



Public Utilities Access Forum

Founded in 1989, the Public Utilities Access Forum (PUAF) is an informal association of organisations which helps to develop policy on the regulation of the public utilities providing electricity, gas, communications and water services in England and Wales. PUAF facilitates the exchange of information and opinions between bodies concerned with the provision of those utilities to consumers with low incomes or special service needs, such as the elderly and people with mental and physical disabilities. It draws the particular problems of such consumers to the attention of the industries, the regulators and other relevant bodies, promoting the adoption of policies and practices which cater for their needs, exchanging information about service provision and promoting research.

The proposed restructuring of National Grid Transco's metering business

Response to Ofgem consultation by the Public Utilities Access Forum

General comments

1. PUAF is very concerned about these proposals from NGT, Ofgem's response to them and the inadequate nature of the consultation organised by Ofgem. The very short timescale gives the impression of a proposal being rushed through, allowing consumer groups very little time to respond. Although suppliers have been consulted by NGT prior to the Ofgem consultation, groups like PUAF have not.
2. The consultation paper contains no assessment of the likely impact of the increased charges for prepayment meters on low-income groups and fuel poverty. It thus seems to ignore the very good work being done elsewhere in Ofgem under the Social Action Plan. Moreover, as the Government's Social and Environmental Guidance to Ofgem says (3.2): 'The Authority has a duty under the Sustainable Energy Act 2003 to produce impact assessments. They should include cost/benefit analysis of the social as well as the environmental impacts of the decisions'. These proposals by NGT could have a significant social impact. Ofgem should produce a social impact assessment that takes into account factors such as the limited effectiveness of competition for prepayment meter customers and the lack of competition in metering.
3. PUAF's view is that NGT should withdraw their proposals. If they do not, Ofgem should re-start the consultation process, allowing a longer timescale. The consultation should include a proper assessment of the likely impact on low-income households and fuel poverty and also how such a proposal would impact upon its own work under the Social Action Plan.

Specific comments

4. The following paragraphs contain some more specific comments.
5. There are no details in the consultation of the basis for the changes in costs and how they have been assessed. Is Ofgem convinced that costs have changed so much from when they were previously set - i.e. are the proposed changes justified?
6. The paper suggests that charges by NGT to suppliers could increase from £29.98 at present to £46.75. The consultation paper does not examine whether this is likely to be passed on to customers. It is PUAF's view that such increases are likely to be passed on, in view of the limited competition for pre-payment meter customers. As Ofgem's own research shows, pre-payment meter customers are far less likely to switch than customers using other payment methods, making it easier for suppliers to pass on increased costs. Ofgem needs to assess this issue and consider what might be done to protect low-income households in these circumstances.
7. The consultation paper skirts over the issue of limited competition in metering, despite noting that when the current price limits were set, "Ofgem indicated that the differential between domestic credit meters and pre-payment meters would remain in place until there was effective choice over alternative prepayment systems". (Paragraph 4.9) The paper suggests that Ofgem is unconcerned that the differential might now change despite the lack of metering competition and even that the result of these proposals might be to remove meters from price control altogether (paragraphs 4.14 and 4.15). If Ofgem considers that competition in metering is going to improve significantly in the near future it should indicate how it sees this happening; in the absence of this, Ofgem would seem to be going against its own policy if it accepts the NGT proposals.
8. Ofgem makes no comment on the NGT view (paragraph 4.10) that rebalancing is necessary to comply with the Competition Act. In view of Ofgem's recent guidance to supply companies, that the Competition Act is not a barrier to social tariffs, it does not seem likely that the differential per se is the issue. Ofgem needs to give its considered opinion on this matter and how it could be addressed.

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PUBLIC UTILITIES ACCESS FORUM

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