



Committee on Fuel Poverty

Andrew Self

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Telephone: 020 7901 0000

FAO: Dermot Nolan, CEO Ofgem

4th February 2019

Dear Dermot

Re: Impacts of Ofgem's Targeted Charging Review

I write to you as Chair of the Government's Committee on Fuel Poverty. We advise on the effectiveness of policies aimed at reducing fuel poverty in England and encourage greater co-ordination across the organisations working to reduce fuel poverty. It is with regard to the latter point that I am writing to you.

With consumer bills continuing to come under the microscope and with Ofgem itself expected to announce an increase to the recently introduced standard variable tariff price cap, it is right and proper that network charges representing as they do 25% of the average electricity bill are reviewed. Especially since these charges can be disproportionately felt by those on low incomes, who are also more likely to be in fuel poverty.

The committee agrees with Ofgem's position that the current system, whereby the costs of running the electricity network are recovered through a p/kWh, is unfair. Allowing as it does customers, who for instance, self-generate to greatly reduce their fair share of the overall bill. This will be at the expense of those unable to afford such services, creating a significant and unfair imbalance in how we pay for our electricity system. A situation that is only likely to increase as solar, storage and Electric Vehicles become more prevalent.


I understand that Ofgem is intending to introduce a standing charge to recover these costs. I worry however, that such a simplistic "blanket approach" could leave those on low incomes, often low electricity users, disproportionately worse off. Furthermore, I would argue that were such a charge to be introduced it would risk being inconsistent with Ofgem's duty to have regard to the interests of those on low incomes and unfortunately, also risks to negatively impact those at risk of or in fuel poverty.

The committee ask Ofgem to give more consideration to alternative solutions or indeed its other idea of a capacity charge. But regardless, given the pressure on energy bills, that

Ofgem look at the issue holistically taking into account other related areas such as the RIIO price control, price cap and, in consultation with Government, how programs such as the winter fuel payment and warm home discount could be significantly better targeted to assist those most in need to pay their energy bills and improve the energy efficiency of their homes.

I would be very happy to discuss this complex matter further with yourself or your officials and look forward to a solution being found that protects households on low incomes and in fuel poverty.

Yours sincerely

A handwritten signature in black ink that reads "D. R. Blakemore". The signature is written in a cursive style with a large initial 'D' and 'R'.

David Blakemore
Chair, Committee on Fuel Poverty