

The CMA's assessment of customer detriment in the GB retail energy market

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Abstract The Competition and Markets Authority (CMA) has recently investigated the GB energy market and found an Adverse Effect on Competition (AEC) in the retail market for domestic (residential) customers. It estimated the associated customer detriment to be an average of £1.4 billion per year over 2012-15, rising to almost £2 billion in 2015. Citing these figures, the Government has introduced a Bill to require the energy regulator Ofgem to impose a price cap on most domestic energy tariffs. The CMA's calculation is unprecedented with respect to its nature, magnitude and policy impact. It has implications for the conduct of competition policy and beyond. This paper seeks to understand and appraise the nature of this calculation, and to question whether it is appropriate as a basis for future policy.

Keywords retail energy markets, market power, efficient costs

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