



Energy Act: Domestic Tariffs and Licensable Activities

Issue: Taking powers to move domestic consumers off poor value dead tariffs, simplify the domestic retail market and help consumers switch tariffs more easily.

Policy commitment:

The Prime Minister announced on 17 October 2012 in the House of Commons that “we will be legislating so that energy companies have to give the lowest tariff to their customers”. On 20 November DECC issued a discussion document ‘Ensuring a better deal for energy consumers’ inviting comments on a set of proposals to give effect to this commitment. On 17 May 2013 DECC published a response to the comments received which showed support for taking powers in the Energy Bill.

Legislative proposal:

The Government is using the Energy Act to ensure that energy companies place consumers on the cheapest tariff that meets their preferences and provide clear information and fewer tariffs so that it’s easier for consumers to shop around for the best deals across the market.

The sections allow the Government to:

- move customers on poor value “dead” tariffs¹ to the cheapest standard variable rate tariff for them;
- limit the number of tariffs each supplier can offer, to simplify them so that the market is more manageable for consumers;
- require suppliers to offer particular types of tariff, ensuring that one or more are easily comparable across the market; and
- require suppliers to provide information to enable customers to easily assess and compare tariffs, which could include:
 - identifying their cheapest tariff for an individual consumer, and
 - providing a standard metric for each of their tariffs for comparison with other suppliers.,

The intention is for these to be backstop powers. Ofgem’s Retail Market Reform proposals will deliver the necessary changes, but Government is taking powers to so we can act should Ofgem’s reforms be frustrated or delayed.

The sections allow the Secretary of State to require suppliers to provide information which can help them compare tariffs in a format that would allow it to be easily used with electronic devices such as smartphones.

¹ A “dead” tariff is one that is closed to new customers and lasts indefinitely. Fixed term contracts are not included.



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The sections also allow the Government to require energy suppliers to provide a breakdown of their costs to consumers, including the cost of environmental and social programmes. This too is a backstop power and the Government is seeking a voluntary agreement with suppliers in the first instance.

There is also a section extending the scope of energy-related activities that can be made subject to the licence regime governed by Ofgem. The purpose of this provision is to enable Ofgem to regulate third-party intermediaries in the energy market (or “TPIs”), such as switching websites, should this be necessary.

Relationship to other legislative proposals:

These sections are not directly dependent on any other part of the Act. They sit alongside the provisions on consumer redress.

Background:

A review by the independent regulator, Ofgem, into how the market could be improved began in 2010 and the Retail Market Review final proposals were published on 27 March 2013.

The legislation is intended to support Ofgem by giving legislative backing to a number of these measures and reducing the prospect of its work being delayed and ensuring that action can be taken quickly if needed.