



Dawn Butler MP

Labour MP for Brent Central

www.DawnButler.org.uk | [@DawnButlerBrent](https://twitter.com/DawnButlerBrent)
House of Commons, London SW1A 0AA | 020 7219 8591
Constituency Advice Line: 0208 451 6560



Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD

Dear Energy Market Investigation Team,

I am writing to make a submission to the Competition and Markets Authority regarding the investigation into the energy market.

As the Member of Parliament for Brent Central, I recognised a growing problem with prepayment meters among my constituents, of which there are approximately 1 in 4 households using PPM¹.

The increased cost and inconvenience of prepayment meters often have a detrimental effect on the poorest and most vulnerable people. Too many times I have had constituents come to my surgery and tell me about their energy issues.

I believed that the energy companies were not treating prepayment customers fairly and so I began campaigning on this very issue shortly after being elected last May to end the PrePay Rip Off².

I called on the government and energy companies to reduce the cost of prepayment compared with Direct Debit as some prepay customers were paying up to £226 a year more than those on the cheapest direct debit at the same supplier would have been paying³.

The campaign also sought to force the energy companies to prioritise prepayment customers in the smart meter roll out so it would be easier and cheaper to service them, thus incentivising energy companies to reduce bills more quickly.

At the core of my campaign I have identified three core principles to push towards a competitive, fairer and more transparent energy market:

- **Protect** the consumer – Energy companies are not passing on the savings they are making from reduced energy costs and a lack of competition results in higher costs.
- **Prioritise** smart meter roll out to the most vulnerable consumers.

¹ Citizens Advice Bureau analysis, Fair Play for Prepay, 13,091 households or 26% of the constituency. June 2015

² End the PrePayRipOff http://www.dawnbutler.org.uk/prepay_rip_off_campaign

³ Citizens Advice Bureau analysis. June 2015

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- **Simplify** this needlessly complex energy market. From bill layouts to tariffs, plain English and transparency are vital for a fair and competitive market.

The provisional remedies report published by the CMA goes some way to addressing these issues.

The report identified that those 4 million prepayment households will now benefit from the proposed cap may be paying on average £270-£330 a year more, which can equate to an additional cost of approximately £1.2bn a year.

The safeguard tariff cap will help protect some of the most vulnerable customers in the UK. Even the DECC's own fuel poverty records show that 1 in 5 Prepayment users are in fuel poverty⁴.

This safeguard tariff cap will force energy companies to take immediate action rather than delay change because of the barriers presented by the outdated old network of dumb meters and encourage speedier uptake by the companies of the smart meter roll out as we now enter its enduring phase later this year.

Additionally, there are some concerns that the implementation of the cap will only work if smart meters are rolled out to prepay customers first, with around only 11% of PPM that are currently smart.

The current PPS 'dumb' meter infrastructure struggles to allow competition in its current form, my concern is that it will struggle to hold the capacity for a safeguard tariff to be effective without the immediate prioritisation of the smart meter roll out for the PPS. There seems to be no reason for a delay in both the tariff and the smart meter roll out.

The provisional report also addresses concerns around the Debt Assignment Protocol and how energy companies move customers onto prepayment meters. I am pleased the CMA have recognised that this area of the market also has serious problems. Customers are too often left feeling threatened and scared by the tactics and language used by energy companies when they fall into debt.

If customers can agree to a payment plan that fits their financial and personal circumstances then it should be made absolutely clear by the energy companies that the customer has the right to refuse a prepayment meter being fitted. I have witnessed myself too many times where constituents simply do not understand the processes involved and often acquiesce to the energy suppliers demands through fear of 'being taken to court'. In addition to this there seems no feasible or logical reason why 'dumb' meters need to be fitted to manage debt. A smart meter will ensure more control for the customer and energy companies.

As a result, half a million prepay meters were forcibly installed in the previous 6 years alone. Barristers have spoken out on numerous occasions, as well as my own experiences of the process as a magistrate,

⁴ DECC Fuel Poverty Records 2015 pg 47. 21% Gas PPM and 22% Electric PPM users in fuel poverty, compared to 6% Direct Debit and 16% Standard Credit

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I am committed to keeping my constituents informed on issues which may be of interest to them and my local Labour Party.

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highlighting that the warrant system is 'being abused' by the energy companies. This allows vulnerable customers to slip through an already flimsy safety net.

The Debt Assignment Protocol should give the consumer every right to stay in control and make it as easy as possible to allow them to do so. This should be made compulsory by changes to the licence conditions that energy suppliers sign up to through Ofgem.

With regards to the proposed database of customer's tariffs, there seems to be concerns that the database will result in lots of junk mail mainly from the big 6 which again will give an unfair advantage and stifle competition. Has the CMA given thought to using an independent body such as the CAB in administering an independent and fair system?

To summarise:

1. I welcome the prepayment safeguard cap, especially as it will be enforced through a change in the licence conditions. The workings of the cap need to be revised after 12 months of being introduced to ensure that it is working as intended.
2. Licence conditions that energy suppliers sign up to with Ofgem should be changed to ensure that all new installations of Prepayment meters should be smart prepayment meters as well as a prioritisation of switching current "dumb" prepayment meters to smart. The successful implementation of the cap will not work if this does not happen.
3. The Debt Assignment Protocol needs serious consideration from Ofgem to ensure that the recommendations are enforced. Customers are being treated like criminals; we must simplify the entire process and make sure that customers are being treated fairly.
4. I would urge further consideration of the database proposal as it currently stands and look to a more independent solution.

It is my sincere hope that these suggestions will be considered by your investigation ahead of the final report. I look forward to reading the final report it when it is published in June.

Yours Sincerely,

Dawn Butler MP

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