

Energy and Climate Change Committee

Committee Office House of Commons 14 Tothill Street London SW1H 9NB

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To: The Rt Hon Greg Clark MP
Secretary of State for Business, Energy and Industrial Strategy

19 July 2016

Dear Greg,

CMA energy market investigation

Congratulations on your appointment as Secretary of State for Business, Energy and Industrial Strategy. As the Secretary of State responsible for energy policy I am writing to you regarding the Competition and Market Authority's remedies to reform the retail energy market. As you may be aware we held a hearing to scrutinise the proposals on Tuesday 5 July. We have received oral and written evidence from small suppliers, consumer groups, industry body Energy UK and Professor Catherine Waddams from the Centre for Competition Policy.

Many energy sector stakeholders accept the broad thrust of the CMA's report. It is clear from the evidence we have received, however, that some elements of the package have provoked concerns and we would like to raise two issues in particular with you.

Firstly, we welcome the CMA's focus on engaging the so called 'sticky customers' whose lack of engagement leaves companies free to roll them onto more expensive Standard Variable Tariffs (SVT). However, when implementing the proposal to establish a database of customers on SVTs for three years or more, it is imperative that Ofgem and the Government mitigate the concerns that many have raised about data privacy and the potential for this remedy to increase nuisance marketing. We will be paying close attention to the way in which this remedy is implemented.

Secondly, we are particularly alarmed about the remedy rolling back Ofgem's Confidence Code requirement for energy Price Comparison Websites (PCWs) to show the whole of the market. The previous Energy and Climate Change Committee raised concerns in early 2015 that PCWs had been hiding the best deals from consumers and Ofgem tightened its Confidence Code as a result. It would be a retrograde step to go back to a situation where websites conceal deals that do not earn them commission. Price Comparison Websites are now one of the main ways consumers switch supplier. Consumers must be able to trust these websites to help them switch to the best energy deals available on the market. Ofgem referred the energy market to the CMA for an investigation in order to 'clear the air' after public trust in the energy market had collapsed in 2013-14. That trust is gradually returning, as Ofgem's latest survey of public attitudes to the energy market shows. This remedy risks turning that tide and eroding trust afresh.

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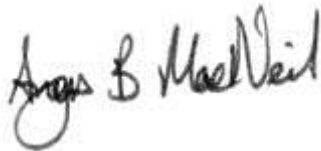
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As well as undermining consumer trust in the switching process, we are concerned that this remedy could also have a detrimental effect on competition. The number of energy suppliers is currently rising, as new entrants join the market, and the market share of small and medium sized independent suppliers is increasing. Nearly two million people have switched this year and almost 30% of these have gone to small and medium sized suppliers. The share of electricity, gas and dual fuel supply taken by the big six has slipped to around 85%. These are positive trends. Small and medium sized suppliers help to push down prices and offer more choice to consumers. But, by definition, it is harder for smaller suppliers to afford to pay the same rates of commission as the big six suppliers. I understand that GB Energy supply, Co-operative energy, So Energy, Zog, Go Effortless Energy, Bulb, have already written to you to raise 'profound concerns' about the impact that this remedy will have on competition and consumer bills. We share these concerns. It would be counter-productive and ironic, if the CMA investigation led to a remedy that inadvertently reinforced the dominance of the big six and made it harder for new entrants to reach potential customers. We urge you not to implement a recommendation that could undermine consumer trust and disadvantage new entrants.

I will look forward to receiving your reply setting out the Government's views on these issues.

Kind regards,



Angus Brendan MacNeil
Chair, Energy and Climate Change Committee