



Scottish Pensioners' Forum
Address: Margaret Irwin Centre
8 Landressy Street, Glasgow G40 1BP
Telephone: 0141 337 8113
Email: spf@stuc.org.uk
www.scottishpensioners.org.uk

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This response may be shared with other departments dealing with this call for evidence

We may be contacted again, if necessary, to discuss the details of our response

Scottish Pensioners' Forum Response:
Department for Energy Security and Net Zero
Review of Ofgem: Call for Evidence

ofgem_reform@energysecurity.gov.uk

The Scottish Pensioners' Forum (SPF) believes, that as presently constituted, Ofgem arguably has too broad a range of functions to be able to provide effective advocacy for consumer interests, especially since this could well require an arm's length relationship with government which is presently lacking. Within such a set of responsibilities, Ofgem has the difficult, even impossible, task of balancing potentially competing interests, between the energy supply industry and consumers, for instance.

The following comments should be taken in this context.

1. SPF members generally perceive Ofgem as supporting competition in the marketplace, by securing companies' balance sheets and enabling them to service the debt piles, many located overseas, of their beneficial owners, to the relative detriment of the consumer interest in securing affordable energy.
2. Culturally, Ofgem's track record can be characterised not as proactive, but reactive – to government policy changes, and in the aftermath of the publicity resulting from abuses persisting in the supply industry - the bankruptcy of more than 30 suppliers in the wake of the energy price spike following Russia's invasion of the Ukraine, the forced installation of pre-payment meters and most recently back-billing. A lot of Ofgem's monitoring of suppliers' compliance relies on them sharing their data honestly – marking their own homework in fact.
3. Pervading much of Ofgem's approach is the notion that 'competition' (between energy suppliers) is in the consumer interest, hence the encouragement of 'challenger' suppliers to enter the market, assisted by 'light touch' regulation and the insufficient protection of consumer balances, thereby allowing them to be exploited as working capital. The result is well documented in a 'race to the bottom' when more than 30 suppliers could not meet their obligations. Ofgem has since, to a degree, tightened up its regulation of new entrants into the market, but not before consumers were saddled with the bail-out costs.
4. The extent to which it is realistic to assume that competition between suppliers (the main consumer interface) is in either the public or consumer interest is highly debatable. Promoting competition between suppliers – billers who resell energy purchased wholesale - increases the need for closer regulation, since, with the scope for price differential or innovation realistically limited, companies seek cost-reduction and are tempted to cut corners as a means of maintaining profitability. The costs of supporting marketing, separate IT and billing systems, management structures, as well as profit-taking, are ultimately borne by the consumer. Practice in dealing with customers varies between suppliers.
5. Our members regard a reliable, affordable energy supply as a basic necessity to be delivered as a public utility rather than as a source of private profit. The UK market is highly fragmented with four tiers of generation and distribution (Generation / Grid / Network / Supplier) before energy is delivered to the consumer. On top of this, the determination of standing and unit

charges by reference to the Area Networks, means that consumers, particularly of electricity, can only benefit to a limited extent from any price competition between suppliers.

6. Over the past five years, the cost of staffing Ofgem has increased in line with the range and complexity of its operations, impacting on consumer bills at a time when they are experiencing greater than ever cost-of-living pressures.
7. As well as paying for the energy they consume and its delivery, householders are expected to finance an additional range of imposts contained within their standing charges – energy supplier failures, infrastructure upgrades (making good past years' under-investment), environmental levies ('Green' taxes), debt write-offs ('debt socialisation'), smart meter installation (which cuts supplier meter reading costs), and a range of social payments. These can be characterised as Stealth Taxes and have grown exponentially. Standing charges particularly impact small or lone households, such as pensioners, and often represent a greater proportion of individual bills than the energy consumed.
8. Government, generally, does not shoulder its responsibilities in meeting the welfare needs of vulnerable people. Costs which might be expected to be borne by the public purse are passed onto energy consumers, irrespective of their ability to pay, and itself increasing numbers experiencing fuel poverty.
9. Mean- tested benefits, such as Pension Credit, take little if any account of energy costs. Eligibility is based primarily on income with no taper so that someone with a small workplace pension, for which they sacrificed salary during their working life, and which takes them marginally above the ceiling, is unable to access a range of other benefits, and as a result is significantly worse off than someone whose income may only be a matter of pounds less. Women are disproportionately impacted.
10. Ofgem must be able to engage consistently and robustly with government if it is to safeguard consumer interests effectively. With its present structure that may prove difficult.
11. We do welcome and appreciate Ofgem's attempts to engage with consumer representatives, such as ourselves, since this has provided a channel for us to express the concerns of our members.
12. In future, we would welcome a clearer focus on consumers in Ofgem's consultations. Third sector groups and kindred stakeholders, such as ourselves, have limited staffing and generally lack the detailed technical expertise upon which Ofgem can draw. Less technical jargon and acronyms, clearer summaries of likely impacts and formatting, should be relatively easy to adopt and encourage more meaningful participation in the consultation process.

In conclusion, it should be noted that many consumers, especially those not connected to mains gas, have to rely on non-regulated sources of energy (coal, oil, LPG, wood) for their domestic heating.