



Written evidence submission for the Domestic Gas and Electricity (Tariff Cap) Bill Public Bill Committee

March 2018

Bulb, the UK's fastest growing renewable energy supplier, supports the Domestic Gas and Electricity (Tariff Cap) Bill's intention to introduce a price cap on rip-off energy tariffs. We believe that the cap will protect customers on rip-off tariffs, while at the same time creating more competition and transparency in the energy market.

Bulb also commends the speed at which this Bill is proceeding through Parliament. We recognise the need to move quickly to ensure that the cap is in place in time for winter. However, it is also crucial to get the provisions of the Bill right in order for the cap to be both meaningful and effective.

Below, we set out four ways in which Bulb believes the Bill can be improved by MPs.

Close the green loophole

Bulb supplies 100% renewable electricity and 10% renewable gas to 300,000 members. But we see no reason why there needs to be an exemption from the price cap for green tariffs. We are living proof that energy can be both green and affordable. Our single Vari-Fair tariff costs an average of £860 a year for a typical London property. This is over £300 a year cheaper than the most expensive Standard Variable Tariff (SVT) offered by a Big Six supplier.

We are concerned that the exemption for green tariffs could be exploited by unscrupulous suppliers to keep charging people unfair prices. The Chief Executive of Ofgem, Dermot Nolan, himself has pointed out that suppliers "may try to game" this exemption in his oral evidence to the Business, Energy and Industrial Strategy Select Committee during its pre-legislative scrutiny of the draft Domestic Gas and Electricity (Tariff Cap) Bill inquiry last year.

The Minister for Energy and Clean Growth, The Right Honourable Claire Perry MP, also correctly outlined the risks of allowing for such an exemption for green tariffs when she told the House of Commons in the second reading debate of the legislation on March 6th that, "Ofgem has never been required to scrutinise existing green tariffs... the expectation will be that customers should not have to overpay to be on a green tariff".



We welcome the change made by the Government from the draft Bill to tighten the definition of a green tariff by introducing the need for an active consumer choice - but we believe MPs need to go further still.

We would, therefore, like MPs to amend the Bill to scrap the green loophole altogether through removing subsection 2 of clause 3 from the legislation.

Moreover, Bulb believes that a green loophole in the price cap legislation would perpetuate the myth that renewable energy need be more expensive than non-renewable energy. A search on price comparison website uSwitch reveals that, again for a typical London property, there are 48 green tariffs available for households. For EDF and npower customers on a SVT, only two of these 48 tariffs cost more. For British Gas, Scottish Power, EDF or SSE customers on an SVT only four green tariffs cost more.

Ensure the price cap is absolute, not relative

Bulb supports an absolute price cap over a relative price cap.

An absolute cap, of around £100 a year lower than where current SVT levels are, would go a long way to reducing energy bills for households. The 11 million households that this cap aims to help are disengaged from the energy market. They will only see real benefits from this cap if it is absolute.

At the same time, it would still provide enough price difference between the most expensive suppliers in the market and the least expensive suppliers in the market, around £200, to create an incentive for switching. That works for both ends of the market.

We would, therefore, like MPs to ensure through the Bill that the price cap Ofgem designs is absolute.

Make the cap permanent, not time-limited

Bulb would like the cap to be made permanent, rather than be time-limited.

Unscrupulous big energy companies have shown for too long that they will not take action to cut bills for families. We believe that an absolute cap is the best way to ensure that families do not continue to get ripped-off in the future.

We are particularly concerned by the argument that installing smart meters will make the energy market competitive again and reduce the need for a cap. We are not aware of any evidence to suggest that the impact of smart meters on customer behaviour is enough to offset the protection of a price cap. This is supported by the Government's own data, which shows that savings made by consumers with a smart meter only amount to £11 a year.



Smart meters have great potential to boost responsible energy usage but they will not offer families the protection they need from “tease and squeeze” price gouging.

We would, therefore, like MPs to amend the Bill to remove the price cap’s sunset clause.

Guarantee transparency

Transparency is the bedrock of a healthy and competitive energy sector, and Bulb are concerned that the Bill makes no reference to transparency obligations at all.

Ofgem will have extraordinary powers to set prices that will affect millions of homes across the country. As such, it is imperative that Ofgem publishes its full formula and methodology for the price cap in detail, so that there is no doubt about how it is arrived at.

We would, therefore, like MPs to include a provision in the Bill through an amendment that requires regulators and suppliers to publish every contribution, written or oral, made in response to the various consultations that will determine the setting of the price cap, as well as regular publication of a list of external meetings of senior officials and energy companies. It is concerning that Ofgem currently do not seem to publish details of these meetings on their website.

Ministers and government officials are held to a much higher standard of transparency. As the regulator gains more powers, so should its responsibilities increase.

Lastly, if exemptions from the cap are claimed, there should be an obligation to set out in writing the precise reasons for the claim, with full supporting evidence.