

Dear Mr Baker

I would like to give some input into the consultation for the Ofgem Direct Debits Report. What is immediately obvious is how an energy company can pull the wool over Ofgem's eyes. Eon's explanation of how they calculate a customer's monthly payment is shown in the report as an example of good practice. However, it is exactly the opposite as it is actually a perfect example of bad practice. This is because what Eon says and what Eon does are two very different things.

If someone has annual fuel costs of £900 (January and April bills of £300 and July and October bills of £150) then their monthly payments should be 12 x £75. If someone joins Eon's direct debit scheme in the Spring this is what will happen. However for anyone joining at other times of the year a different calculation will be carried out. Someone joining in the Autumn, for example, will have their payment set at £100 a month so that their two winter bills of £300 are paid in full over a six month period. This is completely at odds with the declared aim of spreading a customer's fuel costs across twelve equal payments.

This hasn't just affected people who are new to their direct debit scheme it has also affected longer term customers whose twelve month anniversary falls at times other than Spring. Eon made the changes without notifying customers properly and explaining the consequences (if they had I would have changed supplier immediately).

I ended my last twelve month period with a credit of £158.51. Despite that, and even though my payments had already been adjusted for price rises, Eon attempted to increase my monthly payments by a staggering 43%. I immediately told them this was not acceptable and unjustifiable and they even admitted that they had done the calculation on the basis of one third of my expected Winter bill. Despite telling them not to take this inflated amount out of my account by direct debit they went and did so. Customers are supposed to be in control of their bank accounts but this is not so when it comes to energy companies. Eon even came out with a blatant lie that my bank would require ten days notice for a lower amount.

After much time spent pursuing the matter I eventually got part of this overcharge refunded but the whole process caused considerable inconvenience as I did not have sufficient funds in my account for the higher payment. Over a six month period my payments have been £65, £93, three months at £74 and now £61 a month. This clearly highlights how Eon does not actually carry out the method of calculation that Ofgem has highlighted as 'best practice' but instead manipulates customers payments to give a different result - one that suits them better. Nowhere in the Eon explanation of how they calculate payments is there any clear explanation of having to make payments of more than one twelfth of your actual energy costs because they only operate a fixed year end rather than a conventional twelve month cycle. Indeed if they did so they would quickly find they would get very few new customers at times of the year other than Spring and some existing customers would leave as well.

The energy companies should be fully regulated in respect of direct debits and forced to only operate a normal twelve month cycle for payments (based on the anniversary of joining) with monthly payments being only one twelfth of annual fuel costs. This will mean periods of both credit and debit during the twelve months (although usually far more credit periods than debit) and should result in no more than a small credit at the end of twelve months. Any credit should then be automatically refunded unless a customer asks to carry it forward. At any time when there is a price change or change in consumption monthly payments should be altered (up or down) from the next monthly payment.

Yours sincerely

Steve Worrall