



LIBERAL DEMOCRATS

Hackney Liberal Democrats
14 Blackdown House
Amhurst Road
LONDON E8 2AU

November 27th 2008

Dear Andrew MacFaul,

ENERGY SUPPLY PROBE – INITIAL FINDINGS REPORT

Thank you for the opportunity to give feedback on this report.

We note that Ofgem has been set up, primarily, to oversee the markets in gas and electricity supply. So your report inevitably emphasises the operation of those markets through commercial competition and the opportunities for customers to switch supplier. But we also note (Appendix 8 1.5) that you have to pay particular regard to the situations experienced by vulnerable people – who may not be freely and directly responsive to market forces. It is this aspect of your responsibilities that we wish to address.

The report acknowledges at the outset (Summary 1.1) that a typical household energy bill has more than doubled since 2004 and that many households are now struggling to pay their bills. “The number of consumers in debt to their energy suppliers, average debt levels and disconnection rates are all rising,” the report says. “Vulnerable customers and those in fuel poverty are particularly affected.”

Hackney is the most deprived local authority in the UK, according to the Borough Council’s latest figures – based on the Indices of Deprivation study of 2004. So we are particularly concerned at the plight of poorer people, many of whom will be – willingly or not – paying for their energy supplies via pre-payment meters (PPMs).

You accept (Summary 1.24) that higher premiums are charged to PPM customers for “the additional costs of metering and providing services to these customers.” But all customers are metered – so this is not an exclusive cost. And PPM customers are paying millions of pounds up front every year into the coffers of energy companies, who can begin to earn interest on those funds before the energy has been consumed – providing extra company income.

Meanwhile, their monthly and quarterly customers are consuming energy on credit, paying much later, and may have to be chased for payment – denying the company interest and increasing company costs.

Your report notes that the premiums charged to PPM customers vary between companies and regions and your advice seems to be that customers should keep switching supplier to get the best deal. But your research shows (Vulnerable Consumers Fig 9.1) that PPM customers are half as likely to switch supplier as standard credit customers.

The House of Commons Public Accounts Committee's Fifty-Second Report (13/11/08: Conclusions, 1) says: "a survey of electricity consumers who had switched found that about a quarter had inadvertently moved to a more expensive supplier." The raw market clearly does not produce a fair market in these circumstances.

People are sick of being pestered by door-to-door salesmen and women. Some of these companies' sales methods have earned public distrust, as you know. And there is more to life than having to study energy markets day-by-day and constantly switch supplier. That is not the real world. People in Hackney have more urgent things on their minds.

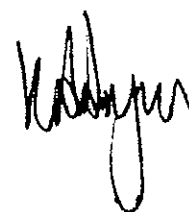
Anyway, as you say (Summary 1.25) "Even once unjustified price differentials are removed, PPMs will remain among the most costly payment methods" - which means that potential choice will not solve the problem for these people.

We urge you to establish a regime in the energy markets that makes fair charges on all customers from all suppliers and which ends the current system of exploiting the vulnerability of our poorest people.

We look forward to your response to this submission.



Dave Raval



Keith Angus

Parliamentary Spokesmen
Hackney Liberal Democrats