



HOUSE OF COMMONS

LONDON SW1A 0AA

KATY CLARK MP

17 February 2009

Our Ref: JP/OFGE02001/02090120

Mr Neil Barnes
Ofgem
9 Millbank
London
SW1P 3GE

Dear Mr Barnes

Re Consultation on addressing unfair price differentials

I write to express concern that the remedies which Ofgem is proposing as part of its consultation on addressing unfair price differentials do not go far enough. Under all of Ofgem's proposed options for new licensing conditions to address the discrimination uncovered in your energy market probe, prepayment meter customers will still get an unfair deal.

Ofgem has stated that it is minded to introduce a 'cost reflective pricing' between the payment methods. This would require energy suppliers to ensure that price differences can be justified. As prepayment meters cost more to maintain than energy suppliers can still charge these customers the most to heat and light their homes.

I do understand that 'cost reflective pricing' will put an end to situations where prepayment meter customers and others are paying extortionate prices for their energy. However, I am concerned that low income households who choose to use a prepayment meter to budget their incomes will continue to have to pay the most when they can afford it the least. And customers who are forced to use a prepayment meter to repay debt will pay a higher rate for all subsequent energy use.

All electricity suppliers and three of the 'big six' gas suppliers have now decided to charge prepayment meter customers the same as quarterly billed customers. This indicates that the market can afford to absorb these charges, and the new licensing conditions could undo this progress.

I hope that you will now take a lead and introduce a licensing condition which will force all energy suppliers to equalise their prepayment prices to the best quarterly billed rates.

Only this will ensure that prepayment meter customers get the fair deal that they deserve

With best wishes,

Yours sincerely

J.V. Perival

PP

Katy Clark
Member of Parliament
North Ayrshire and Arran