

TOM PURSGLOVE MP
CORBY & EAST NORTHAMPTONSHIRE



HOUSE OF COMMONS
LONDON SW1A 0AA

1st March 2018

Jean Constantin,

RE: ENERGY PRICE CAP.

Thank you for your recent correspondence in respect of the energy price cap.

While I want the market to thrive, and maintain the view that promoting competition is the best driver of value and service for customers, I am encouraged that the Government is prepared to act when markets are not working for all consumers.

As you are aware, the Government made a manifesto commitment to extend the price protection, currently in place for some vulnerable energy consumers, to more of those on the poorest value tariffs. In June, it wrote to Ofgem asking what action they intend to take, and I welcome Ofgem's commitment to protect a further one million families from expensive standard variable tariffs for the first time. This will take the total number of families protected from expensive standard variable tariffs to over five million.

I recognise, however, that this does not address the scale of the detriment suffered by all consumers on expensive default tariffs. That is why the Government has published the *Domestic Gas and Electricity (Tariff Cap) Bill* which will provide for Ofgem to set a cap, or 'safeguard tariff', on the Standard Variable Tariffs that 60 percent of people are on. The 'safeguard tariff' will be designed by Ofgem, who will be tasked with setting it at such a level that it still leaves considerable motivation for consumers to shop around for the best deal, but improves the terrible prices paid by some people.

More broadly, there is already a prepayment price cap in place protecting households least able to benefit from competition. In April 2017, a prepayment price cap came into force protecting over four million households using pre-payment meters. This will remain in place until the end of 2020 and will save the average household £80 a year.

I will, of course, speak to the Rt. Hon Greg Clark MP, Secretary of State for Business, Energy and Industrial Strategy, to make sure that the energy price cap is passed as soon as possible. I also enclose a 'Dear Colleague' letter for your information.

Once again, thank you for having taken the time to contact me and if I can ever be of any further assistance to you then please do not hesitate to contact me again.

With best wishes,

TOM PURSGLOVE MP
MEMBER OF PARLIAMENT
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26 February 2018

Dear Colleague,

Domestic Gas and Electricity (Tariff Cap) Bill

We are pleased to inform you that the Domestic Gas and Electricity (Tariff Cap) Bill was introduced in the House of Commons today (Monday 26th Feb).

We are taking this action because the energy market is not working for all customers. The Competition and Markets Authority 2016 investigation into the energy market highlighted that domestic customers of the Big 6 energy suppliers pay on average £1.4bn a year more than they would in a truly competitive market.

There is, in effect, a two-tier market. Active customers save money by switching suppliers, on average switching from standard variable tariffs of the Big 6 to the cheapest tariffs on the market can save around £300 each year. But far too many customers remain on poor value tariffs. It is of particular concern that these customers typically tend to be more vulnerable than those who are getting the best deals.

The Bill will, subject to Parliamentary approval, put in place a requirement on the independent regulator, Ofgem, to cap energy tariffs until 2020. Currently some consumers are paying up to £300 more than they need to – this cap will help bring this overcharging under control. It will mean a temporary, absolute cap can be set on standard variable tariffs (SVTs) and default tariffs. This will protect the 11 million households in England, Wales and Scotland who are currently on SVT or other default energy tariffs. It will build on existing caps for the prepayment market and vulnerable customers, introduced since the CMA's 2016 report, and which already cover 5 million households. The wider temporary price cap will be in place until 2020, with an option to extend to 2023 while the market becomes more competitive and works better for consumers. If the Bill achieves Royal Assent by the summer then the price cap can be in place by next winter and provide price protection for millions of customers.

The introduction of the Bill comes after the Business, Energy and Industrial Strategy Select Committee scrutinised the Bill in draft as part of the Government's work to ensure the Bill would be effective and would meet its objectives. This pre-legislative scrutiny process took detailed written and oral evidence from a wide range of

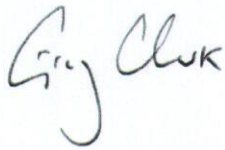
stakeholders. The Committee endorsed the need for an absolute, temporary, price cap and made a number of recommendations about the Bill, which the Government has accepted in full.

The Bill is part of a package of measures being introduced by Government to increase competition in the retail energy market and lower prices for consumers, including the rollout of smart meters, speeding up the switching process and initiatives to engage consumers to find a better deal.

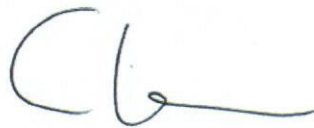
We would like to take this opportunity to invite you to join us in a meeting for all members at 14.00 on 28th February at Committee Room 18, House of Commons to discuss the Domestic Gas and Electricity (Tariff Cap) Bill. Ahead of that we are circulating a factsheet about the Bill. If you have any questions please do contact Claire Perry's office.

We look forward to working with colleagues further on this Bill over the coming months.

Yours sincerely,



GREG CLARK MP
Secretary of State



CLAIRE PERRY MP
Minister of State