



Making a positive difference
for energy consumers

All stakeholders

Email: retailpriceregulation@ofgem.gov.uk
Date: 20 July 2018

Dear stakeholders,

Update on retail price protection

On 18 July 2018, Parliament passed the Domestic Gas and Electricity (Tariff Cap) Bill, and it received Royal Assent on 19 July. This legislation requires Ofgem to design and implement a temporary cap on standard variable tariffs and fixed term default tariffs ('default tariffs'). We have already started work on the design of the cap, and published a policy consultation on 25 May.¹

Timetable for the default tariff cap

We have updated our timetable from the one we included in the policy consultation. On 23 August we will publish our policy decision, with a statutory consultation on the associated licence conditions. We will also publish the draft Impact Assessment for consultation.

In the policy consultation, we stated that we intend to set the baseline (input) values that are used to determine the level of the cap by notice, rather than in the licence condition. We said that we would issue a draft of this notice for consultation in September. We will now publish this draft notice alongside the statutory consultation in August.

By the end of October, we intend to issue the final licence conditions, the final notice of baseline values and the final Impact Assessment. We will also announce the initial level of the cap for implementation by the end of 2018, when the licence comes into effect.

Decision not to proceed with price protection data matching

We have been working on a backstop price protection for vulnerable consumers that could be introduced for this winter, in the event of any delays to the Bill. In May, we published a statutory consultation and draft licence conditions setting out our proposals to require suppliers to undertake a data matching exercise with the Department for Work and Pensions (DWP) for an extended vulnerable safeguard tariff.²

As the Bill has now received Royal Assent and all customers on default tariffs will be protected this winter, we have decided not to proceed with our backstop option, including data matching.

¹ Ofgem (2018), Default tariff cap: policy consultation – overview. <https://www.ofgem.gov.uk/publications-and-updates/default-tariff-cap-policy-consultation-overview>

² Ofgem (2018), Statutory consultation on price protection data matching <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-price-protection-data-matching>

We thank stakeholders for their responses to our data matching consultation and we appreciate energy suppliers' engagement and cooperation to date with both Ofgem and the DWP. This was an important exercise, as timely delivery of the data matching process would have been essential to protect vulnerable consumers this winter. We consider that this work to date has provided useful learning for all parties for future data matching exercises.

Next steps

We look forward to continued engagement with stakeholders on the implementation of the default tariff cap as per the timetable set out above.

Yours sincerely

Anna Rossington
Deputy Director, Retail Price Protection