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Wednesday 23 April

OFGEM-LED SUMMIT PINPOINTS HELP ON FUEL POVERTY

A summit led by energy regulator Ofgem has today (Wednesday) agreed a package of measures to improve the targeting of help on customers facing increasing hardship created by the rising cost of energy.

Measures to help combat the rise in fuel poverty – where consumers spend more than a tenth of their income on energy - were discussed at the summit which was chaired by Ofgem Chairman Sir John Mogg. Those measures will be incorporated into an action programme in early May.

The summit was attended by government ministers, chief executives of the suppliers, consumer and voluntary agencies as well as a senior representative from the European Commission.

Ofgem presented to the summit its analysis of the differences in supplier prices across different payment methods. The analysis emerged from Ofgem's ongoing monitoring of the market. The regulator confirmed that it was looking at whether further measures are necessary to address the largest premiums. A region-by-region switching advice campaign will follow.

Other features of the action programme will include:

- a raft of measures to make sure help is pinpointed on people who genuinely need it;
- supplier commitment to provide clear information for trusted advice agencies to enable them to guide the elderly and other vulnerable consumers to the best offerings; and
- switching for pre payment meter customers made available through switching sites.

Sir John said: "The actions from this Ofgem summit will help ensure that resources to fight fuel poverty have the highest impact by targeting them precisely on those who need them – the fuel poor and those vulnerable to fuel poverty.

"Low incomes and poor housing are chief causes of fuel poverty and for government to address. The focus of this summit has been to channel existing resources to the best possible use and, as such, is a sound demonstration the regulator's role.

"The pace of energy price increases has ended years of falling fuel poverty despite the rein put on it by competition. In calling this summit Ofgem has put its duty to help the vulnerable into top gear without compromising the power of the market to help those same consumers. At the same time Ofgem is conducting a probe into the retail energy market to ensure it is working effectively for all consumers and vulnerable consumers in particular."

The action programme will reflect the fundamental agreements reached by the summit. It will be followed up with a detailed programme once specific elements have been finalised.

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Notes to editors

1. The action programme groups measures under four themes.
 - Improve the way we identify and target those in fuel poverty so that the available help is directed to those who most need it.
 - Ramp up the level of help available to those at risk of fuel poverty.
 - Provide support so that vulnerable customers are able more effectively to use the energy market to get the best deal.
 - Ensure that tariff differentials for different payment methods are fair and justified.
2. The retail market probe will cover markets serving domestic customers and small businesses. Its objective is to examine in detail whether the energy market is working for all customer groups in the GB gas and electricity supply markets. It will be carried out under Ofgem's Enterprise Act powers which enable the regulator to access company information otherwise not routinely available to it. Possible outcomes of the probe range from a referral of the market to the Competition Commission, to enforcement under Ofgem's own powers, campaigns to promote customer awareness and participation in the market, recommendation to government for legislative changes or a clean bill of health for the market.
3. Figure 1 below shows the current difference between each supplier's gas and electricity prepayment (PPM) and dual fuel direct debit (DD) bills. The darker bars show suppliers' lowest regional differential and the lighter bars show the highest. The difference between each supplier's dual fuel standard credit (SC) and DD bills is shown in figure 2. The figures do not include social tariffs. EDF Energy, SSE, npower, British Gas and Scottish Power each offer some of their vulnerable PPM and SC customers tariffs which are at least equivalent to or cheaper than their standard DD tariffs. The average differential between PPM and DD of the six main suppliers has increased from around £80 at the beginning of 2005 to around £125 now – an increase of more than 50 per cent. Over the same period, the average differential between SC and DD increased from around £40 to £80 – an increase of 100 per cent.

PPM/DD differentials by supplier
Figure 1

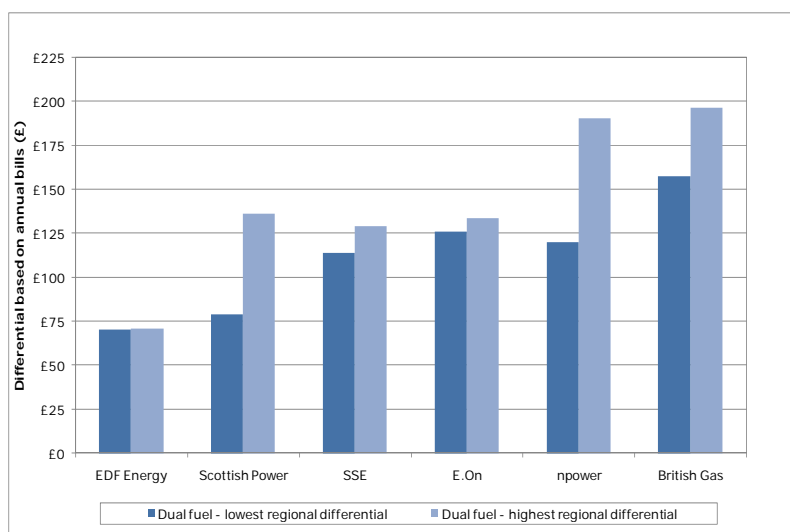
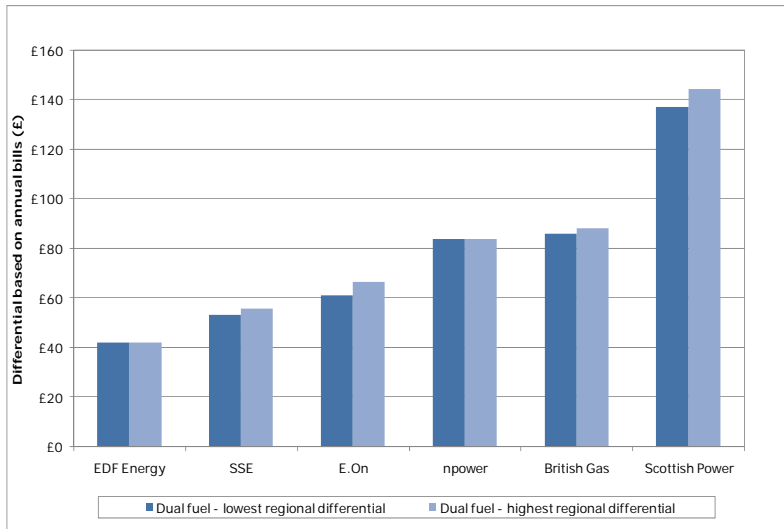


Figure 2



Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000. In this information note, the functions of the Authority under the relevant Acts are, for simplicity, described as the functions of Ofgem.