

Andrew MacFaul
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Your ref:
Our ref:
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Dear Andrew

Consultation: addressing unfair price differentials

The Scottish Government wishes to make a response as part of the consultation on addressing unfair price differentials published on 8 January 2009.

This response should be seen in the context of supporting our previous correspondence, dated 28 November 2008, in response to the consultation on the Initial Findings Report

Despite some companies announcing a reduction in energy prices over the last few months, the Scottish Government remain concerned over the high cost of gas and electricity. In particular we remain concerned regarding the impact this has on the vulnerable members of Scotland's communities. We also remain concerned that some customers are not benefiting from a competitive market situation and face some form of unfair price differentials.


We note that some suppliers have already taken unilateral action to begin to address the unfair differentials in pricing structures, however we still consider it necessary for Ofgem to impose licence conditions to address these issues until competition in energy supply markets is fully effective.

In general we consider the overall aims, as set out in the consultation document, are appropriate.

We are broadly supportive of the principles of introducing licence conditions in order to protect customers. In particular we would be keen to see conditions which achieve the maximum impact in terms of reducing unjustified cost differentials and which would prohibit discrimination either in terms of geography, payment method or energy source. In terms of

the specific options proposed we would look to the regulator to advise on the best method of achieving this.

We would be happy to discuss any of these issues with you in more detail.

Yours sincerely


JIM MATHER