



Business, Energy and Industrial Strategy Committee

House of Commons, London, SW1A 0AA

Tel 020 7219 5777 - beiscom@parliament.uk - www.parliament.uk/beis - @CommonsBEIS

15th
November 2018

Rt Hon Greg Clark MP
Secretary of State for Business, Energy and Industrial Strategy
Department of Business, Energy and Industrial Strategy

Dear Greg,

I am writing to express my concern about the way in which the provisions of the Domestic Gas and Electricity (Tariff Cap) Bill are being implemented by Ofgem and to seek further reassurances in relation to the protection of vulnerable customers.

You will recall that last November I sought assurances that amendments to the Digital Economy Act 2017 would enable the safeguard tariff to be extended to more vulnerable customers, including those eligible but not in receipt of the Warm Homes Discount. I have welcomed the progress that has been made since then in amending the necessary regulations accordingly.

I understand that Ofgem is now proposing to remove some vulnerable customers – those not on pre-payment meters but in receipt of the Warm Homes Discount – from the existing safeguard tariff. Because the two tariffs are calculated on a different basis, analysts have identified a serious risk that, over time and as cost elements fluctuate, the default tariff may rise faster than the safeguard tariff.

There is therefore a real concern that some vulnerable customers may ultimately end up paying more under the new regime than they otherwise would have done. This outcome would be entirely contrary to the intention of my Committee, and I think Parliament, in approving the legislation, and run contrary to Ofgem's responsibilities to look after the needs of different groups of vulnerable customers.

I would strongly urge you to encourage Ofgem to use the powers of the Digital Economy Act to identify all vulnerable customers and to extend the safeguard tariff cap to them, as necessary, whilst the default tariff is in place. Furthermore, in my Committee's pre-legislative scrutiny report on the draft Bill we recommended that the protection of vulnerable customers should be one of the pre-requisites for the lifting of the price cap. Consequently, such protection should remain in place beyond the life of the new default tariff in order to provide reassurance and the protection needed by vulnerable customers.

My Committee will be monitoring closely the implementation of the price cap and its impact on energy consumers. I would be grateful if you could encourage Ofgem to ensure that it takes all available measures to ensure that the new regime operates as Parliament intended, for the maximum protection of all vulnerable customers.

I am copying this letter to Dermot Nolan and intend to publish it, alongside the response.

with best wishes

Rachel Reeves

Rachel Reeves MP

**Chair of the Business, Energy and
Industrial Strategy Committee**