

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

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**Abstract** In 2016, the UK Competition and Markets Authority (CMA) found that “weak customer response” enabled incumbent UK energy retailers to set higher and discriminatory prices to residential customers. The CMA estimated the associated higher prices constituted a customer detriment in the range £1.4 bn to £2 bn per year. Although the CMA recommended against a price cap on most domestic energy tariffs, the size of the detriment and public concern about “rip-off energy tariffs” nonetheless led the Government to impose a price cap as from January 2019. This paper examines the CMA’s calculation of customer detriment and suggests that it is inconsistent with CMA *Guidelines* and unprecedented with respect to its nature, magnitude and policy impact. Alternative more realistic calculations suggest that any detriment would have been nearly an order of magnitude lower, so that a price cap was inappropriate. This raises a number of questions about the CMA’s approach.

**Keywords** retail energy markets, market power, efficient costs

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