

1/ Background to my response to the Consultation Questions

Before responding to those of the consultation questions which relate to my concerns, it is appropriate to describe briefly the context in which my concerns arise.

My elderly mother is the leasehold owner of an apartment in a block of 30 sheltered retirement apartments. I reside with her as carer.

Each apartment owner is responsible for their own utility charges. There is no gas supply, possibly as a safety precaution, and the apartments were initially fitted with storage heaters to provide room heating, supplemented by an electric fire in the living room, and electric water heating in the main hot water tank. The storage heaters and lower immersion heater element are on a separate circuit, described as the Heating circuit. A Ring Main circuit provides electricity for lighting, cooking and the upper immersion heater element. Both circuits are attached to a single meter which provides 3 readings for time of use rates applicable to the ring main plus one reading for the heating circuit. The heating circuit receives 6 hours of power at night plus 2 hours in the afternoon. This tariff, termed Warmwise, solves a problem with storage heaters that if supplied with energy only at night, the stored heat becomes inadequate towards late afternoon and during the evening.

The Warmwise tariff is no longer offered to new customers by EDF and does not appear on price comparison sites. I have from time to time used my meter readings to approximate a price comparison with Economy 7 rates shown on comparison sites. Usually there was no saving compared to the Warmwise tariff or insufficient to justify the inconvenience of losing the afternoon boost to the storage heaters.

My mother and I are concerned about the proposals concerning “dead tariffs” since Warmwise appears to be a “dead” tariff.

2/ My responses to the consultation questions.

I have confined my comments to those chapters and questions which relate to my concerns as described in my introduction.

CHAPTER: Two

Question 1: Do you agree with our characterisation of the problems in the retail energy market?

I feel that there is a major deficiency in the characterisation of the problems.

The focus has been primarily on the confusing multiplicity of tariffs, or pricing structures devised by the suppliers for what should be simply the supply of two sources of energy, gas and/or electricity plus ancillary services to the retail consumer of energy. Moreover, regardless of representations to the consumer that they may be purchasing “green” or “clean” energy, in most cases all consumers actually receive a cocktail mix of the energy fed into the system by wholesalers or generators. Alternatively such consumers may be purchasing a package of energy supply coupled with complex derivatives based on carbon offsetting.

I believe the core differentiation of energy pricing to the consumer should be based on first the fuel, gas or electricity, as at present but secondly the characteristics of the supply and metering interface with the consumer. Thus gas is generally supplied on a continuous basis with metering of volume only, without regard to time of day or day of the week when gas is supplied.

By contrast electricity can be metered at different prices by time of day or day of the week, reflecting variations in wholesale cost. In addition, for example in the case of the Warmwise tariff, apparently no longer available to new customers but still available to

those customers who adhered to it in the past, a separate circuit for water heating and storage heating radiators can be supplied on an intermittent basis, say a total of 6 hours at night and 2 hours in the afternoon, when the cost of generation is usually lowest. Intermittent supply systems allow the regional electricity distributor to supply different localities at different times, thus reducing the peak demand placed on the wholesale electrical generating system and the need to switch on the most expensive sources of electricity.

It appears that the retail electricity market may have suppressed access by consumers to existing intermittent electricity supply tariffs, with a possible indirect effect of preventing regional distributors from smoothing out demand and possibly increasing the average cost of electricity to all users.

Should wind or tidal power generation become a significant portion of national electricity or total energy supply, it may become desirable as a matter of public policy to encourage electricity consumers to use intermittent electric power supply for water heating and home heating where gas supplies are unavailable or inadvisable.

Apart from the above observations, I generally concur with the characterisation of the problems in the retail energy market. However, I think a more complete description of the various responsibilities of a retail electrical supplier as opposed to intermediaries between retail supplier and electricity generators and network distributors might be useful. Who owns and supplies meters? Who checks household wiring for safety after a flood or storm? etc. Who decides to impose a power cut or brown out? Are electricity retailers merely providing sales, billing and collection functions as an add on to wholesale pricing outside their control? Do variations in these relationships produce valid retail price variations?

Question 2: Do you agree with the findings of our evidence base?

I agree with the findings subject to the caveat that in a well functioning competitive marketplace for a commodity type product such as electricity, there should be little variation in the spot wholesale price at any given moment. However, there are wide variations in the spot wholesale price in the course of a single day. Retailers responses to these variations in setting consumer tariffs for a subsequent period may vary substantially. It would be unrealistic to expect a very high proportion of consumers to be able to react quickly to frequent tariff changes, even if the number of core tariffs were simplified and information supplied to consumers at frequent intervals.

A possible solution would be for retailers to offer an option of setting pricing retroactively based on their actual wholesale cost of electricity, contracting with consumers competitively for a fixed mark-up to be charged over the actual wholesale cost of supply, collected in arrears from the consumer.

CHAPTER: Three

Question 1: Do you agree with our rationale for the proposed RMR package?

Largely, subject to comments on Chapter Four

Question 2: What are your views on the proportionality of the proposed RMR package in the light of the evidence we have presented?

Neutral, subject to comments on Chapter Four.

Question 3: Do you agree with our reasons for not proceeding with the alternative options set out below?

The reasons seem reasonable.

An alternative draconian approach might conceptually have been along the lines of permitting retail energy suppliers to have as many tariffs as they liked but to compel them when billing the consumer to calculate the bill on every single tariff they are currently advertising or advertised at the beginning of the billing period, display all the results on the bill and compel the retailer to charge the consumer the lowest of the results. Such an approach might promote voluntary reduction in number of tariffs but would probably eliminate all choice of tariffs.

CHAPTER: Four

Question 1: Are our rules to reduce the number of tariffs appropriate? Have we set the cap on core tariffs at the right level? Should a different cap be set for time of use tariffs? What derogations from our tariff cap would be appropriate?

I strongly feel that that the minimum number of core tariffs offered to a given consumer must match the meter facilities currently or prospectively available to the consumer, plus the characteristics of different circuits installed in the consumer's premises.

Thus a consumer with a single rate prepayment meter should be offered the single core tariff reflecting that meter, plus the options of moving to alternative payment methods based on that meter's readings or a change of meter.

Consumers with time of use meters, i.e. Economy 7 or variants, should be offered a choice of core tariffs which can be billed based on the meter readings, i.e. a single rate core tariff based on an aggregate of the meter readings and alternative time of use core tariffs adapted to the readings available from their meter.

Thus if a consumer has more complex meters, such as Warmwise tariff metering, combining complex time of use metering for a lighting and cooking and appliance ring main plus intermittent supply metering for a separate circuit for water heaters and storage heaters, separate core tariffs should be available for the ring main's meter time of use readings plus alternative economy 7 type tariffs and single rate tariffs derivable from the same ring main meter readings. A separate Warmwise heating single rate core tariff should be available for the intermittent supply, with the alternative of a core tariff for economy 7 type supply to the heating circuit.

Possibly the consumer should be enabled to purchase different segments of the meter readings from different suppliers, subject to additional standing charges by each supplier. The standing charges might be reduced by a discount in standing charges if two or more meter readings are billed by the same supplier, in similar fashion to the dual fuel discount.

It is important that all retail suppliers must be obliged to offer sufficient core tariffs to match all metering and supply characteristics (constant and intermittent) available in each region in which they market. Thus they should not cherry pick prepayment customers or Economy 7 customers for example. They should not be able to withdraw availability of core tariffs to new or existing customers unless regional meter changes or supply characteristics make the core tariff obsolete. Retail suppliers should also be required to demonstrate reasonable consistency between the different core tariffs offered by that supplier to avoid artificial pricing of a core tariff being used to disrupt the market or disadvantage customers whose meter or circuit characteristics prevent their switching to an alternative core tariff.

Question 3: Are our rules to simplify tariff structures and discounts appropriate? Should they only apply to open tariffs or be extended to cover dead tariffs too?

I am concerned with the definition of "dead tariffs". A tariff should only be considered dead if no consumers at all are using it. If my comments in Question 1 immediately above are accepted, a core tariff would have to be offered for every meter and supply characteristic and thus there could be no dead core tariffs except when the meter type or supply characteristic ceased to be used by any customer or was no longer available from the regional distribution network.

Question 4: What categories of dead tariffs should be derogated from our proposals, if any? Are any other measures required to avoid any consumer harm?

In my opinion no "dead tariffs" should be derogated from the proposals. Core tariffs with a low numerical customer base or related to specialised consumer needs may need some form of protection of the relativity to other core tariffs.

Question 5: What would be the implementation issues and costs of our proposals?

No comment, other than simplification may ultimately reduce administration and marketing expenses but there may be minor transitional costs, probably less than the costs of developing so many allegedly distinct tariffs currently offered.

CHAPTER: Five

No comments.

CHAPTER: Six

Question 3: We seek views from stakeholders on whether consumers with smart meters and any relevant time-of-use tariffs that the supplier is offering require separate consideration in relation to this policy proposal.

My view is that separate consideration is unnecessary if suppliers must offer a core tariff for every meter type and supply characteristic. It may be that some or all of a supplier's core tariffs may not have as many time of use variants as are available from a given time of use meter but it should be possible in most cases to apply the meter data to a time of use core tariff and a flat rate tariff to obtain a tariff comparison and establish which tariff is cheapest.

CHAPTER: Seven

Question 1: Do you agree with our proposal to introduce a price comparison tool?

Yes, in principle.

Question 4: Do you agree with our proposal for the different features of the Tariff Comparison Rate, and our related proposal on the personal projection? Do you have any thoughts on whether and how time of use tariffs should be accommodated in the TCR and personal projection? Please explain the reasons for your view.

I am concerned that time of use tariffs should be accommodated in the projections both for customers already on such tariffs plus those consumers potentially able to use such tariffs because they already have the meters and circuits installed. I am anxious that suppliers be prevented from withdrawing tariffs in which the consumer has invested in supporting equipment and circuitry and which facilitate the management of the distribution network to reduce peak loading or calling on the most expensive sources of electricity generation.

CHAPTER: Eight

No comments.

CHAPTER: Nine

No adverse comments.

CHAPTER: Ten

Question 1: Do you agree that we should trial a Market Cheapest Deal initiative?

Yes.

End of response to questions.