



Department for
Business, Energy
& Industrial Strategy

Rachel Reeves MP
Chair
BEIS Select Committee
House of Commons
London
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The Rt Hon Claire Perry MP
Minister of State for Energy and Clean Growth

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21 November 2018

Dear Rachel,

Thank you for your letter dated 1 November to the Secretary of State regarding the protection of vulnerable customers from poor value tariffs. I am responding as this matter falls within my Ministerial portfolio. I share your concern that we must protect vulnerable customers where the market does not function properly, and I was grateful for your support during the passage of the Domestic Gas and Electricity (Tariff Cap) Act 2018.

The price cap will save the average household on a SVT or default tariff £76 annually, while the typical user on the most expensive tariff will save £120. This will help to bring greater fairness to energy prices and protect disengaged customers. By putting a cap in place for all SVT and default customers the Government is providing protection across the market, whether people are in a vulnerable category or not.

The decision to replace the safeguard tariff for warm home discount recipients with the price cap has been made by Ofgem in line with their statutory duties. I understand they have considered the difference in the level of the caps and their underlying methodologies and are confident that vulnerable consumers will continue to be protected from being overcharged. Ofgem have statutory duties to protect vulnerable consumers, both whilst the price cap is in place and on an ongoing basis.

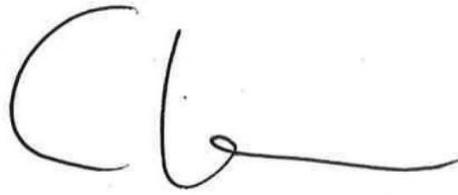
In particular, section 9 of the 2018 Act places a duty on Ofgem to review the pricing practices of energy suppliers and consider if there are categories of consumers who are paying, or risk paying, excessive charges for standard variable and default rate tariffs. If the review concludes that further protections are needed, Ofgem must take action, and I will ensure that this is the case. Given the critical role that Ofgem play in protecting vulnerable consumers, I understand that Dermot Nolan will also be writing to you on this issue.

On the issue of data matching, I am pleased that the Digital Government (Disclosure of Information) Regulations 2018, will enable Government to share information with energy suppliers, such as information on benefit receipt and property characteristics, which will help to improve the fuel poverty targeting of various measures, including the warm home discount. Government is considering further the use of the data sharing powers in the context of the future retail market design.

The price cap is one of a number of measures that the Government is taking to support vulnerable households with the cost of energy. The Government has provided around £5m funding for the Big Energy Saving Network over the last 5 years, reaching over 550,000 vulnerable consumers. Vulnerable customers can get help through Government schemes, such as the warm home discount, cold weather payments and the winter fuel payment. The energy company obligation, the main domestic energy efficiency scheme, will now be focused entirely on low income and vulnerable households.

Thank you again for your support. I look forward to continuing to work with you to ensure that customers, particularly those in vulnerable groups, are protected.

Yours ever,

A handwritten signature in black ink, appearing to read 'CP', with a long horizontal flourish extending to the right.

THE RT HON CLAIRE PERRY MP
Minister of State