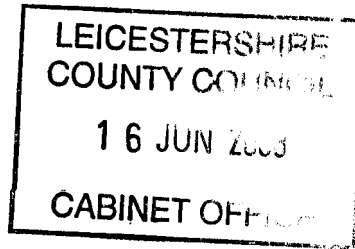


Malcolm Wicks MP

Our ref: RD/64414

Your ref:

Cllr David Parsons
Chair
East Midlands Regional Assembly
First Floor Suite
Council Offices
Nottingham Road
Melton Mowbray
Leicestershire
LE13 0UL

9 June 2008

Dear David,

Thank you for your letter of 9 April to Phil Woolas, about domestic energy prices and fuel poverty. I am replying as the matter falls within my portfolio.

Energy suppliers do have a key role to play in helping Government to end fuel poverty and also a responsibility inherent in supplying an essential commodity to vulnerable customers as well.

In the Energy White Paper, published May 2007, the Government challenged energy suppliers to deliver a proportionate programme of assistance to their vulnerable customers. The energy companies responded by increasing the level of assistance provided to vulnerable customers from £40m to £56m benefiting around 700,000 households. These measures were estimated to take 70,000 households out of fuel poverty across Great Britain.

However, the Government believes that, given recent rises in energy prices coupled with a growing global demand for fossil fuels, vulnerable households need further help. We have been in discussion with energy companies. Together with the energy companies and Ofgem we will draw up an action plan to achieve a fair programme of assistance for vulnerable households. Our aim is to increase the level of assistance from £56m a year to a £150m a year. The Government is prepared to legislate as necessary to require energy companies to make a fair contribution.

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Around 20% of the fuel poor pay for electricity by prepayment meter and around 11% of the fuel poor pay for their gas by prepayment meter. Households that use pre-payment meters typically pay around £55 more for their energy than customers paying by standard credit and £144 more than those who pay by direct debit. It is not clear that these differentials simply reflect the extra cost to companies of servicing pre-payment meter customers, nor is it clear whether pre-payment customers are being given enough information about other cheaper payment methods. We have therefore asked Ofgem and suppliers to develop proposals to ensure pre-payment meter users are treated more fairly. If sufficient progress is not made by next winter John Hutton is prepared to use his statutory powers to reduce the differential between pre-payment meters and other forms of payment.

Details of all gas and electricity suppliers, together with regional price comparisons, can be found on the website of the industry's consumer body, energywatch, at www.energywatch.org.uk. Alternatively energywatch can be contacted by telephone on 0845 9060708.

Individual pricing decisions and social offerings are very much a matter for each of the energy companies. The Government cannot intervene in what is a competitive and free market. Britain's gas and electricity industries are regulated by Ofgem, an independent body overseen by the Public Accounts Committee of the House of Commons, and the Government cannot direct Ofgem as to its approach on prices.

Participation in both the gas and electricity industry is by licence. Ofgem issues and enforces these licences, which contain a number of conditions that ensure, for example, consumer protection and security of supply. Any business in breach of a licence condition can be fined up to 10 per cent of its turnover.

Households can reduce their energy bills by taking energy efficiency measures. Ofgem and energywatch have organised a joint initiative, Energy Smart, which sets out the measures that can be taken to reduce energy bills. Full details are available at:

www.energywatch.org.uk/help_and_advice/energysmart/index.asp (or by calling energywatch on 0845 906 0708). Energy suppliers often have special deals on energy efficiency measures, and these can even be free for certain groups on a range of eligible benefits. In Budget 2008 we announced that we want to see an increase in the level of assistance offered to vulnerable people from suppliers, from £56m a year to a £150m a year.

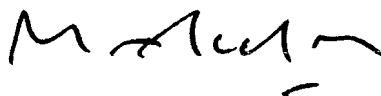
Across Government, we take the problem of rising fuel prices and the dangers of fuel poverty very seriously. We restated in the 2007 Energy White Paper that the provision of affordable warmth is a keystone of our energy policy. There are a variety of measures in place to tackle this issue. In Budget 2008 we announced that we want to see an increase in the level of assistance offered to vulnerable people from suppliers, from £56m a year to a £150m a year.

In England, consumers who are on benefits may be eligible for grant assistance through the Government's Warm Front scheme, which can provide a package of energy efficiency and heating measures. More details of about the scheme are available by calling 0800 3166011, or through the website www.eagagroup.com/grants/warmfront/index.htm.

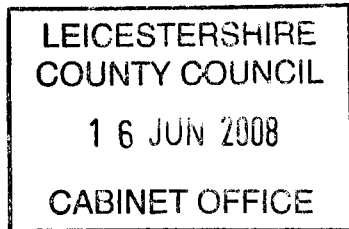
Budget 2008 announced an additional one off payment of £100 to over-80s households and £50 to over-60s households in 2008-9.

In addition, the annual Winter Fuel Payment is available to most people over the age of 60 and is administered by the Pensions Service. There is a helpline for queries regarding this payment on 08459 151515. Information is also available on the Pensions Service website at www.thepensionsservice.gov.uk/winterfuel/home.asp.

We will continue to monitor the energy market to make sure it is working for all customers. Progress towards tackling fuel poverty and policy developments will be set out in the Fuel Poverty Strategy Sixth Annual Progress Report, which will be published later this year.



MALCOLM WICKS



BERR

Department for Business
Enterprise & Regulatory Reform

Malcolm Wicks MP

Cllr David Parsons
East Midlands Regional Assembly
First Floor Suite
Council Offices
Nottingham Road
Melton Mowbray
Leicestershire
LE13 0UL

Our ref: RW/55903

Your ref:

31 May 2008

A handwritten signature in black ink, appearing to read "Malcolm Wicks".

Thank you for your letter of 9 April, on behalf of the East Midlands Regional Assembly, about fuel poverty.

Tackling fuel poverty is a priority for the Government. We have set challenging targets and we remain committed to maintaining and strengthening the framework to help us reach our ultimate goal of eradicating fuel poverty by 2016-18 across the UK. Since 2000, £20 billion has been spent on fuel poverty benefits and programmes.

Energy suppliers have a key role to play in helping Government to end fuel poverty and also a responsibility inherent in supplying an essential commodity to vulnerable customers as well. In the Energy White Paper, published May 2007, the Government challenged energy suppliers to deliver a proportionate programme of assistance to their vulnerable customers. Suppliers responded by investing £56m on social programmes. In addition following an announcement in the Budget, the major six energy suppliers have now agreed to increase their collective annual spend on social assistance which will reach £150 million by 2011.

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Individual pricing decisions and social offerings are very much a matter for each of the energy companies. The Government cannot intervene in what is a competitive and free market. Britain's gas and electricity industries are regulated by Ofgem, an independent body overseen by the Public Accounts Committee of the House of Commons, and the Government cannot direct Ofgem as to its approach on prices. You may like to know that Ofgem are currently conducting an investigation into the recent gas and electricity price rises.

Households can reduce their energy bills by taking energy efficiency measures. Ofgem and energywatch have organised a joint initiative, Energy Smart, which sets out the measures that can be taken to reduce energy bills. Full details are available at: www.energywatch.org.uk/help_and_advice/energysmart/index.asp (or by calling energywatch on 0845 906 0708). Energy suppliers often have special deals on energy efficiency measures, and these can even be free for certain groups on a range of eligible benefits.

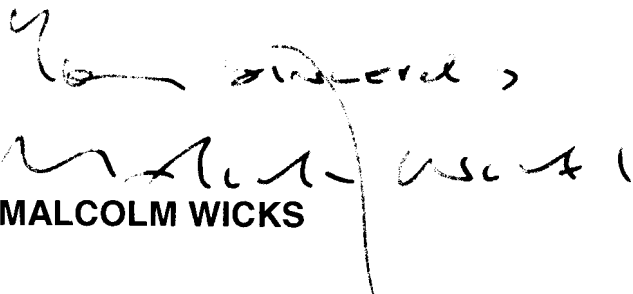
In England, consumers who are on benefits may be eligible for grant assistance through the Government's Warm Front scheme, which can provide a package of energy efficiency and heating measures. More details of about the scheme are available by calling 0800 3166011, or through the website: www.eagagroup.com/grants/warmfront/index.htm.

Indeed, Warm Front has assisted over 1.6m households since 2000 through the installation of a range of insulation, heating measures and energy advice. The combination of Warm Front funding of just over £800 million for the 2008-11 period, and the focus on low income and elderly consumers through the priority group obligation in the Carbon Emissions Reduction Target (CERT) mean that spending on energy efficiency and other measures in low income, elderly and disabled households is expected to rise by £680 million to around £2.3 billion compared to the previous spending period.

The annual Winter Fuel Payment is available to most people over the age of 60 and is administered by the Pensions Service. There is a helpline for queries regarding this payment on 08459 151515. Information is also available on the Pensions Service website at www.thepensionservice.gov.uk/winterfuel/home.asp. The Winter Fuel Payment helped 11.7 million people keep warm in the winter of 2006/2007. The Government also announced in Budget 2008 an additional one off payment of £100 to over-80s and £50 to over 60s in winter 2008-09.

You also raise concerns about regional price differentials. No estimates have been made by the Department regarding the regional price differentials that will arise from the most recent (January 2008) announcements regarding price rises. Some companies already employ regional gas prices, one company will commence regional gas prices from January 2008, whilst others have continued with national pricing policies. The effect of this can be seen in table 2.3.3 of "Quarterly Energy Prices", the latest version of which is accessible online at <http://www.berr.gov.uk/energy/statistics/publications/prices/index.html> . Developments due to the latest announcements will continue to be monitored.

Finally, we will continue to monitor the energy market to make sure it is working for all customers. Progress towards tackling fuel poverty and policy developments will be set out in the Fuel Poverty Strategy Sixth Annual Progress Report, which will be published later this year.


MALCOLM WICKS