

Draft Licence Conditions for the Default Tariff Cap

Energy UK Response

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 730,000 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 £12bn annually, delivers £88bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

We would be happy to discuss any of the points made in in this response in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Consultation Process

Energy UK recognises the challenge of Ofgem's task in designing and implementing this cap and we welcome the opportunities to feed-in to Ofgem's design process to date through the five working papers, industry stakeholder events, the policy consultation and these draft licence conditions. However, Energy UK has a number of concerns with the process by which Ofgem has sought views on the draft licence conditions for the default tariff cap, and the contents of the draft conditions it has published.

First and foremost, Energy UK is concerned that the short two week deadline for responses undermines the ability of stakeholders to fully engage with and understand the detail of the consultation. This in turn dilutes the usefulness of any responses that Ofgem receives and could restrict the detail and thoroughness of stakeholders' assessments of the draft conditions to the detriment of the consultation process. This is particularly acute as the two week period that Ofgem has allowed for responses overlapped with the four week response period for the extensive policy consultation, which had already been putting pressure on staffing resources of suppliers of all sizes.

As Energy UK highlighted in its response to Ofgem's default tariff cap policy consultation, the likely obligation to introduce the cap "as soon as practicable after the Bill is passed" does not negate the need for a thorough and rigorous design process to avoid any detriment to competition and consumers. The "as soon as practicable" provision in 1(1) of the Bill in no way suggests that Ofgem can compromise due process and accuracy of the cap construction for the sake of speed.

Energy UK is also concerned that Ofgem is seeking views on the annexes provided, which were not part of the consultation, in advance of the statutory consultation expected in August. Although Energy UK welcomes the maximum amount of engagement with the development of the default tariff cap, this piecemeal approach that Ofgem is taking reappears to be creating a disjointed consultation process.

In addition, Energy UK is concerned that by basing the conditions' drafting on the Prepayment Meter (PPM) Cap methodology Ofgem risks appearing to be prejudicing their final decision despite no methodology have been settled upon yet, and the policy consultation on the three possible options only just having closed.

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.