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Date 20th June 2006

Dear Kiera,

Prepayment Meter Regulations 2006 and Proposals for Monitoring

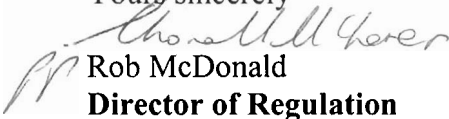
Thank you for your recent letters regarding the above. We welcome the fact that Ofgem are proceeding with the above Regulations and we support a number of the amendments that reflect our earlier comments. However, we do have a significant concern about the proposed monitoring arrangements associated with using the Regulations.

The information that Ofgem are proposing to collect is very detailed and by its very nature would require to be manually collected. This would be costly and very resource intensive. A requirement on suppliers to conduct frequent customer surveys and the extensive information requirements proposed under the Electricity Regulations are particularly onerous. In addition, we believe that many customers may find such questions intrusive and be put off entering into such an agreement. There may also be data protection issues with such an approach. As a consequence, suppliers may choose not to implement the Regulations and the many benefits of Ofgem's proposals will be lost.

While we recognise the need for Ofgem to review the effectiveness of the Regulations, we do not believe that the proposed monitoring is the most appropriate or cost-effective means of doing so. Rather, we believe that an appropriate level of monitoring that would allow an effective review of the Regulations could consist of suppliers monitoring the level of take-up of such agreements and Ofgem surveying a sample of customers to identify any particular issues or concerns. This could be supplemented by the monitoring of Energywatch complaints in relation to the operation of the Regulations. This approach would allow suppliers to implement the Regulations and offer such arrangements to customers in a cost-effective and pragmatic manner.

If you would like to discuss the above further, please call either myself or Rhona McLaren on 01738 456410.

Yours sincerely



Rob McDonald
Director of Regulation