# Business, Energy and Industrial Strategy Committee

## Oral evidence: Pre-legislative scrutiny of the draft Domestic Gas and Electricity (Tariff Cap) Bill, HC 517

Tuesday 12 December 2017

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Watch the meeting

Members present: Rachel Reeves (Chair); Vernon Coaker; Stephen Kerr; Peter Kyle; Mr Ian Liddell-Grainger; Rachel Maclean; Albert Owen; Mark Pawsey; Antoinette Sandbach.

Questions 1 – 120

### Witnesses

I: Stephen Littlechild, Fellow, Judge Business School, University of Cambridge, and Stephen Smith, former Ofgem Board Member and Director at Flipper and Smart PrePay.

II: Martin Cave, Group Member, Energy Market Investigation, Competition and Markets Authority, Simeon Thornton, Project Director, Energy Market Investigation, CMA, and Lesley Ainsworth, Group Member, Energy Market Investigation, CMA.

III: Victoria MacGregor, Director of Energy, Citizens Advice, Pete Moorey, Director of Advocacy and Public Affairs, Which?, James Taylor, Head of Policy, Campaigns and Public Affairs, Scope, and Peter Smith, Director of Policy and Research, National Energy Action.

Written evidence from witnesses:

- Competition and Markets Authority - written evidence | PDF version (64 KB)
- Citizens Advice - written evidence | PDF version (1.03 MB)
- Which? - written evidence | PDF version (121 KB)
- Scope - written evidence | PDF version (94 KB)
- National Energy Action (NEA) - written evidence | PDF version (126 KB)

### Examination of witnesses

Witnesses: Stephen Littlechild and Stephen Smith.

Q1 **Chair:** Thank you very much for coming to give evidence to our Select Committee this morning as we start our pre-legislative scrutiny of the draft tariff cap Bill. For our records, please say who you are, where you are from and why you are giving evidence today. We will then kick off, because we have a lot to get through this morning, so short introductions please.

***Stephen Littlechild:*** Thank you. We represent the five former energy regulators who have all had experience at the highest level in Ofgem and its predecessor bodies, OFFER and Ofgas. I was the first electricity regulator for nearly 10 years and one of the last things I did was to introduce this retail market to competition that we are discussing today.

***Stephen Smith:*** I spent seven years on the board of Ofgem and I currently have two interests in energy: I am a non-executive director at Flipper and also at Global 365.

**Chair:** Thank you very much for coming.

Q2 **Albert Owen:** You have just outlined the reasons you are here, why you submitted evidence to this Committee and your experiences, which are appreciated. Can you tell the Committee briefly why, and on what grounds, you contest the £1.4 billion CMA figure?

***Stephen Littlechild:*** Yes. It is a very important figure, because it seems to have launched a manifesto and the price control. It is the figure quoted by the Prime Minister as well as the Secretary of State. We are concerned that it is an artificial figure. It is one that is basically a comparison of an actual set of prices with a purely hypothetical set of prices; it is not about real companies but about hypothetical, imagined companies, in a sense. That is our concern. We are concerned about the way it has been calculated. There has been a lot of challenge to the calculations.

We have not been able to check those challenges, because we have not been able to see the numbers themselves. That is partly because over 10,000 numbers have been excised in this report, for reasons of commercial confidentiality, but also the data rooms that the large players are able to access were closed before the final calculation was made. One party that had access to the data rooms said that a change of about £1 billion was made in that calculation and they have not been allowed to see that. That seems to me quite a considerable amount that we ought to be concerned about. For those reasons, we hope that you will press for further information about this figure.

Q3 **Albert Owen:** That is very useful. Do you want to add anything to that, Stephen?

***Stephen Smith:*** The only number we do know is that Ofgem publish data and force the suppliers to publish data on how much money they make, and, over the period for which CMA calculated the £1.4 billion, the actual level of profits of the largest six suppliers was £1.1 billion on average. It is hard to reconcile a figure of £1.4 billion of excess profits.

Q4 **Albert Owen:** On the evidence that both of you have seen, what sort of figure do you think is more accurate? It is important that we have some figure to base it on.

***Stephen Littlechild:*** The normal way in which a competition authority would assess a market, if it was concerned about profit, would be to look at excess profit. The figure that the CMA calculated was an average of £300 million, which is a fifth of this number. Even that we would contest, because if you make an adjustment for the different levels of risk in this market versus the large company market, that £300 million disappears. This market appears to be as competitive as the large customer market, which everyone accepts is very competitive. We are not convinced that there is a detriment at all.

Q5 **Albert Owen:** Do you agree with that?

***Stephen Smith:*** Yes I do.

Q6 **Albert Owen:** Can I push you? You are asking us to ask other people piercing questions. In your opinion, has there been serious overcharging?

***Stephen Littlechild:*** No, I would not argue that there has. Broadly, we believe this market is competitive. Clearly prices are higher for some customers than for others, but broadly over this period these companies have made approximately normal profit. Some have made more—the more efficient ones—some have roughly broken even and made the kind of profit the CMA thought was reasonable, and two have made losses pretty consistently over this period. The answer is, in general, no.

***Stephen Smith:*** I agree.

Q7 **Mark Pawsey:** Given that you do not agree with the £1.4 billion figure, and you have just told us that you believe the market is competitive, are consumers in the UK getting a fair deal when they purchase energy?

***Stephen Littlechild:*** Broadly, they are. You have two sets of customers, simply: those customers who do not really want to spend a lot of time hassling, looking in the market and switching, and they are paying a rather higher price; and those customers who are anxious to get the lowest price and are willing to spend time and energy to get it. Both of those are getting the kinds of prices that are consistent with a competitive market in the sense that these large companies are, broadly speaking, just covering their costs. It is true that there are some smaller companies coming in that may be more efficient. We are not yet sure, because they have not been here a long time. They are already taking customers away from the larger companies and are offering, in general, lower prices, perhaps with an element of subsidy there. My colleague will talk about that. Yes, broadly speaking, we think the prices have been reasonable, provided they continue to be subject to competition, brought down, and the less efficient companies forced to shape up.

Q8 **Mark Pawsey:** You make a distinction there between those that will not change and those that cannot change. Perhaps Mr Smith can deal with this one: are some people paying over the odds and content that they are doing so because they are not willing to put in the time to effect a change?

***Stephen Smith:*** The number of customers who are active is not static. At the moment, we have switching levels higher than they have ever been. Each year, you are seeing more and more customers come into the market and it is getting easier to switch and shop around. At the moment, about 20% of customers every year are switching. That has been a steadily increasing trend over the last three or four years. The problem is getting better over time as more and more customers become active and shop around for these better deals.

Q9 **Mark Pawsey:** Should the standard variable tariff, which is the area in which we have been given evidence of problems, be discontinued, and should there be a new basis of standard price?

***Stephen Smith:*** Part of the problem is that it is a model that everyone adopts. The standard variable tariff can go up and down, and most of the comparisons are done to fixed-price tariffs. We have been in an era recently where wholesale prices and other prices have been rising. If you go back in time, there were periods when standard variable tariffs were cheaper and better deals than fixed prices, because it is a bit like mortgage rates; if wholesale prices come down, they do adjust downwards. If you replace it, you need to think about what you would replace it with, because there are some customers who are willing to take that variability and understand that their prices might go up or down, depending on what happens in the market with wholesale prices.

Q10 **Mark Pawsey:** Do you think the gap between the standard variable tariff and the cheapest available tariff, often a fixed-price tariff, is acceptable? Should it be as big as it is?

***Stephen Smith:*** Part of the problem at the moment is that we may have an artificial price there. If you are a small supplier at the moment—we have 30 or 40 of them in the market—until you get to 250,000 customers, you do not face any of the environmental and social obligations that the larger suppliers do. It is incredibly hard to get data on what this costs. I think you have seen evidence on this. Some people have said it is worth £50 or £60 in terms of costs they do not face that the larger suppliers do. Ofgem data suggests it might be as high as £90. These small suppliers are basically able to undercut by not having to face those costs.

Q11 **Mark Pawsey:** Are you suggesting that smaller suppliers have an unfair advantage over the bigger suppliers?

***Stephen Smith:*** They absolutely do until they hit 250,000.

Q12 **Mark Pawsey:** Is that wrong? Should that be changed?

***Stephen Smith:*** Many people in the industry, including some of the small suppliers, think that it should and that everyone should be on a level playing field, because otherwise it is a £90 leg up when you get into the market. What you have seen is that those suppliers who have gone through the £250,000 barrier have started to have to push up their SVTs.

Q13 **Mark Pawsey:** Is that a massive disincentive for those new smaller suppliers to get larger than the 250,000 customer base?

***Stephen Smith:*** It is a massive disincentive, and you see a lot of those small suppliers when they get close to 250,000 customers increase their prices and stop trying to acquire customers.

***Stephen Littlechild:*** Can I take the question you asked about whether it is a good thing? Another consequence of this is that the people who end up paying these costs are the people generally with the large suppliers on standard variable tariffs. The ones who escape paying are active and move to small suppliers. It has an impact on the people who pay, on the customers who pay, as well as on the competitive market.

Q14 **Mark Pawsey:** I understand that, but is it not in our interest to stimulate a whole range of new, smaller suppliers just to bring more competition into the market?

***Stephen Littlechild:*** It is a matter of degree. Up to a point the answer is yes, but it has got to the point where the small suppliers who are exempt are now accounting for 5% to 10% of the market, and this is distorting the market now. It looks like a competitive price but it is actually a subsidised price, in the sense that it is exempt from some of these costs.

Q15 **Albert Owen:** I want to briefly pick up one of your responses, and indeed further ones, about your feeling that the market is working. On prepaid meters, the regulator swiftly came in—well, not swiftly; it took some time. Do you think the market was working for people on prepaid meters?

***Stephen Smith:*** There were some technical problems that the CMA alluded to that meant there were restrictions on the number of tariffs that suppliers could offer.

Q16 **Albert Owen:** I think they said they were overcharged—they were bold enough to say that.

***Stephen Smith:*** If you look at what has happened with the price cap and the graphs we submitted to you in our evidence, unfortunately the price cap seems to have made things worse, because all you have seen is all the suppliers go to the price cap. Whereas previously you did have suppliers offering discounts of £50, £70 or £100, now they are all in a tight bunch around the price cap. If you look at when many of the large suppliers announced they were implementing the cap, they were saying that—

Q17 **Albert Owen:** Sorry—are you saying that people now on prepaid meters are paying more than before the intervention by the regulator?

***Stephen Smith:*** Many customers—if you look at SSE, they said that a quarter of their customers would see their prices go up when the cap came in.

Q18 **Chair:** Three-quarters went down, did they?

***Stephen Smith:*** Yes, and if you look at the graph we showed you in our evidence, prices used to have a graph like that.

Q19 **Albert Owen:** Yes, but the real people I am speaking to are better off. Real people in multiple-occupancy housing are better off now, because they did not have any choices before and now they have been capped.

***Stephen Smith:*** You have to ask the big six companies.

**Albert Owen:** We are asking you.

***Stephen Smith:*** I am answering you that, as I said, there are less competitive offers in there. Many customers have benefited from the cap, but customers now who want to switch around find that there are not better offers; previous offers where they could save £100 or £150 are no longer there.

Q20 **Albert Owen:** It is not a permanent cap, is it?

***Stephen Smith:*** No.

**Albert Owen:** Thank you.

Q21 **Peter Kyle:** What conversations have you had with the CMA about your findings?

***Stephen Littlechild:*** I had an initial meeting with the CMA and then we have put in about seven submissions jointly since then.

Q22 **Peter Kyle:** Has it been submitting in? Have you had sit-down meetings? You have not had formal discussions about this.

***Stephen Littlechild:*** No, other than the first meeting, which was sort of before anything had happened.

Q23 **Peter Kyle:** Have you had any feedback from them on your submissions?

***Stephen Littlechild:*** No.

**Peter Kyle:** You have no idea how your work has been received by the CMA.

***Stephen Littlechild:*** Only in the sense that the final report did not fully reflect our own views.

Q24 **Peter Kyle:** What is your view of the Oxera report, which the big six have been using in evidence to this Committee to argue against the price cap?

***Stephen Littlechild:*** Oxera is a very experienced and respected consultancy. The work it has done seems to be extremely thorough but, as I said earlier, we are not able to assess its calculations against the CMA calculations because we cannot see any of them. This is the handicap we have. They make a powerful case, and if a company as respected as Oxera are saying that there has been a shift of £1 billion that they have not been able to follow because they have not been allowed to see the data, that seems to me a serious accusation.

Q25 **Peter Kyle:** You are saying that they should be releasing all of the raw data that is going into their reports. Do you do that with your reports?

***Stephen Littlechild:*** I am not saying it should be all data; I am saying there has to be a balance between commercial confidentiality and explaining your thinking. It seems to me that the balance is in the wrong position now. We need to get more information out so that people can understand, at the expense of some commercial confidentiality perhaps. Some of these figures are seven or eight years old. I cannot see why they are particularly sensitive now.

Q26 **Peter Kyle:** Have you requested that data or access to it?

***Stephen Littlechild:*** This did not come to light until after the final report was published.

**Peter Kyle:** Is the answer no?

***Stephen Littlechild:*** I have not made a formal request, but I did send to the Chairman of the CMA a lecture in which I made this point and this suggestion.

Q27 **Peter Kyle:** Right. Do you have anything to add on any of that, Mr Smith?

***Stephen Smith:*** No. It is clear what the CMA's process is. We were not allowed access to the data room.

Q28 **Peter Kyle:** You requested it.

***Stephen Smith:*** I think we did. At the time, we politely enquired whether we would be allowed to and we were told no.

Q29 **Peter Kyle:** Was that a formal request or a text message?

***Stephen Smith:*** No, we asked them and we were told that only interested parties and the company's advisers were allowed into the data room.

Q30 **Antoinette Sandbach:** Mr Littlechild, do you get paid by any of the big six for academic research?

***Stephen Littlechild:*** No, I have not done any paid work for the big six for a number of years.

Q31 **Antoinette Sandbach:** Oxera were paid by the big six to come up with this report.

***Stephen Littlechild:*** Yes, by Scottish Power.

Q32 **Vernon Coaker:** In discussing the pros and cons of a price cap, you were largely against this price cap on a number of grounds. For the Committee, can you set out why you thought it would be detrimental to competition and why you think suppliers should be able to appeal that?

***Stephen Littlechild:*** It would be detrimental to competition because it would make it very much more difficult for most suppliers to undercut whatever price was set. The ability of suppliers to compete would be reduced and it would reduce the incentive of customers. There is clear evidence for that from Ofgem's reports, among those of other people. That has already happened with the prepayment meter tariff. That is why we think it is a bad thing.

***Stephen Smith:*** On the appeal rights, it has been settled for 25 years in just about any industry where regulators have powers to introduce price caps that there is an independent right of appeal, because these are difficult and complex matters,and it needs the ability, with proper safeguards, for people to have a second set of eyes. In every other industry where price caps are set, that is the settled view and it goes to the CMA if companies appeal. There does not seem any obvious reason why you would not do that. That is an important protection that has been baked into UK regulatory law for 25 years.

***Stephen Littlechild:*** The importance of it is because you need to provide conditions under which companies are prepared to invest in this industry—and in any other industry, for that matter. The independence of the regulator and the ability to appeal its decisions were two fundamental elements of the whole privatisation programme, and they were supported by all parties in that respect. We have here now an abandonment of both those principles: independent regulation and the power of appeal.

Q33 **Vernon Coaker:** Let us get to the nub of this. We are a cross-party Committee. We would all agree with competition where appropriate, but where I think the problem has occurred is that what people see—and Mr Owen referred to consumers out there—and what the vast majority of the public feel, I would suggest, is that the energy market does not work for them. With the big six and even some of the smaller entrants—although, to be fair, some of them are really trying to change things—they see their bills as having gone up; they see it as unfair.

Whatever happens in all these programmes about switching and so on and so forth, the figure I saw was that 12 million people were still on a standard variable tariff, which means they are being charged more than they otherwise would if they were to search and go on to a fixed rate. For them, what they are demanding of people like me when I am elected, and I am sure everyone else here, is this: "You need to get this sorted out—this market, this competition, that all these energy companies keep telling us is working in our interests, because when we get the bill, it does not appear to be working." I would suggest that a Government of any complexion at this moment would look at a price cap. Why is there this mismatch between Government and this idea that competition is working or the industry is going to be made less effective by this cap?

***Stephen Littlechild:*** That seems to me a very accurate portrayal of the way that people feel. I entirely understand that. There are a couple of problems. One is that there has indeed been a significant increase—more than double—of household prices over the last 15 years, but the reasons for that variously lie in increasing world fuel prices, increasing prices for the transmission and distribution networks and, increasingly, the costs of various Government social and economic programmes. The explanation for those price increases does not lie in the retail sector. Retail companies are the messengers. I entirely agree that these are real problems, but we would argue that it is not a retail problem.

Q34 **Chair:** The point that Mr Coaker is making is that you have customers on standard variable tariffs who are paying so much more than other customers. That is the point that Mr Coaker is trying to get at. Could you address that? That is a retail issue, not a production or distribution issue.

***Stephen Littlechild:*** You are right; there is a differential between these prices. Our concern is that what is called the competitive price refers only to the very lowest price for which people are willing to go on fixed deals for, say, six, 12, 18 months or whatever. We would say that is not reflective of a sustainable, competitive price. What you need as a supplier is to have a mix of customers who are on those very low prices and other customers who are paying rather more.

Q35 **Chair:** That is the needs of the supplier; what about the needs of the customer? Why should some customers be paying so much more for their energy compared with others? That is the nub of the issue. You claim that the market is working well, but how can you claim that when people are paying such different prices for essentially the same good?

***Stephen Littlechild:*** They are getting different service in the sense that one set of people are not bothering and not having to incur all the hassle of shopping around.

**Chair:** They are getting a different price. They are not getting a different service.

Q36 **Antoinette Sandbach:** We have had evidence in front of the Committee, for example, showing that those with vulnerabilities, including disabled customers, are more likely to be on standard variable tariffs.

***Stephen Littlechild:*** This is a point that my colleague touched on earlier. From a social perspective, there may well be concerns about particular sets of vulnerable people and we are not at all against taking measures to help those particular sets of customers.

Q37 **Antoinette Sandbach:** The market has not helped deal with so-called sticky customers, and we know that the big six energy companies are using the higher tariffs, SVT tariffs, to subsidise the lower ones, effectively at a cost to new entrants,who do not have the advantage of those sticky customers.

***Stephen Littlechild:*** It is true that new entrants do not have those customers. On the other hand, they have this advantage of being exempt from those costs. Our point is that these standard variable tariffs are simply enabling the large companies to survive; they are not making excessive profits as a group—two of them are making losses. We hope and think that they will be replaced by smaller, more efficient companies, but they are not at the moment charging customers, as a group, more than their costs.

Q38 **Stephen Kerr:** In your submission, you argued that some of the criteria that Ofgem will have to use and have regard to when they set the cap are inconsistent with tackling this £1.4 billion detriment, which you also contest. What did you mean by that?

***Stephen Littlechild:*** The set of criteria that are proposed, taken as a group, seem reasonable to ask a regulator to do. It is the kind of thing regulators do to balance these things, but you cannot ask them to balance those things and at the same time recover £1.4 billion, because £1.4 billion will violate a number of those other conditions. It substantially reduces the ability to compete, the interest of customers in switching and it may challenge the financial viability of these companies. You can have one or you can have the choice, but you cannot have both.

***Stephen Smith:*** It comes back to the numbers. If the hope is that the price cap can achieve a level of prices that takes £1.4 billion of profit out of the large six suppliers, they would be losing £300 million a year based on current figures, which suggests that would violate the principle the regulator has to have about allowing them to finance themselves. Even the most efficient companies would be losing money if you took £1.4 billion of revenue out of the six companies.

Q39 **Stephen Kerr:** You are contesting the £1.4 billion.

***Stephen Smith:*** Exactly. It comes back down to that. Last year—they have to report these figures—collectively they made £1.1 billion. Two of them lost money and four of them made money. We cannot see how you can reconcile that back to an idea that there is £1.4 billion of potential savings for customers.

Q40 **Antoinette Sandbach:** Can you explain what you thought of Martin Cave's minority opinion in the CMA report, particularly that demand-side measures are unlikely ever to make the market work for consumers facing excessive charges on standard variable tariffs?

***Stephen Littlechild:*** Martin Cave's report and the submission he made this time are of course very thoughtful and informed. There is a lot that we would not disagree with, but there are two key things. One of them is the assumption that there is this £1.4 billion detriment. If that falls away, the whole of the case for price control falls away, and Professor Cave did not treat that. The other point is that the examples he gives of where a price cap would be consistent with competition are all cases where a price cap has not yet been removed and where competition is developing. They do not deal with a situation where there has not been a price cap for 10 or 15 years and a price cap has been imposed. The concrete evidence we have on that is from the prepayment meter tariff, where it is clear that competition is being reduced. Ofgem acknowledges that.

Q41 **Antoinette Sandbach:** There has been a benefit to consumers on the prepayment tariff.

***Stephen Littlechild:*** Yes. Mr Owen is correct here. No one is disputing that those customers are better off, at least in the short term.

Q42 **Antoinette Sandbach:** Is the reality not that the CMA demand-side remedies have not worked in recent times in relation to standard variable tariffs, and it does not matter how long we wait to fix this engagement problem because it is not going to make any difference?

***Stephen Littlechild:*** It is unfair to say it would not make any difference.

Q43 **Antoinette Sandbach:** What about a marginal difference?

***Stephen Littlechild:*** I agree with you here. Ofgem has carried out some trials and they give some indication of the magnitude of those changes. Professor Cave gave one in his submission to you, which is that in a trial they did, of these less-engaged customers, 1% of them responded over a period of months, and with the letters that increased to 2% or 3%. It does make a difference and can be used to assist certain kinds of vulnerable customers. It is not going to transform the whole market, but we do not think the whole market needs transforming because we do not think that £1.4 billion is there. It has a role to play, but a relatively well-defined one.

***Stephen Smith:*** We are not here defending the big six's pricing. You should rightly question them. This is having an enormous impact on the companies. Centrica announced that they had lost three-quarters of a million customers in three months and their share price crashed 20% on the day. There is rightly huge pressure on the big suppliers. As customers do vote with their feet, it will call into question, if they have these tariff structures, whether they are sustainable.

Q44 **Albert Owen:** They are the ones saying, "Scrap it altogether."

***Stephen Smith:*** That is absolutely right, and you are starting to see companies announce that they are looking to move away from this. That pressure is on them. Two of them are losing money. Centrica has seen its share price crash and a mass exodus of customers. That pressure is now coming and that is a good thing. We are not here saying that the current pricing structure is good. It is about how we get out of that and get to a better position, and whether a price cap helps or hinders that.

Q45 **Mark Pawsey:** What do you think the impact of the big six becoming the big five will be when SSE and Npower merge? How will that improve competition? If there is a price cap, could we see more mergers of that nature?

***Stephen Smith:*** Again, you are right to challenge the CMA to look very hard at that. If those companies want to merge, they are going to have to justify how that would benefit customers. At the moment, SSE have the highest proportion of customers on the standard variable tariff, and Npower consistently have the worst track record for customer service. You are absolutely right to ask searching questions and ask, "Why would putting those two companies together be good for customers?" That is the acid test.

***Stephen Littlechild:*** Let us just make the point. Why are they merging? It is because they are finding it difficult meeting the pressures of competition. Npower has made losses for the last eight or nine years and has not been able to get its customer service IT systems working. SSE or its former chief executive said that the retail market had 20% of the profit and 85% of the hassle. For various different reasons, both of these companies are finding these competitive pressures too hard and they want out of it.

**Chair:** Thank you very much for coming to give evidence to our Committee this morning.

## Examination of witnesses

Witnesses: Martin Cave, Simeon Thornton and Lesley Ainsworth.

**Chair:** Thank you very much, Lesley Ainsworth, Simeon Thornton and Martin Cave, for coming to give evidence to our Select Committee this morning. You heard the previous session, and we want to follow up with some questions about your report, the CMA report, and also Martin Cave's minority position on that.

Q46 **Stephen Kerr:** We have just heard from Mr Littlechild and Mr Smith that a group of five former energy regulators believe that one of the key findings of the energy market investigation—that there is a £1.4 billion detriment to customers—is "artificial, misleading and inconsistent with previous UK competition policy assessments". That is a direct quote. This is also a view, maybe not unsurprisingly, held by the big six. What assessments do you make of these criticisms?

***Simeon Thornton:*** Before I get into that, I am Simeon Thornton and I led the project team for the investigation. You will not be surprised to hear that we disagree with that assessment. I am not sure it is entirely a dispassionate assessment either. Before I go into the critiques and our rebuttal, I will explain what we did, because there is a very simple explanation of what we did and it might help put this in context. Detriment is our assessment of the size of the problem. In essence, it is an estimate of the difference between average prices you see in the market today and the prices we think you could see in a more competitive energy market. We adopted two different approaches to calculating detriment.

The one that we placed most emphasis on was called the direct approach, and that is using data from 2015. We essentially compared average prices in 2015 with what we called a competitive benchmark tariff, which was the average prices offered by two actual suppliers, OVO and First Utility. We made certain adjustments to those prices in consultation with the parties, to account for things like differences in the customer mix. That, in essence, is what we did. It is a very straightforward approach, and that is how we calculated this figure of £1.4 billion a year detriment between 2012 and 2015.

As a cross-check, we also looked at the extent to which firms had incurred excessive costs or made excessive profits. That entirely different approach produced a similar result, with an estimated detriment between £1.1 billion and £1.4 billion a year, of which the estimate of excess profitability was £650 million. That, in a nutshell, as succinctly as I can say, is what we did.

Q47 **Stephen Kerr:** Is that the normal method for calculating customer detriment?

***Simeon Thornton:*** It is a method that, given the data we have, is a perfectly reasonable and appropriate approach. Before getting into the weeds of who said what and our rebuttal of those points, market investigations are incredibly litigious processes. There is a body called the Competition Appeal Tribunal that is set up precisely to hear appeals against our decisions in the event that we make an error. Previous market investigations have been appealed, sometimes successfully. There was hundreds of millions of pounds at stake for the companies concerned over this decision. We were introducing a price cap on prepayment customers that would reduce the bottom line of the firms to the tune of £300 million a year. In those circumstances, it is entirely inconceivable that there would be some major conceptual or empirical flaw and they would not appeal against our decision, and yet they did not appeal. When it comes down to it, we can talk about the details and we are very happy to do that, but you should take that away. Had there been a major flaw in our analysis, clearly there would have been an appeal and it would have been upheld by the CAT.

***Martin Cave:*** These market investigations have taken two years. In my six years in the CMA, I have only done two. In the other one, which was in relation to the cement industry, we calculated the detriment in the same way. We looked at excess profits. We also looked at a measure of the average price of cement versus what we thought was a competitive price of cement. I do not think it is a particularly unusual way of doing it, although in the circumstances of each case the data that you have are different, so the weight you put on different types of consideration is different as well.

***Lesley Ainsworth:*** One of the differences here is that we were able to start our calculation from some real world prices. Quite often you have to have a hypothetical competitive price, but here we did have some real suppliers' prices that we were able to use as the basis of our calculations.

Q48 **Stephen Kerr:** Why did you approach it that way rather than customer detriment as a measurement of excess profit? Is it because you did not find any excess profits?

***Lesley Ainsworth:*** No, we looked at both.

***Simeon Thornton:*** Indeed, our guidance is clear that we only look at excess profitability as a proxy. We are interested in outcomes for customers. In this case, we had a set of outcomes: the average prices offered by two actual suppliers in the real world offering energy to customers. It is natural for us to look at that as our first and best estimate of detriment.

Q49 **Stephen Kerr:** Towards the end of your investigation, there was some feedback and there was some criticism levelled at you. If you were undertaking another assessment of customer detriment in this market, would you take on board those suggestions? Would you use a different method?

***Simeon Thornton:*** The short answer is no—we are confident of our estimates. Let me take you a little bit through the consultative process we went through, because you may not be familiar with it. As Martin said, the investigation lasted two years. We had six full rounds of consultations on different publications, methodological discussions with parties and hearings with parties. We had these things called data rooms, where the consultants of the parties come in, look at our data and coding and try to find problems with it. Those data rooms took place on two different occasions. We also had things called confidentiality agreements where we send them the data. There was a very exhaustive process of consultation and scrutiny.

Now, in that process we learnt things and adjusted our approach in some cases. In other cases, we just disagreed. With the best will in the world, a consultant acting for a party is not taking a disinterested view of the facts. They are making a case; they are being an advocate. We are the judge in this case. The point of the CMA is to take a dispassionate view of the evidence, and that is what we did.

Q50 **Stephen Kerr:** Do you have anything to add?

***Martin Cave:*** I don't think so. It was helpful in this case that we were able to reconcile the two methods that we had. Obviously they are based on a different approach, so you certainly did not expect them to be identical, but they were—Simeon will correct me if I am wrong—in the same ballpark.

***Simeon Thornton:*** Yes.

***Martin Cave:*** In a sense, if the goal is to answer the question, "Is there a problem?" you are probably going to take the same view if the estimate is £1.7 billion, which was our first estimate before we got the comments from the companies and made certain changes. Whether it is 1.7, 1.4 or 1.2, basically there is a problem. I mentioned the earlier market investigation, which was in the cement sector. In the cement sector, the detriment that we found according to our best estimate was £30 million. This is a spectrum of 40 times greater than the one that we found there. In the other inquiry, we did impose some quite substantial remedies.

Q51 **Chair:** In the previous evidence session, the research by Oxera was cited, and that came to different conclusions from your work. What are your views on Oxera's work?

***Simeon Thornton:*** We have taken evidence from hundreds of parties and thousands of submissions from different consultants. I am not specifically familiar with the particular report you are talking about, but suffice it to say that a large part of the points that were made to us were that we had overstated inefficiency and were being too harsh on assuming what could be achieved. A large number of points also in the course of the investigation were that, in comparing average prices with those prices offered by OVO and First Utility, we were not comparing like for like. We made certain adjustments in response to those points. I mentioned we adjusted some of the prices to take account of the fact direct debit customers are cheaper to serve than standard credit customers. We adjusted upwards some of the prices to reflect the fact the two companies in question were not earning profits at a steady-state level. We did make adjustments. All I can say is that in the to and fro of an investigation there are thousands of individual points that are made and we responded to them fully.

Q52 **Mark Pawsey:** I am interested in your assessment of how the companies will behave if there is a price cap. What incentive will they have to compete and to invest? You told us about the investigation you did in cement. Is there anything we can learn from what happened in the cement industry? Were there positive outcomes there and can we expect positive outcomes from the price cap?

**Lesley Ainsworth:** I will leave Martin to deal with cement. He is more familiar with that. I was not involved in that investigation. On the price cap, if we move to the Bill for a moment, in the Bill there are a number of objectives and they are all perfectly good objectives: creating incentives to improve efficiency, enabling effective competition, maintaining incentives to switch and ensuring there is enough investment. They are all very good objectives. The challenge is reconciling all of those at the same time with the price cap. Those in the majority in the panel debated long and hard about a price cap and whether it was feasible to have a price cap for the wider group of customers on standard variable tariffs. Although your Bill was not available at the time, we were balancing those various factors together.

We came to the conclusion that, whilst clearly we were concerned about the level of detriment we had identified, you could not, without significant risk, reduce prices significantly while at the same time ensuring that, first of all, suppliers still had an incentive to offer lower prices than the cap price and also had sufficient investment in the industry to ensure things were sustainable.

Q53 **Mark Pawsey:** What incentive would there be to offer a price better than the cap price? Why would all suppliers simply not set their price at the cap price?

***Lesley Ainsworth:*** That was our concern. If you have that situation arising, the impact on consumers is that they no longer have possibly even the opportunity to switch. Certainly their incentive to switch is much reduced, because if the Government set a price cap, the message that effectively sends out to the marketplace is, "Do not worry. We, the Government, are protecting you. You do not have to worry about this anymore." One of our big concerns was, once you have a price cap in place, the incentive for consumers to engage in the market is much reduced. The Bill contemplates having a review every so often to see whether we have effective competition in the marketplace. Our concern was that, once you have reduced the incentive of consumers to engage with the market and look around for cheaper deals and possibly removed the incentive of suppliers to put those cheaper deals into the market, it is going to be very difficult to judge whether you have effective competition in the marketplace.

Q54 **Mark Pawsey:** If you take competition out, how does that make things better?

***Lesley Ainsworth:*** That is exactly our point and that is precisely what we were concerned about. We were looking for a solution to this detriment problem that was sustainable. We were not looking for a quick fix that was going to work for a year or so. We were looking for a set of remedies that was going to result in a more competitive market in the long term.

Q55 **Mark Pawsey:** Do you think your remedies would be more effective at reducing prices for consumers than the cap?

***Lesley Ainsworth:*** Yes, they would in the long term, because we had a lot of remedies that were designed to enhance competition in the market: a number of remedies that we have recommended to Ofgem, and they are trialling, which would increase consumer engagement. If you look over the years, there has been a gradual increase in consumer engagement. Switching has gone up and down a bit over the years but it has generally increased. We have smart meters coming along, which it is hoped will increase consumer engagement. The problem is that if you put a price cap on, you are suddenly putting a break on that increasing track of consumer engagement. My concern is when we get to 2023, which I think is the sunset point in the legislation, consumers will have disengaged from the market. What happens then? How do you come back to re-engage? We will be in a worse position than we are now with consumer engagement. I do accept that there willhave been some price saving for consumers.

Q56 **Mark Pawsey:** For some consumers.

***Lesley Ainsworth:*** For some consumers, yes.

**Mark Pawsey:** Not all consumers.

***Lesley Ainsworth:*** Yes.

***Simeon Thornton:*** I understand your scepticism about remedies, because certain remedies have been tried in the past and not worked. One that we highlighted was the RMR programme. The problem is they have not been tested properly. That is why we have said, "Here, we have some proposals. Go ahead, Ofgem: test them in the real world." Those results are really quite striking.

Q57 **Mark Pawsey:** You would say give your remedies a try before—

***Simeon Thornton:*** Absolutely. The trial suggests that they have increased switching rates in some cases by a factor of four. That is a huge transformational effect. Let us give them a chance.

Q58 **Mark Pawsey:** Mr Cave, is there anything to learn from what you did on cement? Will that experience tell us whether or not a price cap would work on energy?

***Martin Cave:*** On the measures to encourage customer engagement, we have been trying those for a long time throughout the whole of the inquiry and in the years since. They are having some effect, but one of the difficulties with them is that there is really no way of forecasting what is going to happen. I have not encountered any sensible forecast that says: if we do this, we start with 60% on SVT and quasi-disengaged, and in five years' time that will be down to 40%, 30% or whatever it is. In fact, I have not encountered any of those, and basically it is because there are huge doubts and uncertainties about how fast and how far these particular remedies will go.

I noted in my evidence a survey that somebody has done of how these things have been tried in a whole range of different sectors. The general conclusion is that they are very hard to forecast. It seems to me that, if you do not engage in a wide cap, you are committing yourself to a process of discovery as to how these things work. Roughly speaking, every month, according to our measure, the detriment of £100 million may be roughly—

Q59 **Mark Pawsey:** Is there anything to be learnt from your work on cement, or are they totally separate and completely different inquiries?

***Martin Cave:*** It was a different theory and a different problem.

Q60 **Chair:** Can I follow up on something you said, Lesley Ainsworth? You said the price cap would mean a reduced incentive to switch. We received written evidence from the Consumer Council for Northern Ireland, I think. They said that switching in the last year had been around 16% in both Northern Ireland and Great Britain. Of course, they have a price cap in Northern Ireland. That would suggest that customers are as engaged in Northern Ireland as they are here, even though there is a price cap there.

***Lesley Ainsworth:*** I am not that familiar with the Northern Ireland market, but I think that price cap has been in some place for some time, as I understand it. Echoing a point that Professor Littlechild made, having a price cap in place when you are moving away from complete price regulation towards a competitive market is a very different exercise from putting a break on a market that has had competition in it by putting a price cap on. I am not sure the two are necessarily comparable in the outcomes you can expect.

***Martin Cave:*** One of the key issues is how you design the price cap. We have learned a lot about how not to design a price cap, but we have also learned quite a lot about how you can successfully design a price cap in a period of transition when the market has the capacity to become more competitive but there still remains a large number of captive customers, or sticky customers, who are subject to excessive prices by the operator. The method that is used is to effectively achieve some kind of compromise between your goals. You want to control prices but you want to encourage people to engage.

In order to accomplish a combination of those things, you have to choose a price cap that offers some kind of headroom above the basic cost of the pure competitive price of the kind we were attempting to approximate perhaps in the detrimentwork and the excessive price—the huge gap between the fixed-term rates and the SVT. There is no reason why you cannot, by an appropriate choice, which can be flexed according to whereabouts you are in the process, achieve a combination of those two things that knocks all the massive excess pricing at the top but still produces some degree of incentive for people to switch.

As I have said, and as has been discussed, in many jurisdictions and sectors that has worked. We do not know whether the change might have occurred more quickly had there been no price cap, but we know for sure that that price cap, while it existed, provided some kind of basic protection for those people who were otherwise subject to exploitation. If that group, as in this case, includes people who are subject to various disadvantages, that is an important factor that ought to be taken into account.

As for the question of whether that only works the first time and does not work the second time, that has not really been tried. I do not think we could be sure about that. After all, a lot of people who are buying electricity probably do not remember how there used to be price caps from 1990 until about the year 2000 and how things have changed since then. People's understanding of the way in which these markets works is probably less than that of those of us round the table at the moment. It does not seem to be an obvious point and obviously true that that same process of designing a cap in a way that promotes competition should not work on this occasion.

Q61 **Chair:** I was going to put another point to you, Simeon, before you answer and we move on. You talked about allowing the CMA remedies to work before we take other action, but, as Mark Pawsey mentioned in the previous session, SSE and Npower are planning to merge, and I have written to the CMA about investigating that merger on competition grounds. Does a merger like that not go against your remedies? Your remedies are about increasing competition in the market, and yet we are likely to move from six to five big competitors.

***Simeon Thornton:*** Thank you for your letter. I think we responded recently. I am afraid, on this point, I am going to have to say that we have an independent mergers consideration process, and it would be wrong for me to speculate on what the impact would be. You do understand, again, that these are very litigious processes.

Q62 **Chair:** I do understand. Your remedies may be worthy, but there are things moving in the opposite direction to what you are trying to stimulate.

***Simeon Thornton:*** There is a risk, and that is reflected in the majority view, that a price cap may run counter to some of the remedies we are putting in place. In the case of the merger, I am afraid we are going to have to say we will let the process run its course.

Q63 **Chair:** I understand that.

***Martin Cave:*** As you know, the test for a merger is whether there will be a substantial lessening of competition. The investigation will focus upon the point that you raise.

***Simeon Thornton:*** I want to add one point where I think there is a bit of agreement in the room between the two sessions, so maybe that will be helpful to you. Martin was talking about the level of headroom in the cap. We agree that it is very unlikely you are going to be able to eliminate all the £1.4 billion detriment figure through a cap while maintaining the financial sustainability of the sector. There will have to be some level of headroom. The idea that you can eliminate the detriment overnight through a cap is wrong.

Q64 **Peter Kyle:** Professor Cave, you submitted a minority opinion because of the strength of your view. Can you explain why you felt it was important for the Committee to hear a minority opinion on this?

***Martin Cave:*** It is difficult to avoid a slightly self-aggrandising answer.

**Peter Kyle:** Don't worry; we are politicians here.

***Martin Cave:*** I thought it might be to your benefit to hear an alternative point of view. The procedure we have that is in the Enterprise Act relating to dissents is that a person who disagrees with the majority can express the fact of the disagreement and the reasons for it. In the circumstances, because I considered it to be a fairly fundamental disagreement on a matter of considerable public importance, it was appropriate for me to exercise that right.

Q65 **Peter Kyle:** Was your difference methodological? Was it analytical?

***Martin Cave:*** It is partly a forecasting difference and partly, underlying it, is a judgmental difference. As far as the forecasting difference is concerned, as I indicated, I have very severe reservations about the timeliness of the remedies that the majority of my colleagues have proposed. They cannot offer a kind of guarantee of an exit from the very poor situation in which the market is found.

Q66 **Peter Kyle:** Bearing in mind that switching rates and the number of people moving away from SVTs has increased since the report was released, could it be that you were wrong on this?

***Martin Cave:*** It could be. I am not making a claim to infallibility, I hasten to say. The difficulty about switching rates is that they go up and down like a bucket in a well. They were about 18% in 2010. Then they dropped to slightly more than half that and now they are up again. We do not really know what causes that. We do not know whether we are on a rising plain and it is going to get better and better or whether it will top out and when interest in the matter diminishes, as is probably inevitable, and there is less attention paid to it, the switching rate declines.

I am personally delighted that the proportion of people on SVTs has fallen by about 4%. That means that 1 million households have managed to get on to a better tariff than the one they were on. That still leaves 60% there and, as I have indicated, nobody seemed prepared to offer a forecast about what is going to happen absent a price cap. My own forecast is that there will be a continuing decline but it is not going to be at a very high rate.

Q67 **Peter Kyle:** That is really helpful. Thank you. Simeon, can I pick up on one point? You said as an aside at the opening of your testimony that the previous panel's research was not entirely dispassionate. Could you extend that please?

***Simeon Thornton:*** I am sorry if I implied that.

**Peter Kyle:** You said it.

***Simeon Thornton:*** I am sorry for stating that, if I did. I meant that consultants who submitted to us in the course of the inquiry clearly were acting on behalf of parties and were not even in their own terms purporting to represent a disinterested view of the evidence.

Q68 **Rachel Maclean:** Martin Cave, you have argued quite strongly that you believe the remedies the energy companies are propounding will not stop consumers being disadvantaged in the market, and you do not believe it will end the exploitation. In the "State of the Energy Market" report, Ofgem have reported that, since the introduction of the prepayment customer cap, prepayment prices have gone down by £60 but the cheapest tariffs have disappeared and customer switching has decreased. Clearly, it could be argued that is a disadvantage for some customers. How would you avoid that happening if a market-wide cap were introduced?

***Martin Cave:*** I am puzzled by what is going on in the prepay market, because Ofgem has similarly published a very interesting graph that shows what has happened to average prepay prices over the period when the cap was introduced and what has happened to the cheapest prepay tariff. That graph seems to indicate very clearly that there has been a very substantial decline in the average price—a really striking decline. That is £100 in the bank, so to speak, for about 4 millionhouseholds. It is a really big gain for those households, because many people on prepay are in less advantageous circumstances. At the same time, the cheapest prepay tariff seems to be absolutely constant throughout the period. My ownamateur research, where I masquerade as somebody on a prepay tariff on a price comparison website, suggests to me that there are still cheaper tariffs available if you want to have it. What I think has happened is that the focus of analysis has been upon one or two particular suppliers whose prices have gone up. It does not seem necessarily to be the case, although I have not gone into this in detail, that the cheapest tariff has disappeared.

Q69 **Rachel Maclean:** To be clear, then, you are giving evidence that is contrary to what we have been given, which is that the cheapest tariffs have disappeared. You are saying that is not the case, as far as you know.

***Martin Cave:*** My only evidence—this is not from my own research—is looking at Ofgem's publications, which appear to suggest that the cheapest tariff has remained constant, even though the tariffs of some individual providers who had formerly been cheap suppliers have gone up.

***Simeon Thornton:*** It is also worth bearing in mind that the position before the introduction of the cap for prepayment customers was very different from that which applies to the broader market. We looked, as of April 2016, at the cheapest tariff available in each region. For prepayment customers, that was between £260 and £320 more expensive than the cheapest tariff that was available to other customers. The idea that competition was working in a very vibrant way before the introduction of the cap, and the cap has harmed that, has no basis whatsoever.

***Martin Cave:*** The other point that seems very helpful to me is that there are far fewer players in the prepay market. If you take the analysis that Ofgem now has and I have now shared, it is a two-tiered market. There is a competitive segment, an SVT segment, and there is a bit of traffic—possibly a growing volume of traffic—across the boundary. If you take that view and we wanted to suppose that once an SVT cap had been introduced all the 60 or so suppliers in that main market would simultaneously raise their prices, it would require, if it were not done for cost reasons, a massive degree of co-ordination. It is really rather hard to see how that could be accomplished.

If it is a relatively small number of parties, it is more straightforward, but with as many as that, would some of them not find it to their advantage to keep their prices down in order to get a bigger market share when the others were raising their prices? In those circumstances, the notion that it would be possible for them to jointly raise their prices for reasons other than costs seems to be an implausible story. It would only work if you had something like a cartel with a cartel office telling the 60 they are going to go up by £5 next week. That is an unthinkable proposition in this particular circumstance.

Q70 **Rachel Maclean:** You accept it is the case that, if you introduce a market-wide cap, from the evidence we have seen already customer-switching may decrease, because of the assumption that there is a cap so they do not need to switch or bother.

***Martin Cave:*** It is possible. I do not know how much. As I have said, there have been circumstances in which a cap has been in place. Customer engagement has grown to the extent that the relevant authority has felt able to say, "We can now safely abandon the cap." I am sure there is some kind of trade-off there, but I am not in a position to say exactly where it is.

Q71 **Rachel Maclean:** Can we move on to the proposed Bill that we are looking at? Are there any provisions in the Bill, as far as you are aware, that need improving or fail to deliver the Government's stated objectives?

***Lesley Ainsworth:*** I do not think we have any comments on the drafting of the Bill. I talked before about the objectives that are set out there, which are all perfectly good objectives. Of course, the devil is in the detail and the detail is not in the Bill. Perfectly reasonably, the detail—the design of the cap, the level of the headroom and how it is all going to work—has all been left to Ofgem, which is the right place to leave it, because they are clearly the experts on this. No, I do not think there is anything that I would particularly comment on in the language of the Bill. As a Committee, you need to think quite hard about the exit route from the cap and how that is going to work.

Q72 **Rachel Maclean:** Does anyone else have any comments on the Bill, particularly on how effective competition is measured? That is obviously the stated objective.

***Lesley Ainsworth:*** That is the issue for the exit point, which is how you reach effective competition.

***Martin Cave:*** Effective competition is a phrase that is used quite widely in regulation. What it means is that periodically you examine a market and you try to find out whether the competition is effective. The way you do that, broadly, is by looking and seeing if there are firms in that particular market that exercise some degree of dominance that means they can behave independently of their customers and competitors. There is a standard way of doing that. Our conclusion—that there were a number of players in the market with unilateral market power—was a finding of the absence of effective competition. That kind of basis gives very clear guidelines to Ofgem as to how it should proceed. It is not a tick-box thing; it requires a degree of judgment to make those decisions.

***Lesley Ainsworth:*** You might be looking again at the level of detriment and switching rates. There is a variety of ways you could look at this.

***Martin Cave:*** The other point is that, in that case, Ofgem would be looking forward and making a projection ex ante about whether effective competition was going to come into existence. Obviously, in making our findings, we are looking backwards at the situation over the past year. There is that quite important difference in the perspective of establishing whether firms with market power exist.

Q73 **Rachel Maclean:** If the Government do implement the price cap, what safeguards are needed to protect customer engagement?

***Lesley Ainsworth:*** I would strongly encourage Ofgem to pursue the various remedies we propose on promoting customer engagement. There also has to be sufficient headroom. Of course, the more the headroom, the less the price reduction. Yes, whilst I have reservations about the impact of a price cap on customer engagement, Ofgem has to do everything it possibly can to promote customer engagement, and continue the trials we have proposed and implement the ones that work.

Q74 **Chair:** Your remedies can continue at the same time a price cap comes in.

***Lesley Ainsworth:*** They must do, yes.

***Martin Cave:*** Absolutely.

Q75 **Albert Owen:** Is there a need for legislation for this price cap? In your recommendation in your report about prepaid, Ofgem went ahead because it did not think it needed legislation to do that. For the wider market, do we really need legislation or can Ofgem just impose it themselves in the way they have done for prepay?

***Lesley Ainsworth:*** Ofgem does have the power to change the licence conditions. This is not a legally-based opinion.

**Albert Owen:** I am interested in your opinion.

***Lesley Ainsworth:*** This is a pretty fundamental change. Taking the worst-case scenario, this might be a permanent move to price regulation—to price caps—because of the reservations the majority had about the difficulties of removing the price cap. I can well understand, if I was in Ofgem's shoes, that I would like the backing of legislation before I do that. If you want an effective price cap in place quickly, you do not want a lengthy appeals process clogging up the process.

**Albert Owen:** I think you have answered that.

***Simeon Thornton:*** The prepayment cap was put in place through a CMA order, just to be clear. It was our order that put that in place, rather than Ofgem doing licence changes.

**Chair:** Thank you very much, all three of you, for coming to give evidence to our Committee this morning.

## Examination of witnesses

Witnesses: Victoria MacGregor, Pete Moorey, James Taylor and Peter Smith.

**Chair:** Thank you very much for coming to give evidence to our Committee this morning, Victoria MacGregor from Citizens Advice, James Taylor from Scope, Peter Smith from National Energy Action and—welcome back—Peter Moorey from Which?.You have probably heard some of the evidence we have had this morning on the price cap and we are interested in your views as representatives of different parts of the consumer market.

Q76 **Albert Owen:** In a form of introduction, briefly outline your organisation's position on the price cap and whether you think it does or does not do a good job in helping the customers you represent.

***Victoria MacGregor:*** For a long time, we have said that far too many people are paying for too much for their energy, and what we see every day is that it is particularly those who can least afford to pay too much that are least likely to have switched and, therefore, most likely to be on a standard variable tariff. Those vulnerable customers have always been our priority for action, so we are really pleased that Ofgem are moving on the vulnerable cap, but we think the scale of detriment in the market is such that wider action is needed. I know there has been some debate about the £1.4 billion figure, but it is the most forensic inquiry we have had into the energy market since privatisation and we have seen that something like two thirds of us are still on a tariff that we did not actively choose, paying nearly £300 a year more than we need to. We think there is a case for action.

Q77 **Albert Owen:** What proportion of the people who come and see you and who you represent are on SVT?

***Victoria MacGregor:*** I have not looked in terms of our clients, but our clients are more likely to be vulnerable than the average. If you are on a low income, disabled, a pensioner, have young children or a renter, you are less likely to have switched and therefore likely to be on an SVT.

***James Taylor:*** Good morning. At Scope, we know that disabled people often consume more energy because of their condition or impairment, such as needing a constant temperature in your home, for example. Yet our research shows that, on average, disabled people spend £3,000 a year on their energy, which is more than twice as high as the average SVT at the moment. We welcome the Government's intention to look at tackling this issue, and we look at the intention to reduce energy costs and see the cap set out in the proposed Bill as a short-term measure. At Scope, we think there are some long-term challenges that the Government, regulators and energy companies need to address to ensure that disabled people can pay a fair price for their energy.

Q78 **Albert Owen:** You are concerned about the time. Do you think the market will not be fixed by the 2023 cut-off point and it should be extended or would there be issues there?

***James Taylor:*** The long-term challenges that we have identified include things around the types of support available to help disabled people pay their energy bills, like the warm home discount and the priority services register. We think changes are needed to those as well as the short-term measure proposed in the Bill.

***Peter Smith:*** Good morning. As a fuel poverty charity, we regard energy as an essential service. Sadly that is out of reach for the over 4 million UK households that are unable to adequately heat and power their homes. We welcome the progress we have seen following the CMA, where we have seen the introduction of a prepayment cap, and the safeguard tariff that Ofgem are proposing. We do not have any ideological opposition to those benefits being extended to other types of customers.

We have a concern about the limitations of the safeguard tariff. We also have concern about our ability at this point to be able to assess the value a new safeguard or this Bill will have for vulnerable customers. I can explore that a bit during the rest of my remarks.

Q79 **Albert Owen:** In 2023 there will be a cut-off point. Do you think we should then re-look at that sunset clause and extend it?

***Peter Smith:*** We have to be clear from the outset about what conditions need to be met in order to withdraw it. At the moment, clause six is very ambiguous in that regard. It is more about the obvious. We do not know at what level the cap is going to be. We do not know what the supplier reaction is going to be in terms of how long it is going to take to put this in place.

Q80 **Albert Owen:** Sure. It is a fair comment and that is the whole reason for pre-legislative scrutiny.

***Peter Smith:*** Exactly. We welcome that. Thank you.

Q81 **Albert Owen:** Mr Moorey, welcome back.

***Pete Moorey:*** The energy market is not working for consumers. We have said that for a long time, and Which? has campaigned for many years to fix the market. Price caps are an important intervention to tackle the detriment that many consumers face in the market. Which? has supported them in other markets. The Chair will know the work we have done together on tackling unauthorised overdrafts in the banking sector. We also support the action on prepayment meters and, indeed, on vulnerable customers.

However, a wide cap covering all standard tariff customers is quite a different proposition, and we have two key concerns on that. The first is that a cap for all standard variable tariff customers is not going to solve the problems in the market around engagement and competition. That is why it is really important that it is a short-term measure. We support that. It is also really important we have a route out of a capped world into a more competitive market. Our second concern is around the risk of unintended consequences for consumers. We are concerned that the intervention in this way does not lead to prices going up for consumers overall. We absolutely recognise it will mean prices going up for some consumers.

The critical point for us is whether it leads to prices going up generally for everyone. We do not want it to lead to reductions in customer service levels. We do not want it to lead to a reduction in innovation in the market. The last thing that Which? wants to see is this kind of intervention come in, lead to negative impacts in the short term for consumers and then be removed, and for us to be in exactly the same situation we are in now: with an energy market that is not working for customers. That is why a number of things have to be done alongside the cap.

Q82 **Albert Owen:** I hear your concerns, but do you favour a cap and do you favour the fact that, after 2023, we can study the impact of it?

***Pete Moorey:*** We understand why the cap is being introduced. We favour the fact it is short term, and a number of things have to be done alongside the cap so ultimately we can move to a more competitive market.

Q83 **Vernon Coaker:** Victoria MacGregor, you are in favour of an absolute price cap and broadly supportive of the Bill. What changes, however, would you like to see? There are some changes you would like to see. Outline those for the Committee relatively briefly and what you think about those.

***Victoria MacGregor:*** There are two main things we would like to see changed in the Bill. Mr Owen mentioned the 2023 date. We think that is an arbitrary date. It is not tied to any particular event. Therefore, we have no objection to the cap being removed but we would want it to be done based on evidence that the problems in the market had been addressed or had improved. We think the removal of the cap should be tied to judgment rather than to an arbitrary date. Ofgem should publish and consult upon the framework by which it will make those decisions or reviews on an annual basis.

Q84 **Vernon Coaker:** It is essentially the evidence, rather than saying that when 2023 comes, irrespective of whatever happens, off it goes. It is not the sunset clause in principle.

***Victoria MacGregor:*** Yes. It is that it is not tied to any particular evidence or change.

Q85 **Vernon Coaker:** If that were changed, that would be one. What was the other one?

***Victoria MacGregor:*** In terms of Ofgem making its annual assessment, it should publish and consult on the framework it is going to use to make those assessments.

Q86 **Vernon Coaker:** That is a very helpful and clear point. One thing mentioned in the evidence was this problematic loophole about potential movement to green energy. Are you aware of that and concerned about it?

***Victoria MacGregor:*** Yes, any form of default tariff should be captured by the price cap: any tariff that customers are not actively choosing to go on to or get rolled on to. Whatever they are called should be covered by the cap.

Q87 **Vernon Coaker:** To play devil's advocate, if I were able to afford it, would it not be a good thing I could pay a subsidy that I choose to pay in order to subsidise green energy?

***Victoria MacGregor:*** Absolutely. It is great that there is a variety of products like that in the market, but it is about whether you have chosen to go on to that tariff or just been rolled on to it.

Q88 **Vernon Coaker:** That is a fair comment. Let me ask a broader question. One or two others may want to comment, but I will start with you, Victoria. One of the things I felt this morning was a sense of frustration. Do you think the introduction of this Bill will be it for the people you work with? We are reminded it will not be until 2019 anyway, so we will have another winter potentially after the 2017 winter. We have heard the arguments about competition and that a price cap will eliminate that competition. Do you think this is it, or do you agree with Mr Moorey, who said the price cap is one thing but a multiplicity of other things need to happen around it?

***Victoria MacGregor:*** There are other things that need to happen, absolutely, but this is a real opportunity to tackle one of the biggest problems in the market. This has existed for a long time and affects two-thirds of customers. We should not give up on engagement, and I support our continuing to try to engage customers with their energy, but this is a real opportunity to make a break with the business models of the past, whereby the big six have exploited their sticky customers to allow them to price keenly in the acquisition market.

Q89 **Vernon Coaker:** You think there is light at the end of the tunnel with this.

***Victoria MacGregor:*** I hope so.

***Pete Moorey:*** I share your frustration. There was a window of opportunity, after the Competition and Markets Authority did their final report, for the energy industry to stand up and say, "We have heard the message, the market is not working and we will respond." They failed to do that, and their failure has led us to this point today. That is why the Government and politicians of all colours have decided to intervene in this way. I would urge you not to focus solely on the price cap. Alongside that, there have to be other measures that ensure that consumers continue to engage in the market and that, ultimately, if we are going to have this as a short-term measure, once it is removed, we move to a more competitive market that finally works for customers.

Q90 **Vernon Coaker:** Government intervention is necessary to fix a market that is not necessarily working as well as it should.

***Pete Moorey:*** We have inevitably been moving to this position due to a failure by the energy industry to respond to things like the Competition and Markets Authority inquiry.

***Peter Smith:*** You also have to look at some of the structural reasons why people are not switching. In the nature of our written evidence, we have tried to highlight that, beyond customer inertia, there are some baked-in reasons why people are not able to switch or benefit from the competitive energy market. You need to look at those more structural issues if you are hopeful the whole picture will be improved.

Q91 **Vernon Coaker:** Sometimes it is said to us that the full roll-out of smart meters will make the cap redundant, because that will bring effective competition into the market. Do you agree with that?

***Pete Moorey:*** It is entirely possible we could see a big step change through not only smart metering but a number of technological innovations in the energy market. Smart meters, smart appliances and smart grids could mean that we see a big change in terms of customer engagement. It could also mean we start to see new types of energy companies entering into the market. We have had a very one-size-fits-all energy market. By and large, why would consumers engage with that when electricity and gas is a homogenous product and it is the same whoever you get it from?

If you move to a world where you have different kinds of companies that can offer you a bundle of different products, not just your energy but managing a whole range of things in your home through smart appliances, that may start to get consumers to engage in a different way. It might also bring in other, different types of companies a bit like Flipper, which Steve Smith was representing, where you do not have to just buy your energy from one of the big six; you could be getting it from someone else. There is the prospect now of us entering into a different kind of market where consumers could engage with their energy use in a very different kind of way. That is the other risk with the cap: that we put a break on that kind of innovation.

Q92 **Vernon Coaker:** Is that true of vulnerable customers as much as a well-off, educated, keenly market-orientated person scanning all the pages to find the best deal? Is that true of the vulnerable customers you represent?

***Peter Smith:*** We work on the smart meter roll-out. We are part of Smart Energy GB's Communities programme. We are trying to extend the benefits of a programme that vulnerable customers could otherwise be a sponsor of and not able to benefit directly from. You are right in saying that the financial savings that may be achieved as a result of the smart meter roll-out are not as significant for low-usage, low-income households. That is pretty apparent. Therefore, we are concerned that, in the context of caps on prices, particularly the PPM cap, it is already linked to SMETS 2 meters. If you get a SMETS 2 meter, you do not benefit from the price cap. That is very difficult on the doorstep at the moment, when people want the reassurance of both. They want to be able to look at their energy, control their energy and not have an out-of-date smart meter, but they also want to benefit from the reassurance and price protection that a cap provides. We could be too cute about that overlap.

Q93 **Antoinette Sandbach:** I am particularly going to address my questions to you, Mr Smith. Do you think the Bill will help tackle fuel poverty in low-income households? Does it go far enough or does it need to be paired with other policyinterventions?

***Peter Smith:*** Thanks for that question. At the moment, if you look at the level of fuel poverty—not just the number of households but the depth of fuel poverty—there are some households that are potentially suffering up to £200 because of theirinability to switch or take advantage of the energy market. It could help a little bit for those people who are not protected from current price protection like the PPM cap or the safeguard tariff. Particularly in the context of the safeguard tariff, about 500,000 low-income households will miss out on that protection this winter. That is up to £260 per house, so that is £130 million this winter that some of the poorest households are missing out on.

Q94 **Antoinette Sandbach:** That is not really what I asked, though. I asked whether the Bill was going far enough and, if not, what other policy interventions it needs.

***Peter Smith:*** We need to take this policy forward alongside a greater push on delivering on energy efficiency. Sadly, we have seen a huge drop off in relation to delivery rates of home energy efficiency. Hopefully, at the point where this protection would be withdrawn in 2023, we would be making full use of that part of the tool kit. We would also want to see more detail around the Bill before we could sign off on the concept that particularly the safeguard tariff is withdrawn at the same time as the SVT-wide cap comes in, because there are very much some risks around that.

Q95 **Antoinette Sandbach:** In relation to your evidence, which indicated why some people are not switching, do you think that can be improved by the CMA remedies?

***Peter Smith:*** Going back to what was cited in the first evidence session this morning, we have seen that some of the incremental nudges and demand-side measures have been partially successful, but it does not correlate with the kind of scale of intervention we need to see to really change perception and hopefully give people far more confidence in the energy industry overall. Government obligate larger suppliers particularly to deliver support to low income and vulnerable households, so it is imperative that we give people greater assurance and confidence in that market, so they come forward for Government or industry-led support.

Q96 **Antoinette Sandbach:** How much do data restrictions affect that ability to give that support to vulnerable households?

***Peter Smith:*** At the moment, it is absolutely the main reason why we cannot give that half a million households the benefit of £260 each this winter. The slow progress that we are seeing in terms of following the Digital Economy Act, getting that into secondary legislation and through Parliament as soon as possible, is a real frustration.

Q97 **Antoinette Sandbach:** I am sorry to interrupt you. Does the Digital Economy Act deal with that issue to your satisfaction and it is just a question of implementing it, or are there amendments that need to be made to the Digital Economy Act?

***Peter Smith:*** At the moment, the primary powers of the Digital Economy Act are sufficiently broad to enable this issue to be addressed. It is about giving the SI parliamentary time. That was what was reflected in Greg Clark's response to your very welcome letter to him. We are hoping there will be more of a sense of urgency about the need to get on with that, not only in the context of this price cap but also in relation to better targeting existing support like the warm home discount scheme.

Q98 **Antoinette Sandbach:** In terms of energy efficiency, we have the ECO scheme, which is particularly targeted at those on low incomes and on certain types of benefits. What are your concerns about the energy efficiency delivery? It seems to me that that is targeted at the group you are concerned about.

***Peter Smith:*** Put simply, it is not big enough. Clearly there are limitations to relying solely on a levy-funded mechanism to deliver at the kind of scale we need to see in order to meet our fuel poverty commitments, be those on energy efficiency, or to meet our wider carbon budgets. The Government need to make some form of central investment in the way they have been reluctant to do since 2012.

Q99 **Antoinette Sandbach:** The industrial strategy permits sectors to get together and make an offer to Government. Is it not the responsibility of the energy efficiency sector or those that can deliver to put in the effort and come up with a proposal that they can go to Government with?

***Peter Smith:*** A huge amount of co-funding is taking place. We very much welcome the announcement of the National Grid, for instance, to put some of the money associated with the sale of their gas distribution business into energy efficiency measures. Similarly, gas network operators are making a contribution from the private sector. There is already a high level of co-funding and private sector investment to sit alongside the ECO. The problem is that the Government are not standing next to them and saying, "We will put in a pound for every pound you put in." No Government money is being put into energy efficiency at the moment, in contrast to what is happening in the other UK nations, where they are able to access not only the support in GB countries through ECO, but their own Government-funded schemes. That is probably an issue for another day. We will happily return to that.

Q100 **Chair:** They are very interesting and useful points, which I am sure we will pick up in the future. This Committee is also very keen to see that data sharing you refer to, Peter Smith. Antoinette Sandbach has raised that in previous sessions. It seems to us, as members of this Committee but also as constituency MPs, that it would make a lot of sense for energy companies to be able to access that information. I see customers all the time who are vulnerable but the energy companies just are not aware and therefore are not giving them the support they need. Therefore, it is important that we carry on pushing on that.

Q101 **Mark Pawsey:** I would like to ask Mr Taylor some questions to understand the impact of energy costs on disabled customers. In your evidence, you told us that a household with a disabled person spends over £3,000 a year on energy costs compared with the average UK household spend of £1,345. That is more than double the amount. Is that figure accurate and, if so, could you explain to us why it is so much more?

***James Taylor:*** The figure is taken from ONS data, so we are fairly confident in that figure. The case for disabled people in the UK today is that there is a financial penalty with being disabled. Many disabled people face extra costs, whether that is having to spend more on specialist equipment, specialist insurance or, in this case, your energy bills. Perhaps you need to charge equipment, heat your home or keep it at a constant temperature. Our research shows that, as you have said, the energy cost per year is twice as high.

Q102 **Mark Pawsey:** If there were to be a cap, would you hazard a guess as to how much that £3,000 average bill might be reduced? Are we talking tens, fifties or hundreds of pounds?

***James Taylor:*** I do not think I could say, I am afraid. We have not looked into that.

Q103 **Mark Pawsey:** If there were a cap, it is not going to halve it, is it?

***James Taylor:*** No, I would not have thought so.

Q104 **Mark Pawsey:** It is not going to bring it down to the average level. It is going to make only a relatively small impact. Would a couple of hundred pounds be a reasonable proposition?

***James Taylor:*** Potentially.

Q105 **Mark Pawsey:** But we are still going to end up with disabled people paying double the amount for the energy they use, whether or not there is a price cap. Do you not think there might be better interventions, then, in respect of disabled people?

***James Taylor:*** A cap is a welcome short-term measure, but the real long-term challenges, as Peter has outlined, are around the schemes that are in place to support people who might be in vulnerable circumstances. Unfortunately, many disabled people are not aware that these schemes exist in the first place. Scope research found that 40% of disabled people had never heard of the warm home discount and around 50% had never heard of the priority services register, which areboth really important schemes that can provide support. These are the sorts of things that need to be addressed.

Q106 **Mark Pawsey:** Is your support for the price cap really just a relatively small part of the campaigning that your organisation is quite reasonably doing in respect of disabled people? Is there anything you would like to see in the Bill that would be of assistance to disabled people?

***James Taylor:*** The two things we would like to see in the Bill are, first, as Victoria said earlier, a proper valuation and impact-measure setting. We would like to see the Government's thinking on how they will look at the impact of the capspecifically on disabled people among other groups. Secondly, there is little recognition of vulnerability in the Bill. That could be addressed.

Q107 **Peter Kyle:** Pete, my questions are for you. Which? was the consumer group that was most sceptical about the Government's approach and the CMA's findings. Why was that?

***Pete Moorey:*** I touched on it in the beginning. We absolutely recognise reforms are needed in the energy market. We have been campaigning for that for a long time. We also, as an organisation, believe that price caps are appropriate on certain occasions, particularly where they are targeted at particular groups of customers for whom competition is not working, as in the prepayment meter market, or where there is particularly a detriment, as I outlined in the banking sector with those people who are facing unauthorised overdraft charges.

However, we do have two big concerns. One is the fact that this price cap, being so broad, is not going to address the issues around consumer engagement and competition. Therefore, that is why we need to ensure it is time-limited and that we have this route out of a price cap world back into a more competitive market. Secondly, it is the important point around the range of potential unintended consequences for consumers. Undoubtedly, prices are going to come down for some consumers as a result. Prices will go up for others, and I think we can live with that. The question is, when you look at that in the round, will prices overall for consumers have come down as a result of this or will they have gone up? That is a big concern.

Q108 **Peter Kyle:** As Which? is the hot bed of radicalism when it comes to this, what are the solutions according to you?

***Pete Moorey:*** These are not particularly radical solutions. In the short term, Ofgem are right to go ahead with the cap for vulnerable customers. Help for vulnerable customers is absolutely needed. We would have liked to have seen more time for the CMA remedies on engagement. I recognise the frustration that everyone has about the time that these have taken. I have talked about it previously in front of this Committee—that it has taken an awfully long time for them to start and get results. Ultimately, we want to see consumers better engaged with the market. In the long term, we also want to see the technological innovation in this market that I have said is starting to become a prospect for consumers.

Q109 **Peter Kyle:** What does this mean for the Bill, then? Presumably it would need to be changed, but in what way specifically? You have been quite general.

***Pete Moorey:*** With regard to the Bill, there are two critical things, and they really are drawing on what Victoria and James have said. Ofgem must be required to set out clear criteria for monitoring and evaluating the success of the cap. They should be reviewing it on a six-monthly basis so we have a clear idea of how it is developing. They need to publish those monitoring reports. They also need to be required to take action to mitigate any impact it is having for customers over that period. We want to see that change.

The other change we would like to see in terms of the Bill is requirements on Ofgem in terms of how they test how the cap is communicated to customers, because there is a real danger, as previous people giving evidence have said, around people starting to think, "I now have this safeguard tariff, and I therefore do not need to engage in the market any further." The way that is communicated to customers is really important because, alongside any cap, we also want to see all the range of tests and trials the CMA proposed, and that Ofgem are now testing, going on. Ultimately, if we are going to remove this cap, we need to be in a situation where consumers are continuing to engage in the market and still shifting and moving to smaller suppliers with cheaper deals, and that that is being maintained so that we have a properly competitive market.

Q110 **Peter Kyle:** It strikes me that many of your recommendations would benefit the non-vulnerable customers as much as the vulnerable customers, perhaps even more so. We had the Secretary of State giving evidence, and he has repeatedly said he does not have the time to switch. It could be that Which? is there helping the Secretary of State.

***Pete Moorey:*** Yes, to a certain extent, although we need to resist viewing vulnerable customers as completely inactive in the market. There are an awful lot of vulnerable customers who will be out there searching on a regular basis for the cheapest deals and will be on some of the best fixed-price deals in the market, and that is undoubtedly due to the work of the three organisations sitting alongside me, who work very closely with vulnerable consumers to ensure that they are getting the best deal. We have to make sure they do not lose out as a result of this as well.

Q111 **Peter Kyle:** Clearly there are specific needs of vulnerable customers. Are you saying your recommendations would disproportionately benefit vulnerable customers? It seems quite general to me.

***Pete Moorey:*** No, I am not saying that. It is likely that many customers are going to save money as a result of any cap. What we need to ward against is that it does not push up prices for people overall. That could include some vulnerable customers.

Q112 **Peter Kyle:** You said in your submission that we need to harness technological innovation. Does that mean that the smart meters, once rolled out in their most interpretable version, will offer enough to increase customer engagement and fix the current situation for those on standard variable tariffs?

***Pete Moorey:*** They will not on their own, but smart meters are an important element of a potentially new kind of energy market. When we have smart meters, smart appliances and smart grids, there is the potential now in the energy market to have a range of different deals that customers could access—ones that are much more personalised to them, whether that is people like me, who are not vulnerable, or people who are struggling with their energy bills. Also, it presents a prospect for new kinds of energy companies entering the market, which may well be able to help you with not only your gas and electricity but all the other services that are going to be linked to your smart meter. They may well be able to bundle products in a way that could make buying your energy a very different prospect.

Q113 **Peter Kyle:** To summarise your evidence, it seems like you want more of everything. Is there one specific thing you think would have the biggest impact?

***Pete Moorey:*** Do you mean in terms of changes to the Bill or more generally?

Q114 **Peter Kyle:** What would have more impact on the market? In terms of the Bill, what single measure do you think would have the biggest impact on behalf of consumers?

***Pete Moorey:*** I would still like to see more time and effort given to the CMA's tests and trials in terms of customer engagement. We have only just started to move into those, and they do present a prospect of waking up customers in a way they have not been before. That should still be pushed forward.

Q115 **Chair:** Can I ask Victoria MacGregor something? You may not have the information to hand but it would be useful for this Committee. I would be interested to know how many people come to Citizens Advice bureaux on an annual basis, and perhaps over the last few years, about issues with their energy suppliers and particularly around the costs or managing the costs of energy. I do not expect you to have the detail to hand.

***Victoria MacGregor:*** Yes, I will come back to the Committee with the full details, but on average across the various channels we get about 3,000 people a day coming to us on energy issues. That is online, on the phone and face to face. Last year, in terms of managing energy debt, we had about 70,000 face-to-face clients who were struggling with energy debt. I will come back with the full details on our numbers.

Q116 **Chair:** Those numbers are very high. I would definitely be interested in more information on that, Victoria.

***Victoria MacGregor:*** Yes. It shows us that people struggle to engage and to manage their costs, but they also struggle to understand the market.

Q117 **Antoinette Sandbach:** I think Citizens Advice has set up a switching service or at least a register, because one of the problems is that people lack trust in switching sites. What has your usage been in terms of the number of people switching through Citizens Advice?

***Victoria MacGregor:*** We run a whole-of-market price comparison website. We were designated to be that whole-of-market backstop by the CMA, but it is not a transactional site because of our position as an independent organisation. We cannot facilitate the switches through that but we can provide the information to people. We have also integrated that with our energy supplier star rating, whereby we rate at the moment the largest 28 suppliers' customer service, so people can look at price and customer service together.

Q118 **Antoinette Sandbach:** Of the 70,000 people who are coming to you with energy debts, how many of them are using that service once you have referred them? Do you follow up on that? Do you see how effective that information is?

***Victoria MacGregor:*** Our advisers would be using that information with those clients to help those clients find the best deal for them.

Q119 **Vernon Coaker:** Mr Pawsey and I were looking at the figure of 12 million households still on standard variable tariffs. I was looking at Ofgem saying they were considering setting mandatory targets for the suppliers to take people off standard variable tariffs. Is that a good thing? Do you think they should get on with it, in other words?

***Pete Moorey:*** That is a really interesting idea and there is a range of things that need to be done alongside the cap to try to drive engagement. Targets could be one of the things that could be done, not necessarily just for standard variable tariffs but for any default tariff. That is one idea that should be considered.

Q120 **Vernon Coaker:** I thought the interesting bit was "mandatory." Again, it is this frustration. We do not want to be here discussing it in a few years' time.

***Pete Moorey:*** Absolutely—agreed.

**Chair:** No, we do not. Thank you very much for coming to give evidence. The three panels today have been incredibly useful for us. We have learnt a lot. This number of 12 million people being on standard variable tariffs gives us all cause for concern. It has been useful to explore the robustness of the £1.4 billion consumer detriment number from the CMA, which the Government rely on heavily. The fact that it has not been appealed by the big six is interesting and something we can pick up with them next week.

Most of all, I would say that there is a sense from everybody who has given evidence today of frustration that things are not moving faster and there are still so many people on standard variable tariffs despite the different remedies that have been put into effect. While I think most people would regard the CMA remedies as good, the question is whether they are sufficient or whether we need, as the Government argue, an energy price cap. Certainly the evidence today has been very useful and we will pick this up next week when we see some of the bigger and smaller energy companies and put some of these issues to them. Thank you very much for your time this morning.