

Press release: Victory for consumers as cap on energy tariffs to become law

- Energy price cap will be in place by the winter – protecting millions of households from unfair price rises
- energy regulator Ofgem will cap energy tariffs of those on default deals
- government flagship energy efficiency scheme will be 100% focused on helping improve energy efficiency of over 1 million low income and vulnerable households by 2022

Consumers are one step closer to cheaper energy bills as legislation to cap poor value energy tariffs completed its passage through Parliament yesterday (18 July 2018). Alongside this, the government has today announced its flagship energy efficiency scheme will help support more low income and vulnerable consumers.

The Domestic Gas and Electricity (Tariff Cap) Bill will put in place a requirement on the energy regulator, Ofgem, to cap standard variable and default energy tariffs. The cap will tackle the amount consumers have been overpaying the Big Six energy suppliers, which the Competition and Markets Authority (CMA) found to be an average of £1.4 billion a year. Some consumers could save up to £350 a year on gas and electricity bills by switching suppliers.

Prime Minister Theresa May said:

For far too long older people, hard-working families and those on low incomes have been subject to rip-off energy tariffs. Our energy price cap will protect households from unfair price rises in time for this winter when people can feel the pinch more acutely. We know that the cost of living is still a challenge for some families and today marks an important step in helping people to keep more money in their pockets.

Business and Energy Secretary Greg Clark said:

This Bill, which delivers on our manifesto promise, is a necessary intervention to protect millions of energy customers who have been stuck on poor value deals and hit by unjustified price rises for far too long. Switching will always save people money, but that doesn't mean that customers should be punished for their loyalty.

The government also [announced](#) today that its flagship £6 billion home energy efficiency scheme will be entirely focused on upgrading over 1 million low income and vulnerable households for the next 3 and a half years. The Energy

Company Obligation scheme, which requires energy companies to supply heating and energy efficiency measures, will be entirely focused on households in or at risk of fuel poverty while being expanded so that more companies will be included.

Energy and Clean Growth Minister Claire Perry said:

This government is committed to building an energy market that works for all, while delivering clean, affordable energy. This cap coupled with our £6 billion energy efficiency scheme will help build a market that puts consumers at its heart and ensures that those most at risk of fuel poverty are protected. Energy suppliers now need to get on board, ditch their old practices and improve their efforts to deliver value, choice and excellent customer service.

Today's announcements are part of a package of measures designed to deliver the government's objective of clean, affordable and innovative energy, while tackling fuel poverty, as part of our [modern Industrial Strategy](#). This includes the rollout of smart meters and initiatives to promote smarter and faster switching which can also help save households money.

1. The cap will be in place from the end of 2018 until 2020 when Ofgem will recommend if the cap should remain on an annual basis up to 2023. Ofgem will review the level of the cap at least every 6 months while it is in place.
2. 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 £350 more expensive than the cheapest deals on the market.
3. The Warm Home Discount provides 2 million low income households with £140 off their winter energy bills, a scheme BEIS recently [announced](#) that it will be extending to smaller energy suppliers who will have to offer this discount to their low-income and vulnerable customers. This move to bring greater fairness to energy prices will mean that 97% of the consumer energy market will be covered.
4. The safeguard tariff cap has also been extended to a further 1 million customers – so over 5 million customers are protected.
5. The Energy Company Obligation scheme places an obligation on larger energy suppliers (currently 15) to deliver heating and energy efficiency measures.