

**ANDREW GEORGE MP**

**SENT BY E-MAIL**

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Dear Andrew,

**ENERGY SUPPLY MARKETS PROBE**

I write in response to Ofgem's consultation on suggested remedies following the publication of the findings of the Energy Supply Markets Probe on 6<sup>th</sup> October.

I previously raised several of the following points in correspondence with Alistair Buchanan, Chief Executive, and Charles Gallagher, Director Corporate of Communications (copies enclosed). I would, nevertheless, like to formally record my observations for inclusion in the consultation process.

I wish to focus mainly on Ofgem's proposals to address concerns over unfair price differentials (Remedies Section 1.40 - Action 5). As I set out in my letter to Alistair Buchanan of 16<sup>th</sup> October, whilst steps to increase customer awareness and active participation in the market are welcome, it must be recognised that many low-income customers are unable to take advantage of the cheaper deals offered by energy companies for switching payment methods due to their restrictive financial circumstances. Many of the savings offered involve switching to direct debit payment. However, for customers who live in the margins of credit taking advantage of the savings available through these deals would mean running the risk of incurring substantial bank charges if a larger than expected automated payment pushes them over their authorised overdraft limit. I appreciate that this is beyond the immediate power of Ofgem to act, but I believe it is a matter which is relevant to your consultation and would ask that Ofgem seeks to use its influence in this regard. Many customers choose pre-payment meters not due to a lack of awareness of other options but because they allow close control over a tight budget in a way that these automated payments do not.

Ofgem's proposals for a new license requirement on suppliers that differences in charges for payment methods must be cost reflective and a prohibition on undue price discrimination represent a welcome acknowledgment that current pricing practices are working against the interests of the most vulnerable customers. However, controls to make prepayment charges cost reflective will still allow companies to charge the poorest customers the most for their energy, even if that premium is somewhat reduced.

I understand that this proposal is designed so that the incentive to switch to alternative payment methods is not entirely removed but given the inability of many pre-payment customers to undertake this switch I believe there is a case for going further. If Ofgem is truly committed to taking a hard line on behalf of disadvantaged customers I would urge it to consider the case for

equalising pre-payment tariffs with those offered to customers who pay by quarterly bills or direct debit deals. Only bold steps such as this are capable of ending the inequities in the system whereby the highest prices are paid by those who can least afford it.

With every good wish.

Yours sincerely,

Andrew George MP