

Why it costs **£362** to get energy supplied to homes in Liverpool but just **£276** in London

By **Helen Kirrane**

HOUSEHOLDS face an energy postcode lottery on standing charges that can add £362 to your bill every year, Money Mail has found.

Most people pay hundreds of pounds just for the facility of having gas and electricity, regardless of how much energy they use. But suppliers have raised standing charges by up to 60pc over the past two years. The daily charge is designed to cover the cost of connecting you to the energy network.

The average electricity standing charge has increased from £91.25 a year to £193.45 today. The typical gas standing charge is up from £98.55 to £105.85 a year, according to regulator Ofgem.

Research for Money Mail shows a growing price gap across regions means households in the north-west of England pay the highest electricity charges.

Most homes in Britain are on a variable rate energy tariff. This means the amount they pay per unit of energy will rise and fall with the market price.

The cheapest electricity and gas standing charges for these tariffs are found in London, where homes pay around £276 a year, with Merseyside, North Wales and parts of Cheshire paying the most at a whopping £362.

Overall, standing charges vary from 42p to 66p a day for electricity, and 33p to 34p for gas, depending on your region.

The figures were provided by campaign group End Fuel Poverty Coalition and data scientists Future Energy Associates, who also provide data to Ofgem.

The way standing charges are worked out is fiendishly complicated, depending on where you live and what energy deal you have. Two thirds of the cost of a standing charge is set by the energy companies, who use it as a way of passing on expenses such as government policy costs. These include green levies, the cost of running their businesses and the bill for rolling out smart meters.

THE remaining portion — around 36pc — is set by companies called distribution network operators (DNOs). These are the firms that manage gas and electricity infrastructure, such as power lines and transformers.

They pass the cost of running the grid and infrastructure on to energy suppliers such as British Gas and Scottish Power, who in turn lay the bill on households in the form of standing charges.

Each DNO controls one of 14 parts of the country — meaning there are different rates set depending on where you live. Ultimately, high standing charges mean that no matter how much you cut your usage, you will still face a large bill. Standing charges have risen due to soaring costs for energy firms, including the cost of covering failed energy companies and large increases in

the cost of fixing electricity infrastructure, such as power lines.

British Gas sparked fury last week by posting profits of £969 million in the first half of this year.

Martyn James, a consumer rights champion, says it's 'desperately

unfair' that there is such a great variation in standing charges by region.

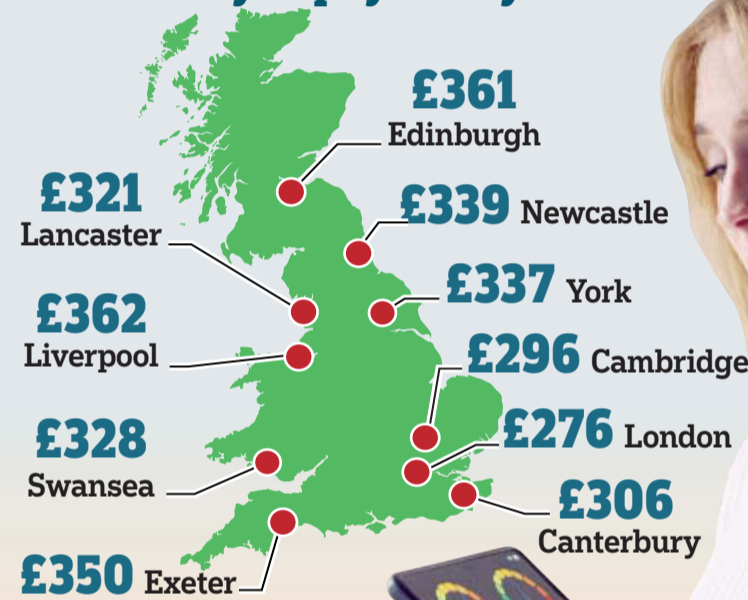
'Where you live should not dictate how much you pay in standing charges. It is high time they were averaged across the entire

UK population,' he says. 'It's not your fault that you live where you do.'

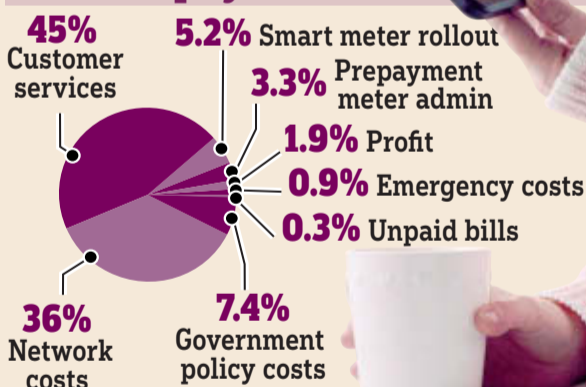
'And it's not right that this should disproportionately affect people on lower incomes, who might be trying to use less energy,

POSTCODE LOTTERY ON STANDING CHARGES

How much you pay each year



What it pays for



Average figures, from Future Energy Associates and Ofgem

yet still pay more in standing charges because of where they live.'

Simon Francis, of the campaign group End Fuel Poverty Coalition, says: 'Regional variations in energy prices are one of the most unjust parts of Britain's broken energy system. It is time for Ofgem to step in and investigate these discrepancies, check excess profits are not being made and set out a path to fair energy pricing for all — no matter where people live.'

AMONTH ago, the boss of British Gas owner Centrica said that the system penalises those who try to keep their energy bills under control by reducing how much gas and electricity they use.

But Ofgem has ruled out changing how standing charges work, despite facing calls from chief executives at Britain's biggest energy suppliers.

An Ofgem spokesman told Money Mail: 'Following a review of one part of electricity standing charges covering the cost of supplier failures, we looked long and hard at whether moving the costs from standing charges to usage was the right thing to do, but the numbers just didn't stack up.'

Ofgem says cutting standing charges and increasing other parts of bills would hit vulnerable homes who use high amounts of energy.

That would punish groups such as the elderly and disabled, who need to use more energy for heating and running medical equipment.

Mr Francis says there is no justification for standing charges to cost more for households in some parts of the country than others.

'It is often as difficult to power remote areas of the countryside as it is to supply homes in cities, so this is not a sufficient explanation,' he says. 'We think the regulator Ofgem and DNOs should provide customers with transparency on how these charges are calculated and why there is such variation.'

Robots beat 6 in 10 stockpickers

INVESTORS who trust their money to expensive fund managers are typically worse off than if they put it in a low-cost market tracking fund, research reveals.

Analysis by investment platform AJ Bell shows that over the past ten years, more than 60pc of funds invested in stocks run by a professional money manager have failed to outperform rival investments which track — rather than aim to beat — the same stock markets. This means the case for building an investment portfolio around a core of low-cost index-tracking funds remains stronger than ever.

Funds that are managed by investment professionals are often referred to as 'active'. This is because the managers attempt to beat the market through astute stock pick-

ing and they often charge handsomely for their expertise.

In contrast, funds set up to track the performance of a specific market, such as the FTSE 100 in the UK or the S&P 500 in the U.S., using sophisticated computer programmes, are known as 'passive'. These funds tend to have lower ongoing charges.

Active funds have underperformed the most when it comes to investing in a basket of global and U.S. stocks.

For example, over the past ten years, the average passive fund tracking the performance of the U.S. stock market has delivered a return of 278pc. This compares with the average return of 239pc from an actively managed U.S. fund. Returns for passive and active funds that invest in the global stock

market are 195pc and 155pc respectively. 'The active-versus-passive battle is increasingly being won by tracker funds,' says Laith Khalaf, author of the report.

Yet he still believes both investment strategies can be 'happily used alongside each other in the same portfolio'.

Khalaf adds: 'The decision to invest in active or passive funds is, perhaps surprisingly, not binary. Unlike disciples of passive or active styles, private investors needn't be dogmatic in their use of either strategy.'

'It's possible to mix and match active and passive funds within a portfolio, perhaps picking active managers you have a great deal of confidence in and then gap-filling using tracker funds.'

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Investor raffle

FROM this week, stockbroker Bestinvest is offering a £250 monthly prize draw for investors who save £50 a month, as it becomes the latest investment platform to launch a special offer to attract new customers.

The lottery will run for one year. Both new and existing regular savers will automatically be entered into the prize raffle if they have an Isa, self-invested personal pension (Sipp) or investment account.

They must have set up a direct debit or standing order of £50 or more.