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Andrew.MacFaul@ofgem.co.uk

Andrew MacFaul  
Ofgem  
9 Millbank  
London  
SW1P 3GE

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Dear Mr MacFaul,

**CONSULTATION ON ADDRESSING UNFAIR PRICE DIFFERENTIALS**

Further to my letter of 28<sup>th</sup> November 2008 in response to Ofgem's suggested remedies following the Energy Supply Markets Probe I write with a few observations on the proposals to address unfair price differentials.

In my previous letter I expressed concern that the remedies proposed by Ofgem would not go far enough and would still result in vulnerable customers who rely on prepayment meters to manage their energy costs paying the most for their energy. Proposals to introduce 'cost reflective pricing' between the payment methods would require energy suppliers to ensure that price differences can be justified but since prepayment meters have higher maintenance costs energy suppliers could still charge those customers who depend upon these methods the most to heat and light their homes.

I understand the justification for the claim that 'cost reflective pricing' will put an end to situations where prepayment meter customers and others pay extortionate prices for their energy. However, it should be acknowledged that many vulnerable low income customers are unable to take advantage of cheaper direct debit deals for fear of the bank charges which will be incurred if a larger than expected automated payment pushes them over their overdraft limit; something that those who live on the margins of credit cannot easily avoid. These customers who are unable to access cheaper tariff deals due to their restrictive financial circumstances will continue to have to pay the most for their energy when they can afford it the least.

I would therefore urge Ofgem to implement a licensing condition which will require all energy suppliers to equalise their prepayment prices to the best quarterly billed rates. All electricity suppliers and three of the 'big six' gas suppliers have already decided to charge prepayment meter customers the same as quarterly billed customers thus demonstrating that the market can afford to absorb these charges. If Ofgem's proposed changes to licensing conditions fall short of this level then this progress may well be undone.

I would be happy to discuss these observations with you further and I would appreciate being kept informed of the progress of Ofgem's proposals as they develop.

With every good wish.

Yours sincerely,

Andrew George MP

**PLEASE REPLY TO:** Andrew George MP, House of Commons, London, SW1A 0AA  
Tel: 020 7219 4588 Fax: 020 7219 5572  
[www.andrewgeorge.org.uk](http://www.andrewgeorge.org.uk)