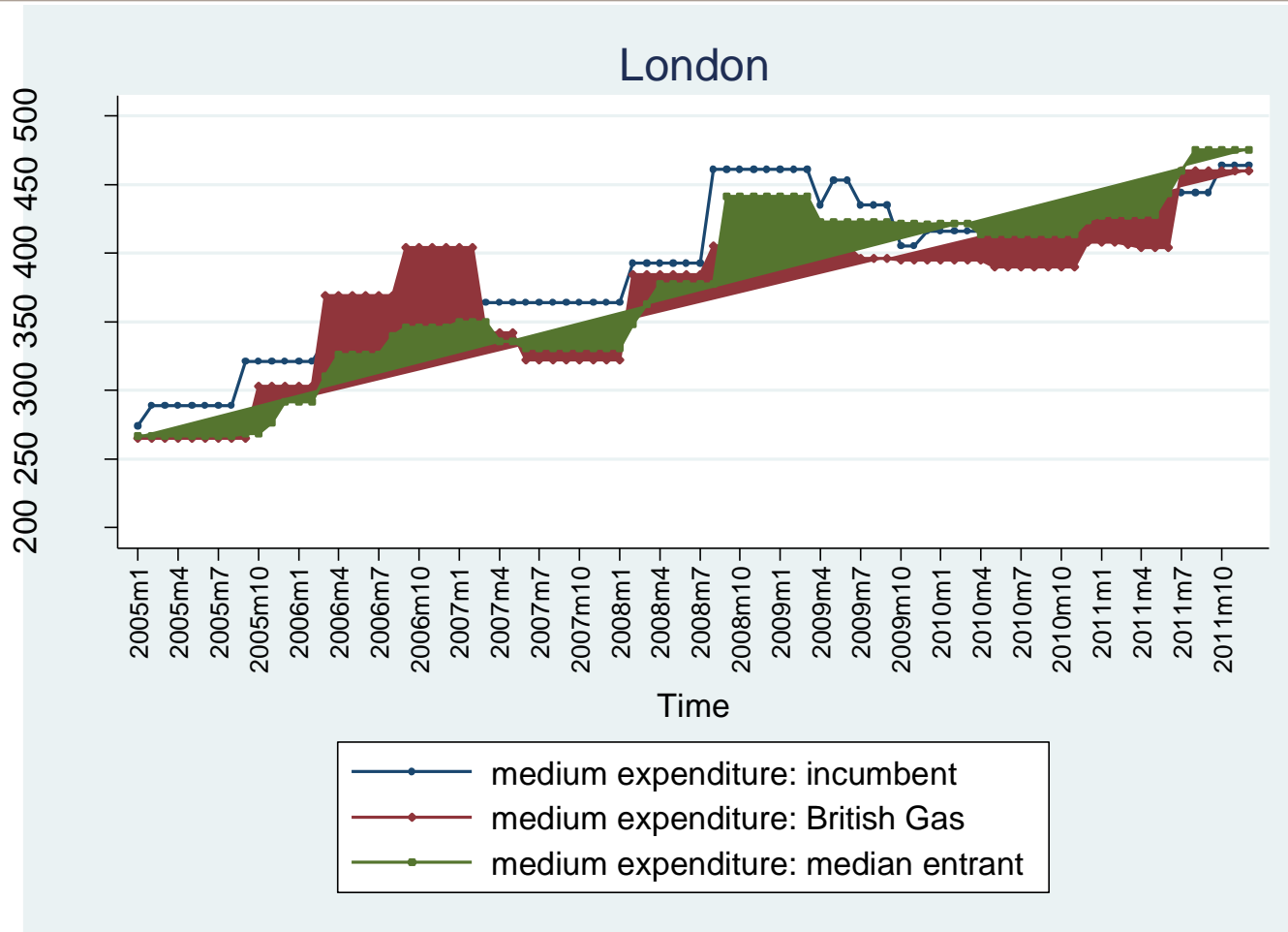


Prices, Gains and Switching in Retail Electricity Markets

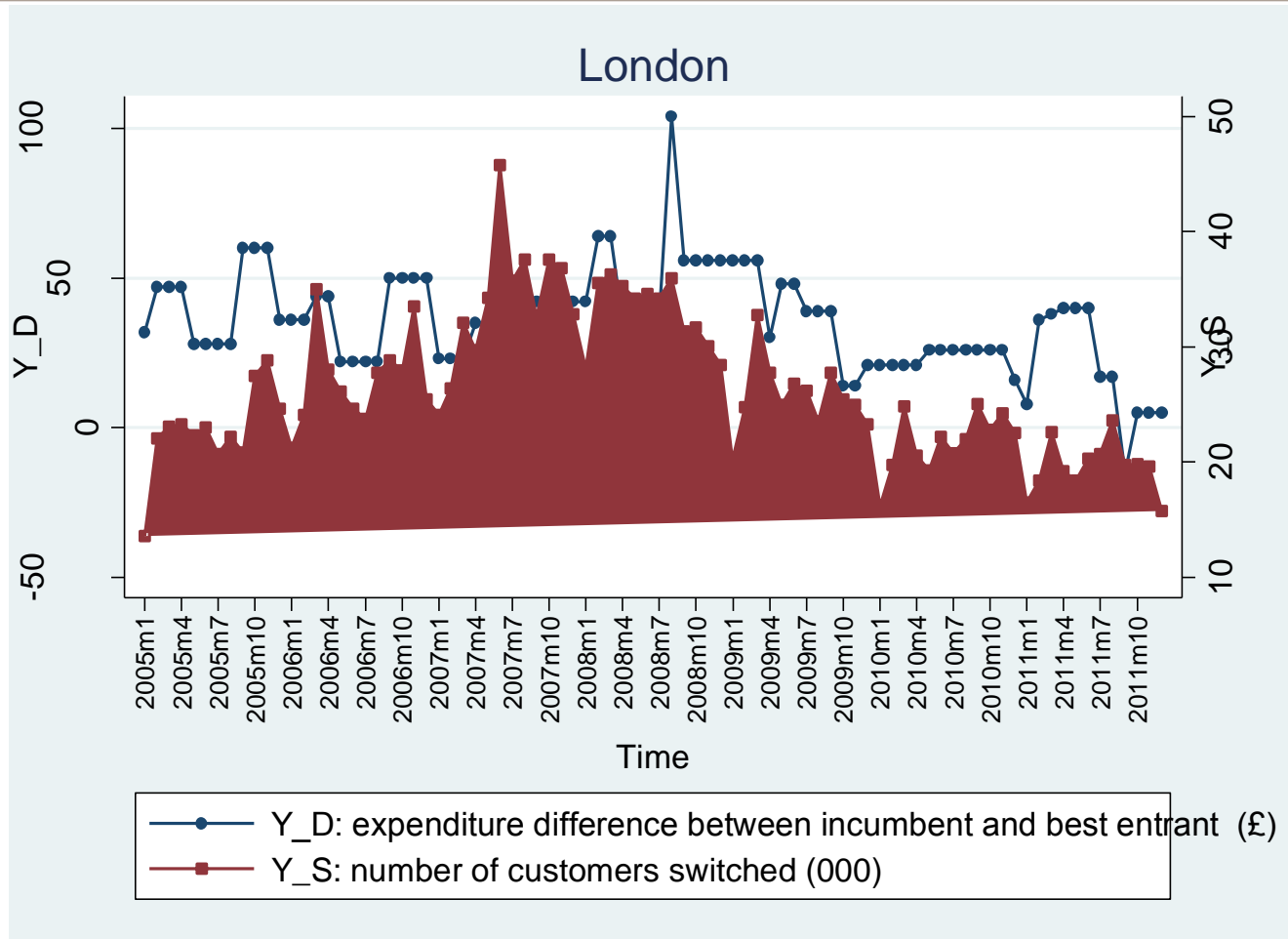
Catherine Waddams and Minyan Zhu
ESRC Centre for Competition Policy, UEA

EPRG Spring Seminar, Cambridge, 17th May 2013

Prices have (mostly) risen and converged: British Gas from high to low (relative) cost



Switching is correlated with potential gains: varies across regions



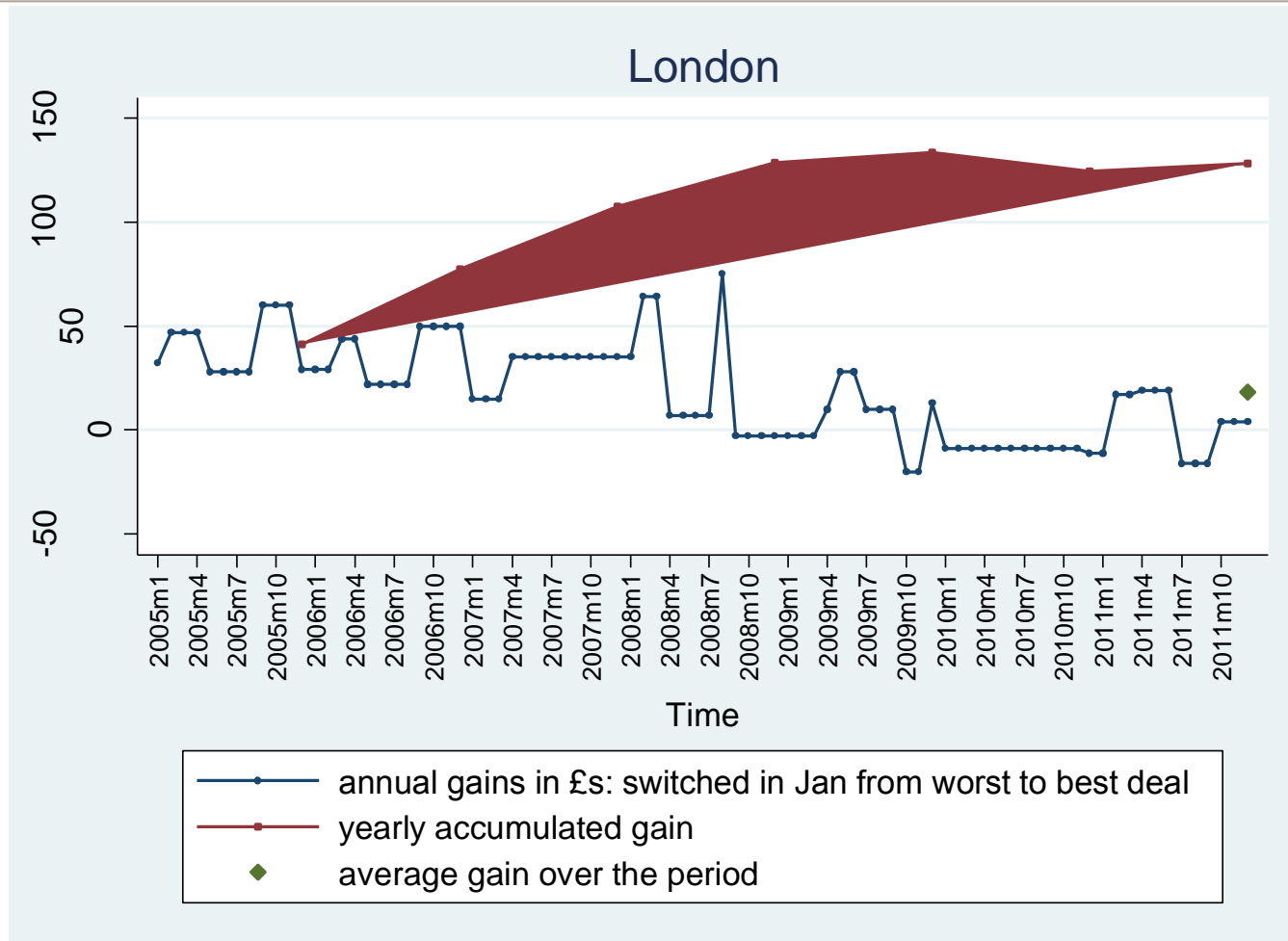
Switching depends on increases in bills and gains available (and region, time, season)

Dependent variable : Switchers (000)	Coefficient	T-statistic	P-value
Increase in incumbent expend, this month	0.034	2.08	0.038
Increase in incumbent expend, last month	-0.005	-0.38	0.71
Incumb – best entrant expend, this month	0.003	0.22	0.82
Incumb – best entrant expend, last month	0.033	2.17	0.030
Time trend	-0.15	-2.14	0.032
Constant	38.59	46.05	0.00
London dummy	-20.08	-23.35	0.00
R-squared	0.89		
Number of observations	820		

Pooled OLS is used with seasonal dummies and regional dummies, 2005-11

Serial correlation and heteroscedasticity accounted for and standard errors estimated using White's procedure.

Initial gains (often) erode over time



Policy implications

- ✦ Price differences matter, beware interventions which reduce them, as after Energy Supply Probe
- ✦ each £ reduction in potential gain deters 32 more customers
- ✦ Price increases have effects of similar magnitudes: good news as energy costs rise??
- ✦ Consumer scepticism about persistent benefits of switching is sometimes justified
- ✦ Take account of the supply side in seeking remedies to increase consumer participation