



Ofgem Consultation Response **Levelisation of Payment Method**

- Against a background of cost-of-living pressures, the Scottish Pensioners' Forum (SPF) cannot support any proposal likely to increase energy prices for users and which would have the potential to impact our members.
- Assuming it is decided to 'levelise', to a greater or lesser degree, capped energy charges across payment categories, Direct Debit customers will find their bills increasing. A significant number of DD customers are recognised as being in fuel poverty. Any increase in charges for this group will inevitably lead to an increase in the proportion who are in fuel poverty, thus adding to vulnerability and bad debt levels – a vicious cycle.
- Eligibility for Pensioner Credit takes no direct account of energy costs. Those in receipt of the Credit may receive help with heating costs, leaving those who are ineligible relatively worse off.
- The continuing benefit to supply company finances from DD customer balances should be kept in mind.
- Increasing energy charges to cover bad debt, if Standard Credit rates are levelised to some degree, have the potential to further raise fuel poverty levels. The poor are in effect paying for the poor, and becoming poorer themselves in the process. The presumption that energy supply companies will be able to recover an element of their bad debts and associated costs from the totality of consumers, means the underlying causes, including inherent unaffordability, are neither fully recognised nor tackled at source, allowing the UK Government especially to evade its welfare responsibilities.
- Standing charges have a disproportionate impact on single-person or small households, a significant proportion of whom are pensioners. They are regressive and can represent up to a third of a single person's electricity bill. Any increase will impact on potentially vulnerable households.
- Standing charges already encompass a range of policy, green and associated charges which take them beyond covering base network costs. Scottish consumers pay the highest level of standing charges in the UK, with the exception of those in North Wales and Merseyside, also supplied by SP Energy Networks. Fuel poverty rates in Scotland stand at 25% compared with 13% in England. We would expect this to be taken into account in any levelisation process.
- Presumably levelisation of charges for PPM customers, while potentially reducing standing charges, will result in increased unit rates for them. At present lower unit charges tend to favour PPM consumers with relatively high consumption levels