



Department for  
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Dear Dermot,

We are writing to inform you that the Domestic Gas and Electricity (Tariff Cap) Bill was introduced in the House of Commons today.

As you are aware, 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 suppliers pay on average £1.4bn a year more than they would in a truly competitive market.

The Bill will place a requirement on Ofgem as the independent regulator to cap relevant energy tariffs. It will mean an absolute cap will be set on standard variable tariffs (SVTs) and default tariffs. It will protect the 11 million households in England, Wales and Scotland who are currently on SVT or other default energy tariffs and who are not protected by existing price caps. The temporary price cap will be in place until 2020, with an option for the Secretary of State to extend it each year until 2023. This decision will be dependent on whether the conditions for effective competition are in place, informed by an annual assessment by you, as the independent regulator, of the state of competition in the market. Our overall approach was endorsed in the recent BEIS Select Committee report.

We welcome Ofgem's recent announcement that one million more vulnerable consumers who receive the Warm Home Discount are now protected from higher bills with the extension of your safeguard tariff cap. There are now five million households protected by this cap, which provides a significant extension of the protection provided to vulnerable consumers.

The Bill will, subject to Parliamentary approval, provide Ofgem with a new duty to implement the cap on SVTs and default tariffs as soon as possible after Royal Assent. We are determined that the wider cap will be in place by the end of this year to ensure that consumers are protected as soon as possible. In your letter of 3 July to the Secretary of State you noted your determination to get the best possible deal for consumers in the energy market. We see the delivery of this price cap as key to


the commitment to improve this market. As you know, the Bill enables Ofgem to consult on some aspects of the price cap while the Bill progresses through Parliament, and in your oral evidence to the Committee you said that Ofgem would do so.

The price cap is temporary while wider reform of the market takes place. As you are aware, there is a package of measures being introduced by Government and Ofgem to increase competition in the retail energy market and lower prices for consumers, including the rollout of smart meters. Your work to improve engagement of customers and promote faster switching is a critical component of that work.

The Government believes in well-regulated competitive markets as the best way of driving service and value for customers. But it is only right that when markets change, regulators are given new powers to drive better competition.

We look forward to working closely with you in the coming months, as the Bill proceeds through Parliament and the subsequent implementation of the cap led by Ofgem. Equally importantly, we will also continue to work closely with you on your wider work to reform the retail energy market.

Yours sincerely,



**GREG CLARK MP**  
Secretary of State



**CLAIRE PERRY MP**  
Minister of State