



*Campaigning for Warm Homes*

**Metering price control review  
NEA response to Ofgem consultation**

National Energy Action (NEA) is a charity working to ensure that low-income households have access to sufficient warmth for health and comfort at an affordable cost. In view of our charitable objective 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.

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 commonly be the most expensive option available.

We expressed our dismay in the April 2005 consultation on National Grid's proposals to restructure its metering business and raise charges to suppliers for prepayment meters. At that time Ofgem confirmed that competition in the provision of prepayment meters was negligible and that it was unlikely to develop in the near future. In the absence of any competitive pressures to drive down prices NEA argued that Ofgem should honour its commitment to retain the existing differential between credit and prepayment meters in the price control.

We repeat this argument more forcibly now, in the wake of substantial increases in gas prices. We note that some suppliers, encouraged by both Government and the regulator's own Social Action Plan, have taken steps to shelter prepayment customers from the impact of these increases. We welcome the initiative taken by British Gas, regrettably not by others, to equalise its gas prepayment and standard credit tariffs. We see little prospect that British Gas or its competitors will be able to absorb the 50% increase in prepayment meter charges suggested by National Grid and consider it inevitable that these charges will be passed on to its customers.

In the light of the Competition Act investigation, and Ofgem's decision to defer consideration of the gas metering price control, it is hard to understand why Ofgem should at the same time invite National Grid and others to present the case for rebalancing prepayment meter tariffs. In our view any action should await the outcome of the investigation. More importantly, Ofgem should take action now to ensure that National Grid is not able to avoid price controls altogether simply by transferring metering activity to an unregulated subsidiary business.

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