

For the attention of David Hunt, Head of Retail

RESPONSE TO YOUR "RETAIL MARKET REVIEW - UPDATED DOMESTIC PROPOSALS"

I am a consumer, aged 66. I access the internet at my local library. I check my energy bills scrupulously, keep records of my consumption, have switched supplier often. Usually switching has been easy. My main and continuing problem with the suppliers has been frequent, stupid mistakes with bills, refunds, direct debits etc. - sloppy, irritating administration - problems which are invariably corrected but it can take several emails to do so.

Multi-tier tariffs

You are proposing to ban tiered tariffs and to introduce a requirement that all tariffs consist of a daily standing charge plus a single unit rate. I am against this proposal because for many consumers it will mean less choice and higher bills. Let me explain....

Firstly, there is no need to ban tiered tariffs on grounds of 'simplification for consumers' because any consumer can convert a tiered tariff into an 'equivalent' standing charge tariff by simple arithmetic, thus enabling the two types of tariff to be compared. If N is the number of units in a billing period of n days specified in the tariff to be charged at the higher price P (the lower price p being charged on units consumed in excess of N), then the 'equivalent' standing charge per day is $N(P-p)/n$. For example, British Gas' "Online Energy" tariff (for gas) where N (what B.G. call Tier 1) is the first 2680 kwh per annum priced @7.789p per kwh and extra units are priced @4.39p per kwh. The 'equivalent' standing charge is $2680(7.789-4.39)/365 = 24.96p$ per day (with a single unit rate of 4.39p).

Secondly, however, there are two important situations where the above equivalence between a tiered tariff and a standing charge tariff breaks down:

1. where a consumer consumes fewer than N units in a billing period, e.g. a consumer who uses gas for cooking but not for heating. In such a case the consumer's bill is lower on the tiered tariff compared to the 'equivalent' standing charge tariff.
2. where a consumer consumes nil units in a billing period, e.g. second homes, warm weather (no gas used), life style choices (e.g. winter abroad), building work, voids in rented premises. In such a case the consumer on the tiered tariff pays nothing whereas on the 'equivalent' standing charge tariff he would pay the standing charge for every day of the billing period.

There are many consumers (I am one) who fall into categories 1. or 2. above in some billing periods. At present such consumers can choose a tiered tariff and so pay nothing in periods when they have consumed nothing. But your proposal would force them to pay a standing charge every day, so forcing their bills higher for no good reason.

Please give consumers the choice. Please allow tiered tariffs to continue.

Discount maxima

You say in paragraph 4.26, "discounts can be applied in different and complex ways". I agree. A particularly bad practice (British Gas is one supplier who does this) is to offer a reduction in the unit price for direct debit or dual fuel but then to place a maximum money amount on the discount that can be earned in each billing period. This means that, if consumption in a period exceeds a certain critical level,

the price per unit on any extra consumption rises by the amount of the discount. So the unit rate payable varies depending on the pattern of consumption between billing periods, making comparisons between tariffs impossible. Please ban this practice.

General concern

My general concern is that you are in danger of treating consumers like children, so that your proposals, meant to protect consumers, might inadvertently lead to reduced competition between suppliers and reduced consumer choice.

I gather many consumers have moaned to you that they cannot shop around because there are too many tariffs and the tariffs are too complex. This is just an excuse. Consumers have some responsibility to look after their own interests. Actually it's not difficult to shop around: (1) estimate your annual consumption in kwh, (2) plug that into a few comparison websites to get your 'best buys', (3) get from the supplier every last detail of the best buy tariffs and discounts and apply to your annual consumption - as a check on the results from the comparison sites.

The comparison websites are a great help but by all means ensure that they offer Freephone numbers, and all suppliers offer Freephone numbers too, so that consumers can shop around without the internet.

There is no need to treat consumers like children - apparently we are all better educated than ever before - but you have to accept that many consumers are apathetic or lazy, whatever you do. I believe the low levels of switching are due to this apathy, plus the simple fact that in recent years the cheapest online tariffs have not varied sufficiently between suppliers. Shopping around is a necessary, but not sufficient, condition to switch. To actually switch there has to be a worthwhile saving as well.

Quick points

Scrapping 'dead' tariffs - good.

Capping tariff numbers - probably bad because it may reduce consumer choice and needs lots of complex rules to enforce. A slogan which misses the main point.

Cancellation fees obviously inhibit switching - you should ban these.

Regards

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(please acknowledge receipt of this email)