

Ofgem's Social Action Strategy Consultation

Response by the Fuel Poverty Advisory Group

We welcome Ofgem's commitment to its Social Action Strategy and it is clear that a number of pieces of work in this field have been very valuable, for example:

- The guidance on Social Tariffs was positive and had tangible results
- Ofgem's assessment of supply company policies and promotion of Best Practice has been useful, for example on energy efficiency advice, debt prevention and management and most recently on CSR and services for priority customers.

Our main comments are:

- The draft strategy recognises the importance of integrating social issues in the work of the Organisation. This is critical and could be given higher priority in the Strategy although implementation and delivery rather than words in the Strategy are clearly key here. It would be useful in the Strategy to outline the key Ofgem decisions over the next year and to include a few comments on their possible social implications.
- The increase in energy prices is clearly a huge concern with a major impact on fuel poverty and on vulnerable customers. The Strategy does not really recognise this and we would like to see a commitment to leave no stone unturned in order to keep prices as low as possible, especially for vulnerable customers. Specifically it will be important for Ofgem to:
 - Monitor margins across the value chain in co-operation with DTI so that there is transparency about margins. We obviously accept that effective competition is an important safeguard for customers, but it is our view that Ofgem - in its eagerness to demonstrate that retail competition is working - is not always as keen as it might be to probe possible problem areas.
 - Do everything possible to keep prepayment tariffs low and for the medium term to stimulate innovation and lower costs for prepayment meters.
 - Consider whether it is reasonable for companies to have higher tariffs for their traditional supply areas than elsewhere.
 - Be very conscious of the importance of securing the right balance between customers and companies in its decisions where there are tensions. This is always integral to Ofgem's work, but is particularly important in the context of rising prices. It is FPAG's view that in the decisions about the NGT sale of LDZs the balance was not well struck and more benefits should have been secured for customers. This is now history, but this will be relevant at the next gas and electricity distribution reviews and also for future decisions, including but not only, decisions about any acquisitions in the sector.

- The main gainers from the energy price increases have been the producers of oil and gas in the UKCS. We understand that this is largely outside Ofgem's control, but it would be helpful if Ofgem were able to help to draw attention to this and in particular to the contrast between the impressive services for low income customers provided by the supply companies on the one hand, and the unwillingness on the other hand of the upstream companies to plough any of their windfall profits from the price increases back to their low income customers - who have lost so much from these same price increases.

FPAG is happy to discuss these issues whenever this would be helpful.