

Press release: Government introduces new legislation to cap poor value energy tariffs in time for next winter

- New price cap power introduced to Parliament following Business, Energy and Industrial Strategy (BEIS) Select Committee endorsement
- move will guarantee protection for the 11 million households currently on the highest energy tariffs – in addition to 5 million vulnerable households already protected by [Ofgem's](#) safeguard cap
- new temporary cap is one of a number of measures from government designed to save people money on their bills including smart meters and faster switching

The Domestic Gas and Electricity (Tariff Cap) Bill will put in place a requirement on the independent regulator, Ofgem, to cap energy tariffs until 2020. It will mean an absolute cap can be set on poor value tariffs, protecting the 11 million households in England, Wales and Scotland who are currently on a standard variable or other default energy tariff and who are not protected by existing price caps.

Currently some consumers are paying up to £300 more than they need to – this cap will help bring this overcharging under control.

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 in every household and initiatives to promote smarter and faster switching.

The government intends that Ofgem implements the cap as soon as possible so that customers get the protection they need by next winter.

Prime Minister Theresa May said:

It's often older people or those on low incomes who are stuck on rip-off energy tariffs, so today we are introducing legislation to force energy companies to change their ways.

Our energy price cap will cut bills for millions of families. This is another step we are taking to help people make ends meet as we build a country that works for everyone.

Business and Energy Secretary Greg Clark said:

Energy prices for millions of households on default tariffs are still too high. Our new price cap will guarantee that consumers are protected from poor value tariffs and further bring down the £1.4

billion a year consumers have been overpaying.

Energy and Clean Growth Minister Claire Perry said:

We are working hard to deliver an energy supply that is clean, affordable and innovative and an energy market that delivers the best possible value and service for energy customers. This new legislation is a big step forward toward that goal.

The introduction of the Domestic Gas and Electricity (Tariff Cap) Bill comes after the BEIS Select Committee scrutinised the draft Bill as part of the government's work to build consensus for the cap. The Committee backed an absolute cap and made a number of other recommendations about the Bill in its report, which the government has accepted in full.

In setting the cap, Ofgem will also take into account the need to create incentives for suppliers to improve efficiency, the need to set the cap at a level that enables suppliers to compete effectively for supply contracts, the need to maintain incentives for customers to switch and the need to ensure that efficient suppliers are able to finance their supply activities. This will make sure the cap reflects the interests of both consumers and suppliers.

It will be in place until 2020 when Ofgem will recommend to government whether it should be extended on an annual basis up to 2023. In line with the Committee's recommendation, the government will ensure Ofgem reviews the level the cap is set at every six months while it is in place.

We have also taken account of the Select Committee's recommendation to add in safeguards for the exemption of green tariffs from the cap so that where consumers make an active choice to opt for a green tariff it is only exempted where Ofgem is satisfied that the tariff supports the production of renewable energy.

The Competition and Markets Authority 2016 review of the retail energy market found that customers of the Big Six suppliers faced a £1.4 billion a year detriment.

The latest league table from Ofgem comparing the default or standard variable tariffs of the 10 largest energy suppliers shows that those households who are prepared to shop around can, on average, save around £300 from switching to the cheapest tariffs on the market. The government is determined to tackle this detriment, by encouraging consumers to switch suppliers and tariffs. The introduction of smart meters will enable consumers to see the cost of their energy usage and more easily find the best tariff for them.

Earlier this month, one million more vulnerable consumers who receive the Warm Home Discount were protected from higher bills with the extension of Ofgem's safeguard tariff cap, introduced in 2017. There are now 5 million households protected by this cap. Government also announced a new

consultation to give Ofgem and DWP new powers to make it easier for vulnerable consumers to be protected from unfair energy bills.

The cap is part of a package of measures designed to deliver the government's objective of clean, affordable and innovative energy as part of the [Industrial Strategy](#).

1. The [latest league table](#) from Ofgem comparing the default or standard variable tariffs of the 10 largest energy suppliers shows that these tariffs are still around £300 more expensive than the cheapest deals on the market.
2. [Explainer about Ofgem's existing safeguard tariff cap](#).
3. [Announcement on consultation on better data sharing between DWP and Ofgem](#).
4. The Industrial Strategy sets out a long term plan to boost the productivity and earning power of people throughout the UK. It sets out how we are building a Britain fit for the future – how we will help businesses create better, higher-paying jobs in every part of the UK with investment in skills, industries and infrastructure.
5. [Written Ministerial Statement](#), also available on the [Parliament site](#)
6. [Open letter from Greg Clark and Claire Perry to the Big 6 energy suppliers](#)