



HOUSE OF COMMONS
LONDON SW1A 0AA

Anita Higham
Oxford

Our Ref: TD/HIGH01006/01131199

26 April 2013

Dear Anita Higham

Further to my representations on your behalf please find attached a copy of a response I have now received from the Rt Hon Edward Davey MP, Secretary of State at the Department of Energy and Climate Change.

I hope you find this response from the Government to be useful to you.

In the light of this reply please do let me know if there are any further points you would like me to raise with the Minister.

Please do not hesitate to contact me should you feel I can help you further in the future.

With best wishes,

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Andrew Smith', written over the typed name.

Rt Hon Andrew Smith MP



Department
of Energy &
Climate Change

The Rt Hon Andrew Smith MP
House of Commons
London
SW1A 0AA

The Rt Hon Edward Davey MP
Secretary of State

Department of Energy & Climate Change
3 Whitehall Place
London
SW1A 2AW

25 APR 2013

www.gov.uk/decc

Our ref: MC2013/06297/JH

Your ref: LW/HIGH01006/01131199

Dear Andrew,

17 April 2013

Thank you for your letter dated 25 March, enclosing correspondence from your constituent, Ms Anita Higham, about lower energy targets for low income consumers.

Rising energy prices are affecting many households and the Government is committed to helping households keep their energy bills as low as possible and support those most in need.

Prepayment meters enable energy consumers to monitor their consumption and avoid building up a debt. The latest Department figures for 2012 suggest that pre-payment customers and standard credit customers have similar average annual bills.

Since 2010, the large suppliers have all equalised their pre-payment tariffs with those for standard credit who pay on receipt of a paper bill and account for about 30% of energy consumers. However, pre-payment meters cost more to administer than other payment types. This may be reflected in a daily or standing charge. Only around 20% of the fuel poor are on pre-payment meters. Any suggestion of putting prepayment meter customers on an even cheaper tariff would therefore mean other customers subsidising them, including 80% of the fuel poor. This would contravene EU rules and there are better ways to help the fuel poor.

The Energy Bill will ensure energy companies place consumers on the cheapest tariff that meets their preferences and have clear personalised information to help them shop around more easily for the best deals across the market. Setting of tariffs, including offers of savings, is a commercial decision for the company. However, the savings must be cost reflective. Online energy accounts where customers pay by direct debit are the most cost-effective way an energy supplier can manage customers' accounts and on average cost around £100 less per year. They reduce the supplier's administration costs (through paperless bills and customer meter readings) and improve cash flow. These benefits are, in turn, reflected in the lower charges applied to online customers. Ofgem ensure that suppliers do not offer savings that other customers may have subsidised.

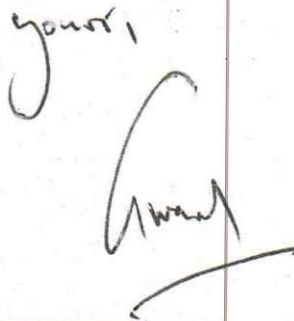
It is important that domestic customers have access to a wide range of information about suppliers' offers. Customers who do not have access to the internet can get details of suppliers' prices and services from the Citizen Advice Consumer Service on 0845 404 0506. The information includes comparisons between prices charged in local areas for gas, electricity and dual fuel accounts according to payment method and consumption.

We are making sure there is support for the most vulnerable households with their energy bills. Our policies are helping consumers to use less energy by providing free or discounted insulation for their home and helping the most vulnerable with their bills.

With regard to energy efficiency measures for tenants, The Green Deal is a Government Backed flagship programme that allows consumers to pay for some or all of the cost of energy-saving property improvements, like insulation, over time through savings on their energy bills. The scheme was launched on 28 January, and a national advertising campaign began the following day. The Green Deal is available to people who own their homes, residential landlords, private tenants and social housing tenants. Some tenants in older properties, and those on benefits or low incomes may qualify.

The Energy Company Obligation, which runs alongside the Green Deal, ensures that help goes to low income and vulnerable households so they can heat their homes more affordably on a long term basis. The Affordable Warmth and Carbon Saving Communities Obligations together should generate expenditure in home thermal efficiency improvements worth around £540 million per year, supporting around 230,000 low income households each year. The Energy Savings Advice Service (ESAS) has already provided almost 5000 (as at 15 March) verified referrals to participating suppliers to receive a minimum package of assistance under ECO affordable warmth.

Through the Warm Home Discount Scheme, we expect two million households to receive support in 2012/13. This includes well over one million of the poorest pensioners who will have received an automatic discount of £130 off their electricity bill.

Yours,


EDWARD DAVEY