



The voice of the energy industry

Will Fletcher
Project Manager
Competition and Markets Authority
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Sent by email to: energymarket@cma.gsi.gov.uk

4th August 2015

Dear Mr Fletcher,

Energy UK is the main trade association for the energy industry, with over 80 members; representing energy generators and suppliers of all sizes. Our members supply gas and electricity and provide network services to both the domestic and non-domestic market. Energy UK members own over 90% of energy generation capacity in the UK market and supply 26 million homes, contributing over £25 billion to the UK economy each year.

Energy UK welcomes the publication of the CMA's provisional findings and potential remedies and the opportunity to feed into the consultation process.

Competition as primary driver

Energy UK strongly believes that open and competitive markets are the route to delivering the best outcome for customers, both in terms of ensuring value for money and choice. In our view any remedy taken forward by the CMA should be designed to support a competitive market.

Energy UK therefore agrees with the CMA where it has supported an open and competitive approach. For example, we note that the competitive CfD auction that took place in early 2015 saw the delivery of the best possible price for consumers and agree that (except in specific justified cases) any future allocation should be delivered with the same principles.

However, Energy UK considers that remedy 11 - a transitional safeguard regulated tariff, may be counterproductive as any regulated price would likely reduce the incentive for customers to engage in the market and undermine competition, as noted by the recent

European Commission's communication into retail energy markets¹. Energy UK therefore has concerns over the unintended consequences of introducing such a tariff.

Customer engagement

Energy UK and its members have always encouraged customers to engage and shop around for the best deal for their needs. Over the years, the industry has worked hard to improve its services and facilitate customers' engagement. So far in 2015, over 1.7 million customers have switched suppliers, with more than 25% of these switches going to the small and mid-tier suppliers who now represent 10%² of the market. There are now 29 suppliers serving the British domestic energy retail market. The switching process has already been simplified and the industry is working hard to get to a faster and even more efficient switching process. We welcome the CMA's considerations on how all stakeholders could deliver further on maintaining and improving customer engagement.

Smart meters

Energy UK and its members believe smart meters are an important platform in helping customers engage more with their energy consumption. Smart meters will transform the energy industry and will bring it into the digital age. Suppliers are fully committed to installing smart meters in a cost effective manner.

Energy UK agrees with the CMA that smart meters are an essential enabler for improving the services that customers on pay as you go arrangements receive. Smart prepay will both resolve the technical limitations on choice of tariffs and enable cost reductions. There are however a number of barriers today to prioritising the roll out of smart meters to prepayment customers at scale and we believe that the impact of any prioritisation within the programme would need to be fully reviewed. The industry is currently working to address these barriers and suppliers are committed to delivering the benefits of smart as soon as possible. Suppliers will provide smart pay as you go at scale once the industry systems are stable and proven.

Regulation

Energy UK supports the principle of simple and smart regulation underpinned by a strong independent regulator. We therefore welcome any measure which ensures that this is in place. We believe that competition should be the principal mechanism by which Ofgem achieves its duties and therefore agree with the CMA that Ofgem's statutory objectives and duties should be revised in order to increase its ability to promote effective competition.

We agree with the CMA that there is a need for greater clarity over the relationship between DECC and Ofgem. Whilst it is right that DECC decides the over-arching energy policy and strategy, it is also right that Ofgem – as a strong and independent regulator – decides how to create a regulatory framework that implements DECC's policy, within the bounds of its primary duties. We welcome remedies which support and enhance the separation of roles and clarification of responsibilities.

Concerning remedy 3 – Remove from domestic retail energy suppliers' licences the 'simpler choices' component of the RMR rules, most members of Energy UK agree with the CMA and believe that consumers would benefit from this proposed remedy as it provides further opportunity to promote competition.

¹ European Commission, Delivering a new deal for energy consumers, p5, July 2015

² <https://www.ofgem.gov.uk/publications-and-updates/infographic-bills-prices-and-profits>

Transparency

Energy UK agrees with the CMA that a more effective assessment of the costs and benefits of policies is needed so that all parties better understand what makes up an energy bill and how policies impact customers' bills. There are several instances where customers misunderstand the costs that make up their bill and the profit of the energy industry which can cause anger and confusion. The industry is committed to improving transparency and simplicity, and making clear the costs that make up the customer bill. We look forward to working with the CMA on its suggestions.

Codes governance

Energy UK considers that accessibility of the codes is critical for all market participants. We therefore support measures which drive the effectiveness of code administration, for example through simplification and standardisation wherever appropriate.

Energy UK also believes that any remedies put forward by the CMA on codes governance should consider how interactions with the EU network codes will work.

I hope you find our comments helpful and I would be happy to discuss these matters further.

Lawrence Slade

Chief Executive Officer