



Website: fuelbankfoundation.org

Fuel Bank Foundation

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Dear Neil,

I am responding on behalf of Fuel Bank Foundation to your recent open letter on Ofgem's review of how the costs of supplier failure should be recovered.

As I'm sure you're aware, we support people who pay for their gas and electricity through prepayment meters, but struggle to afford energy as they have very limited incomes. Since being established in 2017, we have now helped almost 600,000 people.

We have seen unprecedented levels of demand for our services since the latter part of 2021 and are genuinely terrified what this winter will look like for our clients. We would usually expect to see considerably fewer people during the summer months, but that reduction hasn't happened this year. People are struggling to afford to top up their meters now and we know that they face another huge increase in prices from 1st October just as their energy demand grows when they try to keep their homes warm. They will not be able to afford the several hundred pounds that they will need to spend each month this winter and will simply self-disconnect for longer and longer periods of time. For some, the results of this will be catastrophic; whether this is due to the detriment to their health that comes from living in a cold, damp home or because of the risky behaviours they will employ (such as using disposable barbecues meant for use outside) in order to try to maintain a level of normality.

In addition, they can then get trapped in a cycle of debt - they self-disconnect, but the Standing Charges are still accruing in the meantime so that a proportion of their payment is taken to pay off this debt the next time that they can afford to top up.

We, therefore, welcome Ofgem's review into Standing Charges and how the costs, that clearly need to be recovered from consumers, are paid and by whom. In particular, we welcome your specific focus on customers that pay for their energy through prepayment meters. Anything that can be done to reduce energy costs (or to support vulnerable consumers to pay for their energy) has to be considered at the moment.

As you say, in your letter, it is hard to find a direct correlation between vulnerability and energy consumption. Most of our clients use very small amounts of energy because they simply do not have the financial resources to use more. That said, we are also aware that households with large families or which contain someone with a disability, may use more energy than average.

So, high Standing Charges will have a particularly significant impact on the people we support and we, therefore, think they should only include fixed charges in relation to the costs of supplying energy. Anything variable such as Supplier of Last Resort costs should be incorporated into the Unit Rate. In this way, those who consume the most (who are generally, but not always, the wealthiest) will pay the most.

We also believe that there should be a standard Standing Charge per region across all suppliers.

We think that these changes should proceed initially as a trial as we agree with you that there may be scope for unintended consequences. So a timely review, to check that there aren't any, is essential. In particular, you will need to ensure that the move to higher unit rates has benefited all vulnerable customers and not had an adverse impact on any group.

We would very much like to work with you further on this and share with you the significant insights that we have collected from supporting low-income prepayment meter customers over many years.

Yours sincerely,

Matthew Cole

Head of Fuel Bank Foundation.