



Department for
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Dear Chief Executive,

We are writing to inform you that the Domestic Gas and Electricity (Tariff Cap) Bill will be introduced in the House of Commons on Monday 26th February.

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 companies pay on average £1.4bn a year more than they would in a truly competitive market.

There is in effect a two-tier market. Those households who are prepared to shop around can, on average, save around £300 from switching from a standard variable tariff of the Big 6 to the cheapest tariffs on the market. 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.

While we have seen recent tentative steps by large suppliers to improve their treatment of loyal customers, in our view these do not go far enough. This view was endorsed by the BEIS Select Committee in their recent report of Pre-Legislative scrutiny of the draft Domestic Gas and Electricity (Tariff Cap) Bill.

We want to see a fully working, competitive market that is innovative, adaptive and flourishing, with low costs for consumers, and we look forward to working with you, and other suppliers, on that. Advances such as smart metering, faster and more reliable switching and data sharing will support the huge potential of technological innovation to deliver a better energy market for consumers.

We have said previously that our intention is to introduce a temporary cap to protect consumers, while the objective of a more competitive market is achieved. I am sure that you support that objective. We hope you will work constructively together with Government and Parliamentarians to ensure the Bill passes smoothly through Parliament and that you will support Ofgem's work to ensure the cap is implemented in time for next winter.

Yours sincerely,

GREG CLARK MP
Secretary of State

CLAIRE PERRY MP
Minister of State