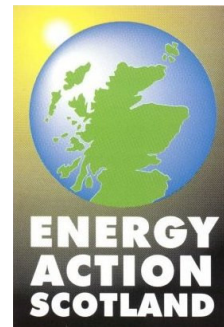


Response to Ofgem Consultation: “Addressing Undue Discrimination – Impact Assessment”



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Introduction

Energy Action Scotland (EAS) is the Scottish Charity with the remit of ending fuel poverty. EAS has been working with this remit since its inception in 1983 and has campaigned on the issue of fuel poverty and delivered many practical and research projects to tackle the problems of cold, damp homes. EAS works with both the Scottish and the UK Governments on energy efficiency programme design and implementation.

EAS welcomes the opportunity to comment on the Impact Assessment. EAS is more concerned about the potential impact of the proposed licence conditions on vulnerable consumers than on the potential impact on competition. Accordingly this response focuses only on the aspects of poverty and vulnerable consumers.

Fuel Poverty in Scotland

The Scottish Government is required by the Housing (Scotland) Act 2001 to end fuel poverty, as far as is practicable, by 2016 and plans to do this are set out in the Scottish Fuel Poverty Statement. The number of Scottish households living in fuel poverty dropped from 756,000 (35.6%) in 1996 to 293,000 (13.4%) in 2002. Half the reduction was due to increases in household income, 35% to reduced fuel process and 15% to improve energy efficiency of housing¹. The most recent 2007 figures² from the Scottish House Condition Survey in Key Findings Report show that there were 586,000 households living in fuel poverty in Scotland in 2006/07, representing 25.3% of the total.

According to figures produced by the Scottish Government³ early in 2008, for every 1% rise in fuel prices an estimated 8,000 more households would go into fuel poverty. Based on these figures EAS estimates that there are currently 850,000 households, around one in three, in fuel poverty in Scotland. This significant increase in fuel poverty is widely accepted to be due to the dramatic increases in domestic fuel prices and EAS is very concerned about the impact on vulnerable customers.

Response

EAS understands that Ofgem's primary duty is to protect the interests of consumers by producing competition and that protecting the needs of vulnerable consumers is, by way of definition, secondary. In its response to Ofgem's consultation 'Addressing Undue Discrimination – Final Proposals' (Ref 42/09) EAS highlighted a number of concerns regarding the potential impact of Licence Conditions A and B on vulnerable consumers. In addition and in specific response to the Impact Assessment, EAS notes the following:-

¹ Fuel Poverty in Scotland: Further Analysis of the Scottish Housing Condition Survey 2002

² Revised Scottish House Conditions Scotland Key Findings Report 2007

³ Estimate of Fuel Poverty Households in Scotland: Scottish House Conditions Survey March 2008

- On nine separate occasions within the consultation document, Ofgem states that there are vulnerable consumers likely to be negatively affected by the introduction of Licence Conditions A and B. Ofgem maintains that calculating the numbers would be difficult but implies that the numbers would be insignificant or fairly minimal.
- However on the basis that there are approximately 25 million households in the UK, that approximately 3 in 10 pay by Direct Debit and that approximately 7.5% of those paying by Direct Debit are fuel poor⁴, then more than 560,000 households already in fuel poverty suffer electricity price increases. Further, on the basis that almost 4 in 5 households receive a gas supply, almost 430,000 fuel poor households may see gas bills increase⁵.
- On the basis that Ofgem estimates that up to one-third of consumers are vulnerable and applying similar calculations to those used above, up to 2.5 million households classed as 'vulnerable' may suffer increased electricity costs and a further 1.9 million may see gas bills increase.

Conclusions

EAS is disappointed that Ofgem's Impact Assessment appears to underplay the negative impact on vulnerable consumers throughout. EAS is particularly concerned that those least able to afford increased costs will suffer, but Ofgem does not apparently consider this to be significant or serious. Despite the availability of relevant and relatively recent statistics and information, EAS feels that Ofgem has specifically chosen not to highlight these and that this approach is in direct contravention to Ofgem's duty to vulnerable consumers. EAS believes that Ofgem must take immediate and appropriate action to address this situation.

⁴ All figures obtained from UK Fuel Poverty Action Plan, 6th Annual Progress Report. Figures apply as at 2006

⁵ Factoring in a proportion – ie: one in five – who may be on social tariffs, the numbers adversely affected for electricity and gas will still be 448,000 and 344,000 respectively

