Suppliers would therefore have the ability to develop offerings that suit their commercial interests (but also consider our requirements around reasonable pricing), therefore can choose tariff designs to minimise their potential under-recovery risk. Our initial view is that suppliers would opt to either recover the standing charge via a single unit rate or use a falling block tariff (FBT) structure.

A2.31. Stakeholder feedback to our working paper has indicated that the ability to implement a FBT is dependent on the capability of supplier systems and metering stock. For suppliers that are able to develop these tariffs, it is likely under-recovery would be minimised as consumers would pay their fixed charge over an initial block of consumption each day. Under-recovery may result if consumers on the tariff did not use energy on a particular day or if they use less than the level of the second consumption block but this is likely to be significantly smaller than the risk under a single unit rate approach.

A2.32. If suppliers choose to set a more traditional single unit rate tariff and recover additional fixed costs through the unit rate, they would need to set rates with respect to the expected level of consumption of consumers that take-up the tariff. Taking this into account should mitigate a significant amount of under-recovery but there is likely to continue to be uncertainty around outturn consumption of these consumers that will likely elicit a risk premium applied to unit rates. This risk will likely be exacerbated depending on the level of standing charge reduction we require suppliers to price at.

A2.33. The financial impact of the requirement could be uneven across the supplier landscape with the risk of under-recovery likely to become a more substantial risk to suppliers that are already facing financial pressure.

Impact on regulation and Ofgem costs

A2.34. As set out in Chapter 6 of our consultation document, we are proposing to reserve the right to carry out reviews of suppliers' assessments of compliance with the principle of 'reasonable' tariff pricing. We may also conduct ex-post monitoring of the margins that suppliers make under any new lower standing charge options

A2.35. Given this approach we do not consider there to be any substantial ongoing costs for Ofgem but will consider as part of the Decision and final IA.

Competition assessment

A2.36. Using Ofgem’s Competition Framework, we have conducted an initial assessment on the impact on competition. We have looked at whether and how such changes may affect the underlying features of the market; namely, (i) consumer engagement and empowerment, (ii) market rivalry and (iii) market entry/exit.

Impact on consumer engagement and empowerment

A2.37. By ensuring that a lower standing charge tariff is available at all times across all regions, consumers have an increased level of choice in the market. However, in order to make this choice consumers must be able to identify and understand the implications of a lower standing charge tariffs, including how they compare to other options. As noted in our consultation, as per SLC 25, suppliers need to enable domestic consumers to easily compare and select tariffs, taking into account the consumer’s characteristics and/or preferences.

A2.38. Comparing lower standing charge tariffs to other options may present challenges to consumers given the need to understand how their own consumption relates to the final bill they will pay. Even where consumers understand their current consumption, they will also need to understand that future consumption may change and affect the choice between these tariffs and others on the market.

A2.39. This policy may therefore increase complexity for consumers making it harder to effectively compare tariffs in the market. Ultimately, this could have adverse effects on consumer engagement. We do however note that Chapter 5 sets out proposals to ensure consumers are able to make informed choices including adhering to the current SLC requirements on transparency as well as considering best practice in tariff communication.

Impact on market rivalry

A2.40. Requiring suppliers to offer a lower standing charge tariff creates a baseline level of accessibility for consumers. There is a risk that small suppliers could be disproportionately affected if the requirement adds complexity and financial risk to their business. Smaller suppliers may be less able to absorb these impacts which in turn may lead to undue advantage for smaller suppliers. We do however note that we are proposing to introduce a threshold to allow small suppliers to be exempt from the requirement which should mitigate the majority of this risk.

A2.41. As a result of this policy, we expect some suppliers may look to differentiate tariffs and seek to gain new consumers increasing the level of market rivalry.

However, there is a risk that suppliers could converge on similar pricing structures and reduce innovation in tariff design. This could limit the positive impacts on market rivalry.

Impact on market entry and exit

A2.42. As set out in the supplier impacts section, recovering a proportion of fixed costs from unit rate has the potential to increase the risk of under-recovering costs for suppliers. If this risk was substantial, it may cause some suppliers to exit the market, particularly smaller suppliers that may not be able to weather the risks in the same way. We do however note that suppliers would retain commercial control over how they price the unit rates for these tariffs and are likely to be able to price in this risk and mitigate under-recovery to a large extent. Therefore, we do not expect this risk to be high.

A2.43. There is a risk that the changes may negatively affect how existing and potential suppliers' view the market, as the changes may increase suppliers' risk by creating a discrepancy between the structures of the costs they face, and the revenues they can earn for these tariffs. We do however note this is mitigated to some extent by our proposal to remove this requirement for smaller suppliers.

Public sector equality duty (Equalities Act 2010)

A2.44. Ofgem is subject to the Public Sector Equality Duty (PSED) so in exercising our functions we must have regard to the need to:

- Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Equalities Act 2010;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

A2.45. Our assessment is that the proposed changes does not overlap with the PSED significantly. In previous IAs we have noted that changes in standing charges may overlap with the PSED for age and disabilities given these groups can tend to have higher levels of consumption. However, we note that under this policy these consumers are likely to see no impacts as they will likely not opt for the tariff as it will increase their bills.

A2.46. We do note that some consumers on disability benefits may not be eligible for the tariff if they do not meet the minimum consumption threshold. However, we note that this is only for a very small number of consumers. Chapter 4 of this consultation notes that this is likely to be a low number of consumers representing around 2% of consumers on disability benefits.

Appendix 4 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the **controller** and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We may share consultation responses with officials from the Department of Energy Security and Net Zero.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for 6 months after the project, including subsequent projects or legal proceedings regarding a decision based on this consultation, is closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data

- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, click on the link to our "Ofgem privacy promise".