

Review of the Energy Market Investigation (Prepayment Charge Restriction) Order 2016

22 February 2019

Introduction

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership covers over 90% of both UK power generation and the energy supply market for UK homes. We represent the diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 680,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests over £12.5bn annually, delivers around £84bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

This is a high-level, initial response to the Competition & Markets Authority's (CMA) decision to review the Energy Market Investigation (Prepayment Charges Restriction) Order 2016. We would be happy to discuss any of the points made in further detail with the CMA or any other interested party if this is considered to be beneficial.

Change of Circumstances

Energy UK welcomes the CMA's decision to launch a review of the Energy Market Investigation (Prepayment Charge Restriction) Order 2016. We also welcome the confirmation that the scope of the review will include consideration of the impacts of the default tariff cap implemented by Ofgem via the Domestic Gas and Electricity (Tariff Cap) Act 2018. Energy UK will look to provide a full response to the recently published issues statement in due course.

Timing of the Review

We note that the CMA has published an initial timetable for its review which states that a final decision would be expected in summer 2019. On 7 February Ofgem published the level of the PPM and default tariff price caps for the April cap period, which has further highlighted the need for action to be taken to address the cap divergence due to the different underlying methodologies.

Energy UK believes that in order to minimise the impacts of the detriment identified in our previous response it is paramount for the review to take place on a time-scale that allows for action to be taken and concluded in time to affect the scheduled updated cap levels in October 2019. As the CMA will be aware, Ofgem is required to publish its decision on the October price cap levels no later than 7 August. We would, therefore, urge the CMA to ensure that this is a key consideration for the review and that adequate time is available for the final decision to be acted upon prior to the hard August deadline.

Whether the CMA were to vary the order to bring the two methodologies in line, as recommended by Ofgem, or revoke the order so that PPM customers were covered by Ofgem directly, the resulting work would require a great deal of coordination with Ofgem. We believe that this timeline is achievable due to the work already undertaken by Ofgem to date on assessment of costs and the work currently programmed, such as its review of the Smart Meter Net Cost Change element of the price cap.

If you would like to discuss the above or any other related matters, please contact me directly on 020 7747 2931 or at steve.kirkwood@energy-uk.org.uk.