



Call for Input Response

Call for Input: The Non-Domestic gas and electricity market

Office of Gas and Electricity Markets (Ofgem).

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Introduction

We welcome the opportunity to respond to this call for input¹. Age UK recommends that financial support and regulatory protections be extended to all residential dwellings, regardless of how residents pay for their energy². Without taking this action there is a risk of entrenching inequalities within the domestic energy market.

Energy contracts are split into two overarching types: domestic and commercial. Commercial contracts generally supply energy to businesses, while domestic ones are designed for residential households.

Some of the most at risk older consumers fall between the cracks between these two contract types as they rely on a commercial supply contract for their energy or have their energy costs included in their rent or collective bills meaning that they have no direct

and the Department for Energy Security and Net Zero (DESNZ) estimates it affects around 900,000 electricity customers in Britain. Housing types which are disproportionately impacted are park homes, care homes, social housing units, and those deriving their heating from a heat network.

Most of the residential customers stuck in the commercial supply trap find that they lack not only leaves them outside of the regulators price cap and consumer safeguards but also makes access to Government affordability schemes, such as the Warm Home Discount (WHD), Energy Bills Support Scheme (EBSS), and Energy Price Guarantee (EPG), much more difficult.

Q16. What additional protections do you think might need to be put in place to protect domestic customers who are supplied via a non-domestic contract? Please provide an explanation or evidence of the areas of harm any new regulation would protect against.

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some cases where care homes are already being impacted by increased food, insurance, and staffing costs. To resolve these issues it may be necessary in some cases to deliver affordability schemes (e.g. the WHD) to providers so they can pass on the savings and reduce the overall cost of care.

Why we want to see change:

With our research¹⁰ showing that around 3 in 10 (29%) older households¹¹ are struggling in fuel stress¹² and over half (54%) of those aged 60+ have been cutting back on heating and powering their homes¹³ it is clear spiralling energy bills have proved hard enough to cope with even for those older people who have benefitted from the price cap, EBSS, and EPG. For residential customers reliant on a commercial supply contract these schemes have proved difficult or even impossible to access, meaning that they have faced even higher bills with far less support.

From January to April 2023 the typical annual energy bill was £2,500 for households benefitting from the EPG, but for those missing out the price was likely closer to £4,279¹⁴. On top of this, the vast majority of properties on a domestic supply contract benefitted from the EBSS receiving an additional £201 towards the cost of their electricity bill over this three-month period.

Residential customers reliant on commercial supply were either excluded from these schemes, provided with less generous business support, or faced an administrative nightmare trying to access substitutes like the EBSS Alternative Fund¹⁵. They are also often excluded from Ofgem and network operator safeguards (e.g. ability to pay principles and compensation after a power outage). This leaves customers who are stuck in the commercial supply trap generally facing even steeper bills without a regulator to protect them.

What needs to be done:

Ofgem and the Government need to...

party. Residents of many of the housing types listed previously do not have their own meter point and must therefore buy their energy from the landlord or site owner via one of these third-party resale arrangements. Rather than focusing on this resale element as a proxy for determining if a location is a business, the key part of this clause should be whether the energy is wholly or mainly for residential use. If it is, then the location should be considered domestic regardless of whether residents are buying their energy direct from a supplier or via a third party.

warmth. This definition was used to calculate the fuel poverty statistics in England from 2001 to 2011, and continues to be the definition used in Wales, Scotland, and Northern Ireland to calculate their respective fuel poverty statistics.

¹³ Age UK, 2023. Keeping the lights on: The case for an energy social tariff Discounted bills so older people can keep warm and well at home. Age UK. [Online]. Available at:

<https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/safe-at-home/age-uk-energy-public-policy-report-march-2023.pdf>. [Accessed 27/03/23]. Pg13.

¹⁴ This higher figure represents the annualised underlying cost of energy for the typical domestic consumer over this period. The true amount non-domestic customers pay may be higher or lower than this figure based on when their commercial supply contract was agreed and the specific terms included. This figure was acquired from: Ofgem, 2022. Latest energy price cap announced by Ofgem. Ofgem. [Online]. Available at: <https://www.ofgem.gov.uk/publications/latest-energy-price-cap-announced-ofgem>. [Accessed 27/03/23].

¹⁵ DESNZ, 2023. Apply for energy bill support if you do not get it automatically. Department for Energy Security and Net Zero. [Online]. Available at: <https://www.gov.uk/apply-energy-bill-support-if-not-automatic>. [Accessed 27/03/23].

¹⁶ Ofgem, 2023. Call for input on the Non-Domestic gas and electricity market. Ofgem. [Online]. Available at: <https://www.ofgem.gov.uk/publications/call-input-non-domestic-gas-and-electricity-market>. [Accessed 28/03/23]. Pg21.

¹⁷ Ofgem, 2023. Call for input on the Non-Domestic gas and electricity market. Ofgem. [Online]. Available at: <https://www.ofgem.gov.uk/publications/call-input-non-domestic-gas-and-electricity-market>. [Accessed 28/03/23]. Pg21.