

Ms Claire Tyler
Ofgem
9 Millbank
London
SW1P 3GE

11 July 2008

DO/JP

Dear Ms Tayler,

Pre-payment meter customers switching supplier

The National Housing Federation represents 1300 housing associations in England. Our members provide 2 million affordable homes for around 5 million people. The Federation welcomes the opportunity to respond to Ofgem's consultation letter.

Lion Court
25 Procter Street
London WC1V 6NY

The Federation is deeply worried that evidence shows in 2007, 63 per cent of electricity and 56 per cent of gas pre-payment meter transfers went to the three most expensive suppliers. We believe that Ofgem's interpretation in the consultation letter is correct and to make matters worse, the Government's latest energy price statistics¹ show that, on average, for the same year electricity pre-payment meter customers did not save at all by switching energy supplier.

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In the light of this, the Federation welcomes the idea that new licence obligations could be introduced for energy suppliers to ensure those customers on the lowest incomes are able to benefit from our competitive energy market as much as more affluent customers.

We do believe, however, that if Ofgem is truly serious about helping pre-payment meter customers then it should first make all energy suppliers remove the premium of up £90 that pre-payment meter customers pay compared to quarterly billed customers. It should also place a target on suppliers to seriously reduce the differential between pre-payment meter tariffs and direct debits which is now over £200. **Liberalisation of energy supply has clearly left the market to work in a way which financially penalises customers who have no choice but to use a pre-payment meter to budget or pay back debt.** As you are aware energy suppliers are charging pre-payment customers £400 million² excess above the costs for energy and running the meters. This needs to stop. Low income households cannot afford to be a cash cow for energy suppliers.

Perhaps the time has come to revisit the principles of total liberalisation set back in the 1990s and look to create an energy supply market which meets the needs of its customers, communities and country as a whole?

From Ofgem's proposed possible options, we support an obligation that would put a requirement on suppliers to alert customers at the point of sale where they are switching to a more expensive supplier. We also support a requirement on suppliers to alert customers as part of the follow-up contact (under SLC25) where they are switching to a more expensive supplier.

¹ BERR, Quarterly Energy Prices, June 2008.

² Energywatch, March 2008.

In the end it will be up to customers to make their own decision about whether or not to switch to a more expensive supplier but having both of the above requirements will ensure that customers are properly informed at a number of points throughout the switching process.

Recently the Federation commissioned Accent to interview 400 pre-payment meter customers³. The research shows that over a third of the respondents (37%) don't have access to the Internet (at home, at work, through a family member or at library). We believe that more needs to be done to reach these customers to ensure that they have access to impartial and accessible energy price information offline. Therefore, we suggest that Ofgem should place adverts in national and regional press to provide customers with the latest pre-payment meter prices to ensure these customer are reached.

If Ofgem does not act to ensure that market is fair for all customers then it is on a road to almost certain failure and its fuel poverty programme will become seriously flawed as switching will continue to have no benefit for many pre-payment meter customers.

If you have any further questions about this response or require any further background details please contact my colleague John Pierce on 020 7067 1027.

Yours sincerely



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Chief Executive

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³ National Housing Federation, research conducted by Accent, May 2008.