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# Exposed: The rapidly rising 'stealth tax' on our fuel bills used to bailout failed electricity and gas firms that costs cash-strapped pensioners hundreds of pounds extra each year

- The levy has soared to around £273 per household - creating massive stealth tax
- Figure does not include £6.5billion taxpayer payout to bailout failed Bulb
- Cash-strapped pensioners paying the most, alongside isolated rural households

By [LUKE BARR](#) and [BRENDAN CARLIN FOR THE MAIL ON SUNDAY](#)

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Households across Britain are being punished with a 'stealth tax' on their energy bills amounting to billions of pounds to pay for the bailout of dozens of electricity and gas supply companies.

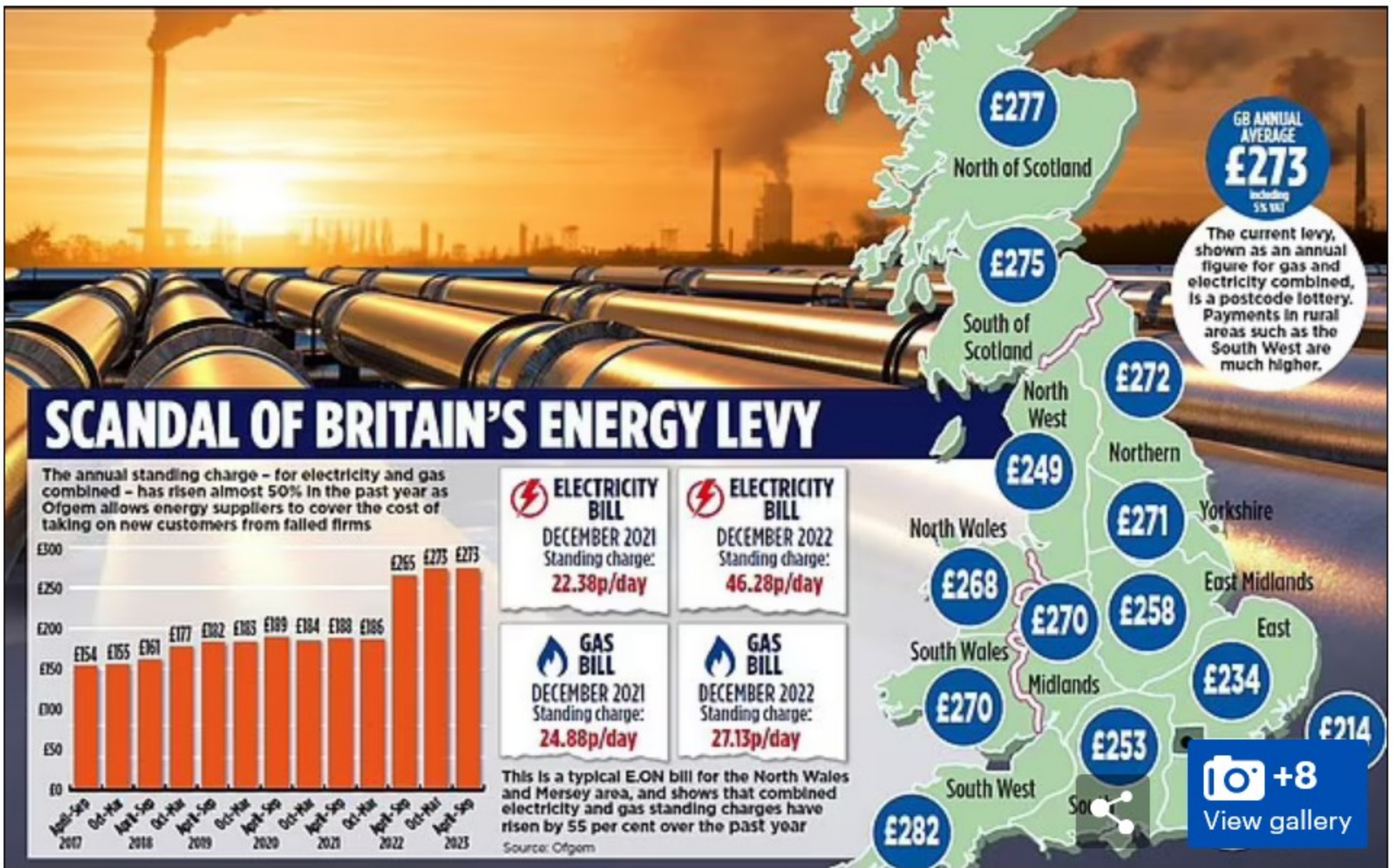
Campaigners have condemned the increases to the levy, which has soared over the past 12 months – and now costs bill-payers around £273 each.

The inflation-busting figure does not include the £6.5 billion cost to the taxpayer of bailing out controversial start-up company Bulb, which had 1.7 million customers when it suddenly collapsed.

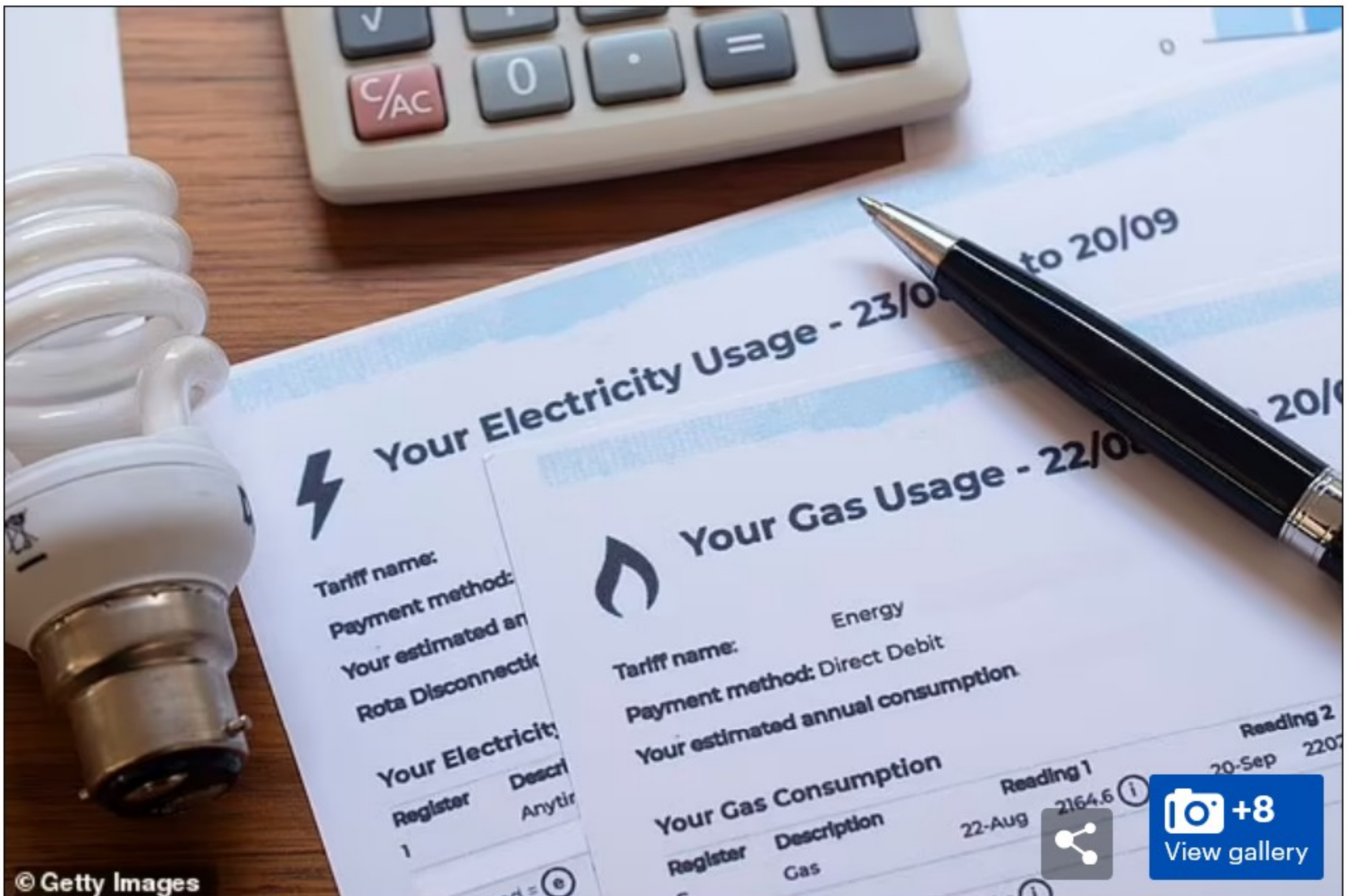


## Bill Clinton says Republicans want voters to be 'miserable and angry'

Most perniciously, the charge is regressive – with cash-strapped pensioners living alone, and frugally, forced to pay as much as millionaires in large, well-heated homes.



Campaigners have condemned the increases to the levy, which has soared over the past 12 months – and now costs bill-payers around £273 each



The energy bill price cap is expected to rise to £3,000 for an average household in the spring (file image)

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Many are unaware of the payments – called a ‘standing charge’ – which are quietly added to every bill.

The charge traditionally covers the daily cost of connecting customers to their gas and electricity supplies, and for the upkeep of networks.

But The Mail on Sunday can reveal that the sums have risen on average by almost 50 per cent since this time last year.

The charge is a stand-alone levy and should not have been affected by the vast hikes in wholesale energy prices worldwide exacerbated by Russia’s invasion of Ukraine.

However, the standing charge rises were approved by industry regulator Ofgem to cover the cost of its bungled regulation of the market, which led to firms going bankrupt.

## Q&A: The 'standing charge' buried in YOUR bill

### What is the ‘standing charge’?

It is the fixed daily amount you have to pay for using gas and electricity. It must be paid no matter how much energy you use – even on empty properties.

### What is it supposed to pay for?

The charge covers the cost of connecting to the network, as well as some basic maintenance and service costs. But it is hard to find any detailed information on this. What is more, the things it pays for – which include some Government subsidies and bailing out badly-run energy suppliers – are proving ever more costly.

### Where can I find my standing charge?

Buried somewhere in your monthly

The 'stealth tax' is just one of many issues raised following the collapse of Bulb, whose two founders were allowed to keep the £8 million they pocketed in share payments.

At the end of 2021, households paid an average of £186 in standing charges each year – £87 less than now. The increase across all bill-payers is believed to be more than £2 billion.

Critics say the huge rise is an abuse of power and piles further pressure on household budgets when many – particularly the elderly and vulnerable – are already struggling with the cost-of-living crisis.

They point out that standing charges are set at a fixed rate with no consideration of how much gas and electricity customers actually use.

Tory MP Alexander Stafford, a member of the Commons' business, energy and industrial strategy committee, said it was outrageous for Ofgem to increase the costs without properly informing customers and pledged to raise the issue with Ministers when Parliament returns.

Former Business Secretary Jacob Rees-Mogg also called on companies to explain why standing charges have risen so much.

Ex-Pensions Minister Baroness Altmann said: 'It is so unfair that the standing charge hits the poor much more than the well-off.'

energy bill, you will find two figures – one standing charge for your gas and one for your electricity. Splitting it this way makes it look less harsh – but more people are starting to notice it as the charge increases rapidly.

### **How much do I pay?**

It depends on your supplier and, more importantly, where you live. The average annual standing charge across the country is £273.17 – about 50 per cent more than 12 months ago.

### **Why has it risen so fast in such a short space of time?**

The standing charge is the way the industry regulator Ofgem has decided to subsidise the cost of bailing out customers from around 30 energy firms that have gone bust. When another energy supplier takes on the customers of a failed firm, it is losing money in the current market because of high energy prices, and Ofgem believes the standing charge is the best way to allow firms to recoup costs.

### **So it has nothing to do with rising gas prices or the war in Ukraine?**

No. We are simply paying through the nose for a lot of bad financial planning and bungled regulation.

### **Why I haven't heard about this before?**

When bills were relatively low, most of us may not have thought much about it. But with energy costs rising – and the standing charge surging too – people are starting to ask questions.

### **Is a standing charge fair?**

As well as being regressive, standing charges are applied inconsistently across the country – creating a postcode lottery that burdens those in rural areas.

London households pay an average of about 60p a day and those in the South West about 80p.

Around 30 suppliers failed in 2021 because they were financially unprepared for the vast increases in energy prices.

Almost four million households needed to be transferred to new suppliers.

Although Ofgem waved through the plan to bail out the collapsed firms using money raised from the standing charge, it is now under pressure to come up with a better alternative.

Energy companies are also being urged to cut the standing charge, as well as spelling out more honestly what the charges are used for.

Rother Valley MP Mr Stafford said: 'It is simply outrageous to hike people's standing charges without a full explanation of why households are having to find this extra cash.

'Any increase is an extra burden that hard-pressed families can ill-afford. It will also hit pensioners harder as they will pay the same as much bigger, better-off households.

'Energy companies surely have a duty to say to their customers why standing charges have risen on average by £80 since last

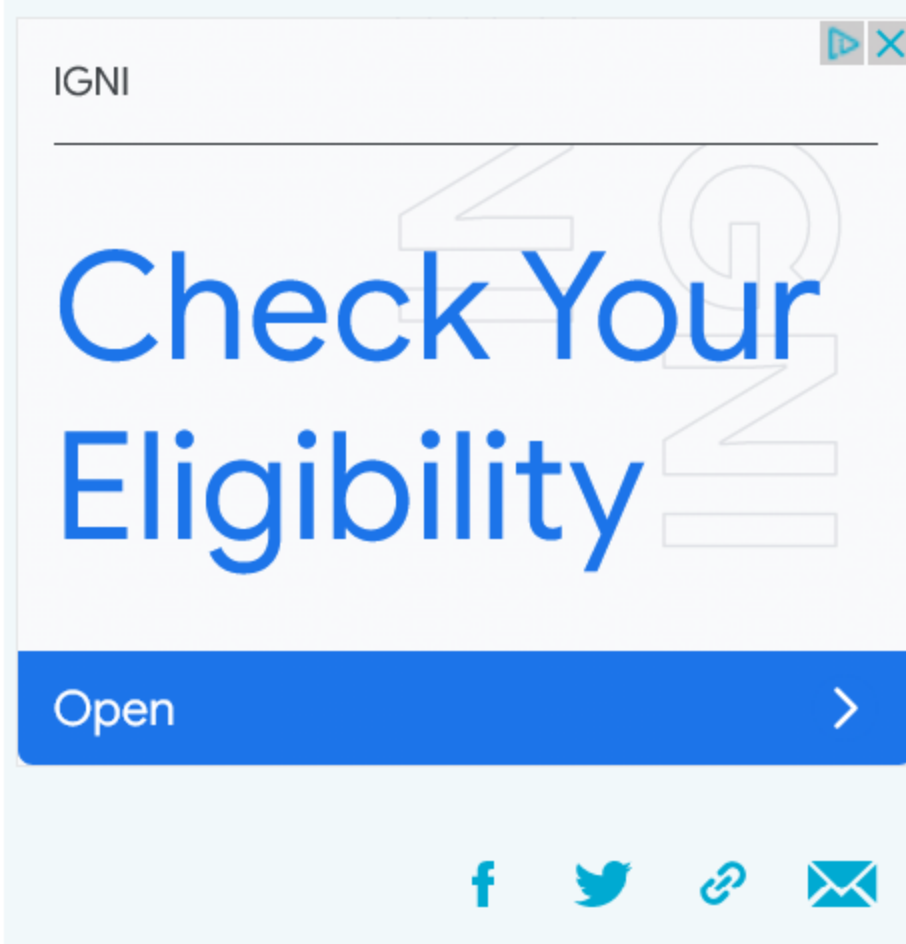
In short, no. Each household pays – in broad terms, at least – about the same. But that means an elderly person living on their own could be paying the same as a millionaire hedge-fund manager in a £10 million mansion.

### **Is that the only unfairness?**

No. Our analysis of the figures shows a shocking variation across the country. If you live in the North, your standing charge will be up to almost 30 per cent higher than it would be in London. The disparity makes a postcode lottery of the system and unfairly penalises people in the regions.

### **Why does it differ regionally?**

It's not entirely clear. What we do know is that regions where the population is spread out over rural or more remote areas are likely to pay more, the theory being that it costs more to maintain and service the network.



The image shows a screenshot of a mobile application interface. At the top, the text 'IGNI' is visible in the upper left corner, and there are close and refresh icons in the upper right. The main content area features the text 'Check Your Eligibility' in a large, blue, sans-serif font. The background of this text area is light blue with faint, stylized icons of a house, a person, and a question mark. Below the text is a solid blue button with the word 'Open' in white and a white right-pointing chevron icon. At the bottom of the screenshot, there are four social media sharing icons: Facebook, Twitter, a link icon, and an email icon.

March.

'If this is to pay for the cost of coping with the collapse of other energy firms, they should come clean and say so.'

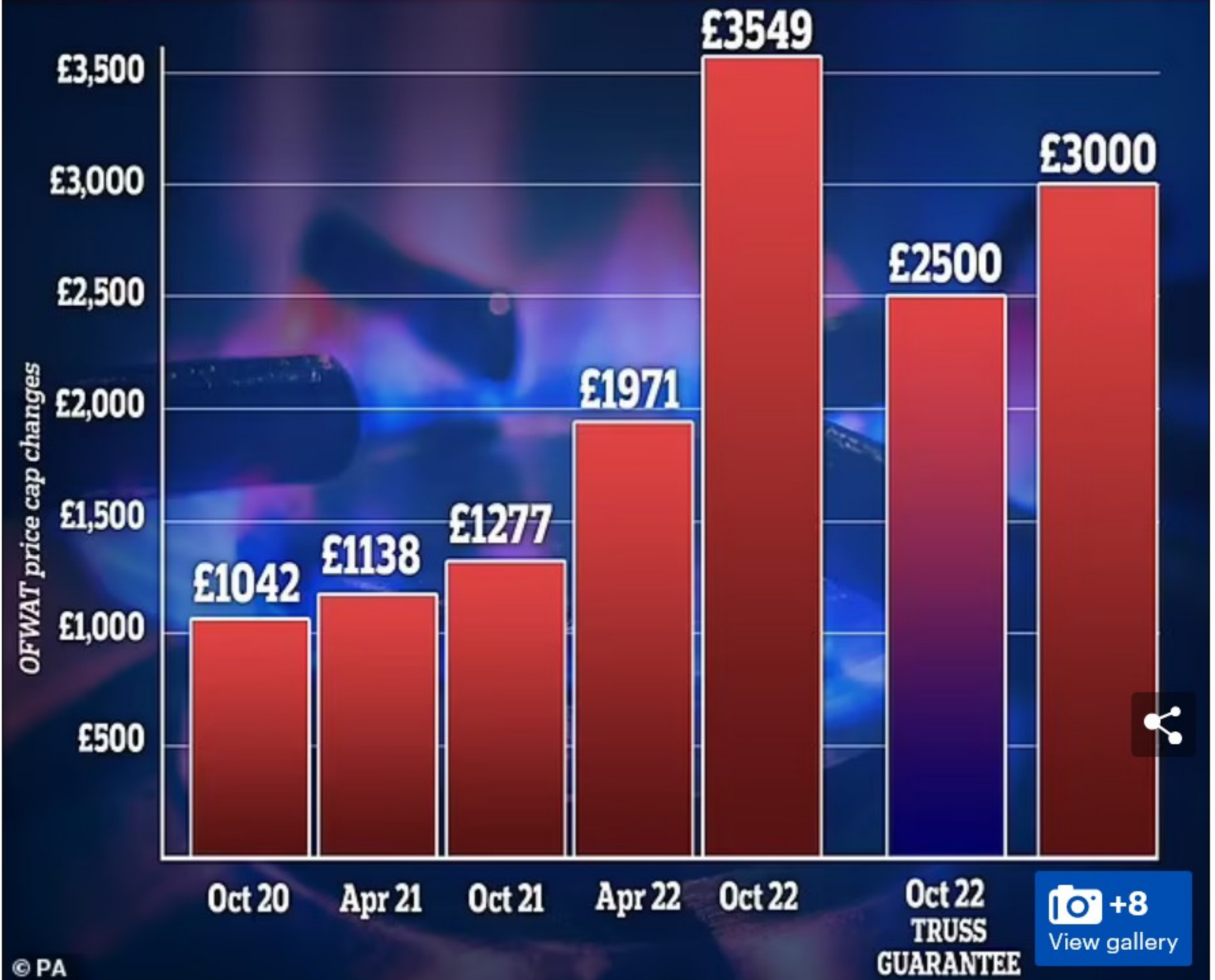
Mr Rees-Mogg added: 'Any standing charge rises will come on top of families already having to pay more for their fuel this winter.'

But energy suppliers should be as clear as possible about why households are having to pay more in standing charges.



**Mr Rees-Mogg said: 'Any standing charge rises will come on top of families already having to pay more for their fuel this winter'**

# THE RISING ENERGY PRICE CAP



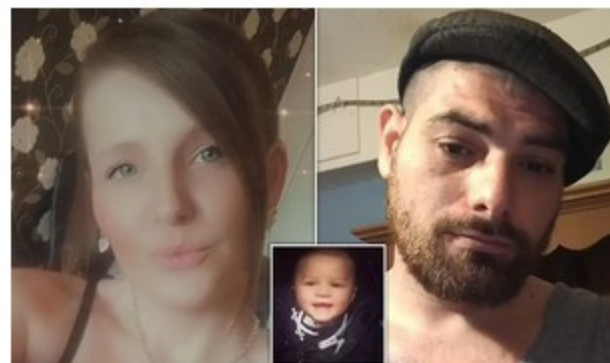
Greg Jackson, chief executive of Octopus Energy, said his firm had set aside £40 million to reduce standing charges by four per cent and called on rival companies to 'do all they can' to follow suit (graph of the expected energy cap increases in April)

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'The energy firms owe it to their customers to explain why these charges are going up.'

Baroness Altmann said: 'Once you're connected, what else do you get from the standing charge?'

'Energy companies have a responsibility to customers and society, not just their shareholders.'

And she warned that small, vulnerable or elderly households are unfairly shouldering the burden – even though they are often the least likely to be able to afford it.

'There are lots of pensioners who live alone and they pay the same as a family with lots of children or a couple. It's just not fair,' she said.

Greg Jackson, chief executive of Octopus Energy, said his firm had set aside £40 million to reduce standing charges by four per cent and called on rival companies to 'do all they can' to follow suit.

Octopus has also given 100,000 households a standing charge holiday for up to six months.

## **DM COMMENT: 'Families have been failed'**

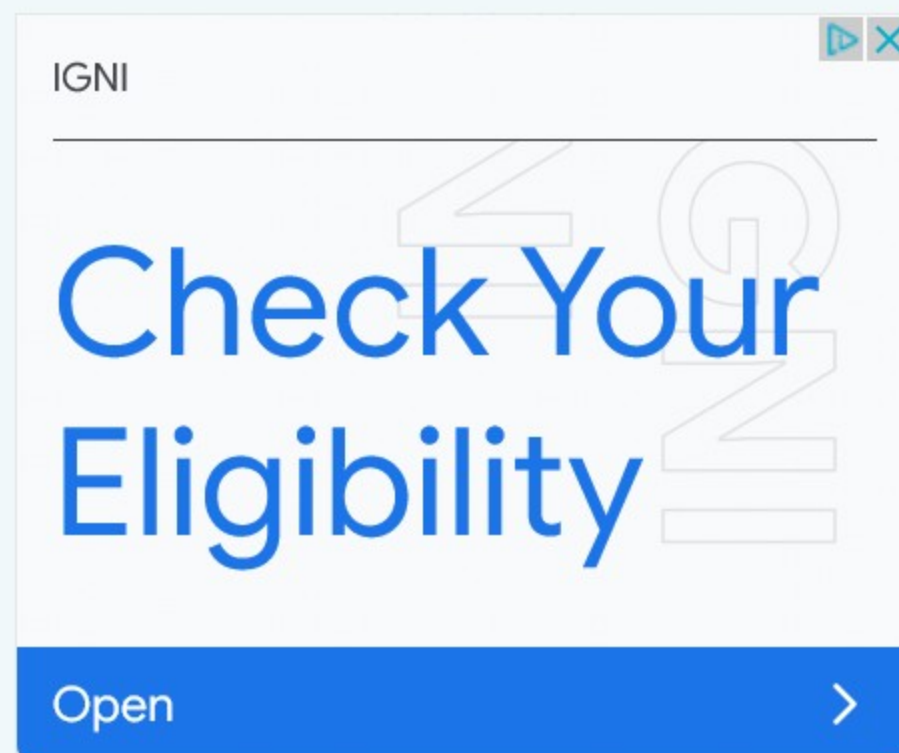
Too many businesses have arrogantly assumed for years that many people do not look closely at their bills.

No more. The cost-of-living crisis has turned millions of householders – as well as our vigilant free press – into ultra-cautious readers of small print.

So the truth has now been exposed about the pernicious abuse of power over the way that the standing charge element of domestic energy bills has been ratcheted up by stealth to help bail out several collapsed suppliers.

The standing charge is a classic regressive tax, hitting the poor more heavily than others – and, in this case, invidiously clobbering the North and rural areas harder than the South.

Yet again, families have been failed by Government Ministers, flashy but flawed start-up firms and an easy-touch regulator.



‘High standing charges are pernicious – they make it difficult to save money and are particularly hard on low users like pensioners,’ he added.

Earlier this year, Ofgem launched a review into how the heavy cost of bailing out customers would be paid for.

It is feared the £6.5 billion cost of Bulb’s implosion – the most costly taxpayer rescue since the financial crisis – could result in standing charges surging further.

Citizens Advice has now written to Business Secretary Grant Shapps seeking assurances that Bulb's costs will not be recovered through the standing charge.



**Ofgem launched a review earlier this year into how the heavy cost of bailing out customers would be paid for. It is feared the £6.5 billion cost of Bulb's implosion could result in standing charges surging further**

Stuart Bretherton, of campaign group Energy For All, said: 'Costs being loaded on to the standing charge is further proof that the worst off are being made to pay for the cost of this crisis.'

The system, he added, 'is fundamentally unjust and must be immediately reversed'.

Ofgem said it had considered alternatives to the change, 'but the numbers just didn't stack up'.

It added: 'This remains a worrying time for people across the country and we recognise the challenges many are facing. We will continue to keep standing charges under review and consult widely on any possible future changes.'

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**BARONESS ALTMAN: It's tough enough without a stealth energy tax**

BY BARONESS ALTMAN for The Mail On Sunday

If Britons did not have enough on their plates dealing with the cost-of-living crisis.

Now we find out that households are being hit with a silent stealth tax on their energy bills.

The standing charges were already relatively high, but have been further increased.

The charges may once have served a reasonable purpose – to pay for everyday maintenance costs.





## Baroness Altman: If Britons did not have enough on their plates dealing with the cost-of-living crisis



### How is it fair that an elderly widow who lives alone pays the same standing charge as a family who live in a mansion with several children (file image)

But the skyrocketing fee unfairly hits the poorest, the most vulnerable, the elderly and those who live alone.

The average standing charge has risen this year to a whopping £273. This is a huge sum for many and one that has to be paid regardless of how much energy they use.

Even if you're desperate to cut back on gas or electricity – or just extremely canny or thrifty with your heating – it makes no difference.

You have to pay it. Few people will even know what standing charges are or where to find them on their bill.

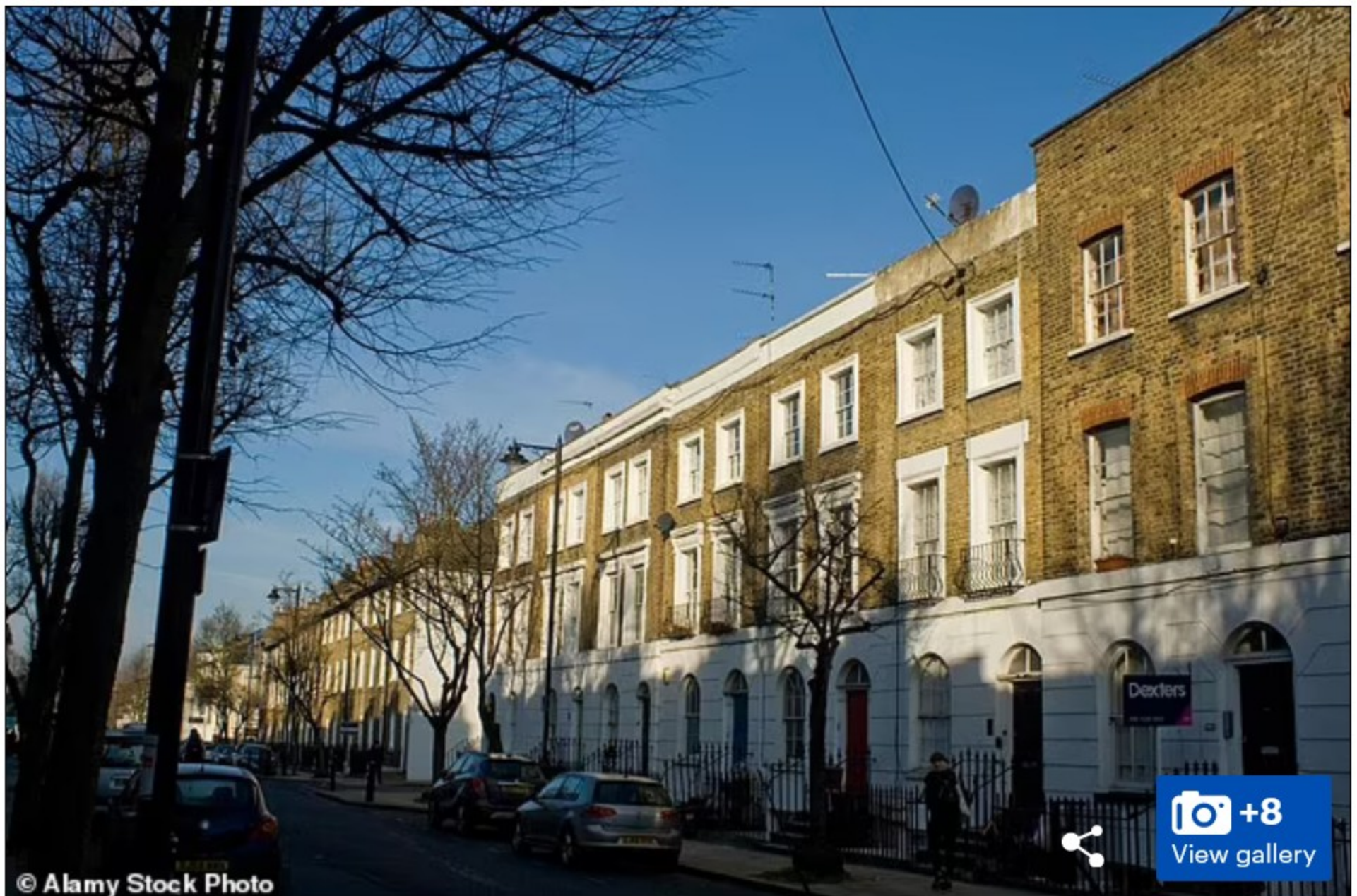
These hidden costs were supposed to pay for the maintenance of the network but, disgracefully, the regulator has also allowed energy firms to use them to fund bailouts for collapsed suppliers.

Has this been communicated to ordinary people? No. Should it have been? Yes – especially when you consider that we've seen around 30 energy firms fail in less than two years.

I do not believe it is right for Ofgem to allow increased standing charges for this purpose.

The yearly £273 figure is significant, relative to the energy that a single person uses.

Worse still, ordinary people are having to cope with soaring energy bills at a time when food and other staples are going through the roof. The last thing they need is this added burden on top.



**Ordinary people are having to cope with soaring energy bills at a time when food and other staples are going through the roof (file image)**

It would have been almost inconceivable a couple of years ago that people might need to choose between buying food, cooking a hot meal or turning on the heating. But this has too often become the sad reality.

How is it fair that an elderly widow who lives alone pays the same standing charge as a family who live in a mansion with several children?

In this instance, the industry regulator, who is supposed to help protect customers, has not dealt with this issue fairly enough.

Not only did Ofgem oversee the collapse of the energy market, it is now also allowing suppliers to impose extra costs on consumers by increasing standing charges at a time when households are already struggling.

We need proper transparency, rather than keeping people in the dark about where these charges go.

What value are we getting from this stealth charge? We call on the energy companies, the Government to sit up and act.