



*Campaigning for Warm Homes*

## **The proposed restructuring of National Grid Transco's metering business**

### **Response to Ofgem's consultation by NEA**

NEA's principal charitable objective is the provision of affordable warmth and other energy services for those low-income households which have the greatest difficulty in paying for the essential services provided by the energy supply industry.

Accordingly we have a long-standing interest in the terms and conditions which apply to the various payment methods available to domestic consumers. We have consistently drawn attention to concerns about the disadvantage experienced by users of prepayment meters. Consequently NEA wishes to register its concern with the impact of these proposals on prepayment meter users and its dismay at the way in which this consultation has been conducted.

We acknowledge Ofgem's contention that prepayment use is a poor proxy for fuel poverty, but the evidence that it is predominantly a payment method of choice for those on low incomes is compelling. Plus of course many consumers in debt have no choice but to accept a prepayment meter as an alternative to disconnection. It has always seemed anomalous to fuel poverty campaigners and many organisations representing the interests of consumers that a payment method provided principally for those who find it most difficult to afford their fuel bills should be the most expensive option available.

We further note that the advent of the competitive market has done nothing to remedy the disadvantage. Whilst Ofgem strains to make the case that prepayment users can switch (except some of those in debt) and make savings the extent of choice and the level of financial benefit are noticeably inferior than for other payment methods.

In the light of these circumstances NEA is surprised by the evident display of complacency on Ofgem's part in the casual way it seems prepared to accept a 50+% increase in charges to suppliers by Transco. We are also disturbed to note that Ofgem seems content to conclude that 'the impact on customers will depend on whether the supplier chooses to pass on the effect of any rental increase or decrease. Given that this document and the separate consultation on prepayment meters (32/05) both acknowledge the lack of competition in prepayment metering, and the limited prospects of this emerging in future, it seems highly unlikely that suppliers will choose to bear these additional costs themselves. At the very least we would have expected Ofgem to seek the views of suppliers on this issue.

It is equally surprising that Ofgem should be apparently unconcerned that any rebalancing of metering charges will compromise its earlier commitment, spelled out

in this document, that the differential between credit and prepayment would remain in place until competition in prepayment metering was established.

NEA views these potential developments as running entirely counter to the aims and objectives of Ofgem's Social Action Plan, which itself goes unacknowledged in this document. Whilst not wishing to exaggerate its achievements this has helped to focus the attention of suppliers on the social obligations they have to their disadvantaged customers. We are conscious that many companies responded by making some efforts to shelter their prepayment customers from recent price increases. The likelihood that they will continue to seek ways to protect the interests of vulnerable customers will be diminished by Ofgem's lack of concern about the impact of these proposals.

The emergence of the Social Action Plan also gave rise to Ofgem's practice of conducting social and environmental impact assessments, a development subsequently endorsed in formal guidance on these matters issued to the regulator by the Government. It is particularly regrettable that Ofgem now evidently chooses to neglect its commitment to good practice.

NEA sees similar failings in maintaining good practice in the way that consultation procedures have been conducted in this case. It is unacceptable that consumers likely to be affected by these plans, and many organisations which represent them, should be given a month to comment on proposals first presented to Ofgem six months ago. Furthermore we see no evidence that Ofgem has positively sought to solicit their views on this occasion. In NEA's case it is only the establishment of a grapevine by voluntary sector organisations that has drawn the matter to attention. This is also unsatisfactory.