

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT  
GENERAL COMMITTEES

Public Bill Committee

## DOMESTIC GAS AND ELECTRICITY (TARIFF CAP) BILL

*Third Sitting*

*Thursday 15 March 2018*

*(Morning)*

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CLAUSES 8 TO 13 agreed to.  
New clauses considered.  
Bill to be reported, without amendment.  
Written evidence reported to the House.

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**Monday 19 March 2018**

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**The Committee consisted of the following Members:**

*Chairs:* † SIR EDWARD LEIGH, SIOBHAIN McDONAGH

† Afolami, Bim (*Hitchin and Harpenden*) (Con)  
 † Brown, Alan (*Kilmarnock and Loudoun*) (SNP)  
 † Charalambous, Bambos (*Enfield, Southgate*) (Lab)  
 † Donelan, Michelle (*Chippenham*) (Con)  
 † Flint, Caroline (*Don Valley*) (Lab)  
 † Ford, Vicky (*Chelmsford*) (Con)  
 † Gaffney, Hugh (*Coatbridge, Chryston and Bellshill*) (Lab)  
 † Grant, Bill (*Ayr, Carrick and Cumnock*) (Con)  
 † Harris, Rebecca (*Lord Commissioner of Her Majesty's Treasury*)

† Heapey, James (*Wells*) (Con)  
 † Kerr, Stephen (*Stirling*) (Con)  
 † McCarthy, Kerry (*Bristol East*) (Lab)  
 † Norris, Alex (*Nottingham North*) (Lab/Co-op)  
 † Perry, Claire (*Minister for Energy and Clean Growth*)  
 † Robinson, Mary (*Cheadle*) (Con)  
 † Smith, Nick (*Blaenau Gwent*) (Lab)  
 † Whitehead, Dr Alan (*Southampton, Test*) (Lab)

Farrah Bhatti, Nehal Bradley-Depani, *Committee Clerks*

† **attended the Committee**

## Public Bill Committee

Thursday 15 March 2018

[SIR EDWARD LEIGH *in the Chair*]

### Domestic Gas and Electricity (Tariff Cap) Bill

11.30 am

**The Chair:** We will now recommence line-by-line consideration of the Bill. There are the usual words about turning off your mobile phones. I can see at least one cup containing what is a banned substance as far as the House of Commons is concerned—

**Vicky Ford** (Chelmsford) (Con): It is water.

**The Chair:** It is water! I do apologise. It was the Clerk who drew it to my attention. We have to obey the rules, but water is very acceptable. Thank you.

#### Clause 8

##### EXTENSION AND TERMINATION OF TARIFF CAP CONDITIONS

**Alan Brown** (Kilmarnock and Loudoun) (SNP): I beg to move amendment 2, in clause 8, page 5, line 36, at end insert—

“(3A) In the case that the tariff cap is extended to have effect for the year 2023, the Secretary of State must publish a statement before the end of that calendar year outlining whether the Secretary of State considers it appropriate to introduce further legislation to introduce a new tariff cap to have effect beyond the date outlined in this Act.”

*This amendment would require, in the event that the tariff is extended until 2023, the Secretary of State to publish a statement outlining whether he or she considers it appropriate to bring forward further legislation to introduce a new tariff cap to have effect beyond 2023.*

It is a pleasure to serve under your chairmanship, Sir Edward. At our last sitting I made a joke about being brief in my comments, but I will be super-brief this time.

The whole reason for the Bill is the admission that the retail energy market is not working in terms of providing effective competition for consumers and allowing them to access the best-priced tariffs. I recognise that the Government have made it clear that the proposed cap mechanism is temporary for that reason and is to allow the market to remedy itself. Because this is a temporary cap, clause 8 is the sunset clause, which in effect states that the cap must end by the end of 2023.

I have tabled my simple amendment because, as we know, the market is not working, but there is no guarantee that it will remedy itself in the time proposed, although we hope it will. There is a risk that there will still be no effective competition in 2023, so the amendment suggests that if we get to that final year of the temporary cap, the Government should make a statement outlining whether they believe it appropriate to introduce further legislation for a new tariff cap with effect beyond 2023.

The amendment is to ensure that the Government update Parliament about where matters are at, and imposes that duty on the Secretary of State. It is a very simple amendment, so my comments have been super-brief. I look forward to hearing what the Minister has to say.

**The Minister for Energy and Clean Growth (Claire Perry):** Good morning, Sir Edward. It is a pleasure, as always, to serve under your august chairmanship, and I am impressed with your X-ray eyes seeing the coffee cup. It is, once again, a pleasure to welcome fellow travellers on our Committee.

I was of course interested in what the hon. Member for Kilmarnock and Loudoun said—in essence getting back to that long-term question that we have all been discussing as to what “good” looks like. In 2023 how will we know whether the cap can be removed? Interestingly, the hon. Gentleman is in a way seeking to bind the hands of a future Government with his amendment, by putting in place, when the cap is finally removed—I think we all agree with the sunset clause—the need to opine as to whether further legislation should be introduced.

My hope is to persuade the hon. Gentleman to withdraw the amendment, so I shall set out a couple of reasons why he should, although I think we all agree that we support the cap. We want the cap to be in place for the period it takes to restore effective competition in the market. We also agree that we do not want permanent caps to run in the market, because we want it to move towards a more competitive position. The Bill is an intelligent intervention to speed up that journey.

Frankly, the Government have no wish for a price cap to be a permanent feature of our energy market. We debated that point briefly last week. I think there is strong consensus in the Committee—if I have not misjudged it—that the cap should have a sunset clause. In order for a sunset clause to be effective, there should be an end date to the legislation. Of course, as we discussed last week, that does not simply mean we will pass the Bill quickly through both Houses—as I hope we will—and have the cap in place by the end of the year, as Ofgem has assured us is possible; we will also all be working alongside Ofgem to ensure that the conditions for effective competition are in place by the 2023 deadline. I think we would all want to see those conditions in place well before that date.

Ultimately, we want a fully working and competitive market that is transparent, innovative and adaptive, that promotes competition as the best driver of value and service to customers, and that has a regulator with the powers and appetite to regulate actively should a situation arise, as it has done, where we do not believe some groups of customers get that value and service.

We discussed last week the roll-out of smart meters—where we have seen good progress but we need to go further and faster—and moving to faster and more reliable switching. I am very interested in Ofgem’s midata proposals, which will make switching an almost seamless process. Indeed, my hon. Friend the Member for Weston-super-Mare (John Penrose), who was so instrumental in creating the Bill, told me about his latest app, Flipper, which enables someone’s supplies of various services to be transferred almost seamlessly, with their consent, to the best value tariff, based on what tariff they are looking for.

There are plenty of opportunities for consumers to benefit from that improved competition, but we have discussed the fact that, although some of us are active switchers and are aware of those opportunities, some of us are too time-poor to do that. Worryingly, there is a large group of customers who are on bad-value tariffs and either do not know it or are sufficiently disengaged from the market not to do anything about it. That is why we brought forward the Bill and why it is extremely important to test the initiatives that the Competition and Markets Authority proposed to improve engagement with so-called disengaged customers.

We have discussed incredibly exciting technological changes, such as the move to distributed energy, the increase in renewable energy and people's ability almost to create their own energy network, which includes them, local businesses and other local energy consumers. New business models will also come into the sector. I was interested to hear the evidence of some of the more innovative new entrants about where they want to go with the market. They mentioned half-hourly settlement and payments to people who do not consume energy at certain times. There is an enormous range of adaptations, and of course smart metering will unlock even more.

We are all determined to have a fully competitive and fair energy market, but I think we are all of a mind that the cap should be a temporary measure. I pay tribute once again to my hon. Friend the Member for Stirling, who serves with great effect on the Business, Energy and Industrial Strategy Committee, to which we all owe a great debt of gratitude. The Committee said that there is a risk that if the price cap became a longer-term fixture it

“would put the Government unduly in charge of setting energy prices for the foreseeable future.”

**Caroline Flint** (Don Valley) (Lab) *rose*—

**Claire Perry:** It is always a pleasure to give way to the right hon. Lady.

**Caroline Flint:** I thank the right hon. Lady for giving way and congratulate her on receiving Privy Counsellor status—she joins a merry band of us. I accept the argument for a temporary price cap, but does she accept that we should look closely during this period at whether any other structural reform of the energy market is needed to ensure that there is even wider competition and hunger for customers, rather than complacency?

**Claire Perry:** I could not agree more. I thank the right hon. Lady for her kind congratulations. I feel it is an undeserved honour, but it is amazing. She is absolutely right. One of the reasons we were minded to bring forward the Bill was that we have a competitive energy market, with more than 60 companies that would like to sell us energy—either combined heat and power or, in some cases, just power—but we gifted incumbency to a large number of companies when we took what I thought were sensible steps to privatise the energy system. That brought in more than £60 billion of new capital and caused prices to fall and power cuts to halve, but the companies that were gifted incumbency have not had to work for customers. It was interesting to hear from new entrants about how they are determined to shake up that complacency.

I think the right hon. Lady also alluded to practices further up the energy system—or further down; I am not sure whether it starts at the top or the bottom—and particularly profits in the distribution sector and overall network costs, which have come down but arguably could come down further. Work has been done in that area, but I am determined that the whole sector, from generation right to the customer's meter, should be highly efficient, that efficiency and customer service should be rewarded, and that we ensure we have not created a shield of incumbency that allows companies to persist with bad customer practices. This is the start. We may not need legislation to get there, so we may not have the pleasure of—

**Vicky Ford:** Will my right hon. Friend give way?

**Claire Perry:** Of course—it is a pleasure.

**Vicky Ford:** I thank my right hon. Friend for giving way and wish her many congratulations from the Government side of the Committee, too. On incumbency and the investment that she mentioned, is it not extremely important that the price cap is set at a level that continues to encourage investment the whole way through the energy chain and into the new infrastructure we need? That is one of the reasons it is so important to signal that this is not a permanent cap; it is an incentive to increase competition and to ensure that the market continues to be dynamic and that infrastructure continues to be invested in.

**Claire Perry:** My hon. Friend brings her great knowledge of these markets on a broader European scale to make a telling and vital point. The need to maintain investment in the industry, which we must have as we go through what is possibly the most exciting revolution in our energy markets for decades, is included in the Bill for exactly that reason. Clause 1(6)(d) speaks to exactly that point: we must ensure that we still have the financial investment in the industry that we so desperately need.

Having talked about the need to keep on improving efficiency, and having accepted the view of the Select Committee that the price cap should be only a temporary measure—reflecting a cross-party view that the Government should not be unduly involved in setting energy prices—I hope that I have persuaded the hon. Member for Kilmarnock and Loudoun that his amendment is unnecessary and provides an obligation on a future Secretary of State to impose another price cap. A future Government may decide to do that—who am I to suggest what legislation a future Government might introduce? However, I do not feel that the amendment is appropriate; it creates disincentives and uncertainty in a market where we have to have certainty to generate investment. On that basis, I hope he might be persuaded to withdraw his amendment.

**Alan Brown:** The Minister finished as she started, by talking about binding future Governments. I suggest that most legislation, in one form or another, binds future Governments. It is for future Governments to make changes to the legislation if it does not suit their policy at the time. Binding future Governments is not a reason not to table an amendment or to withdraw an amendment.

Again, the amendment is not about making the cap permanent. It acknowledges that the cap is temporary, but if, for whatever reason, we get to 2023 and we still

[Alan Brown]

do not think that there is effective competition in the marketplace, it puts a duty on the Secretary of State to explain what the Government will do to address that, including possibly introducing new legislation.

On what “good” looks like in the future, if the Government had accepted an amendment setting out the criteria for what effective competition will look like—such as the Labour amendment that suggested a whole list of criteria that should be considered to determine and measure that—we would know what “good” looks like in the future. That might also help to generate the effective competition that we are discussing.

That said, to go back to my original point, I am not trying to say that the cap should not be temporary. Following my comments to the Minister, I do not see any point in pressing the amendment to a vote, so I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

**Dr Alan Whitehead** (Southampton, Test) (Lab): I beg to move amendment 11, in clause 8, page 5, line 36, at end insert—

“(3A) In the case that the tariff cap is extended to have effect for the year 2023, the Secretary of State must publish a report before the end of that calendar year on further measures that can be taken to ensure that conditions are in place for effective competition for domestic supply contracts.

(3B) The report under subsection (3A) must include, but is not limited to—

- (a) the merits of establishing pooled trading arrangements which matches energy sellers and buyers on the day-ahead and near-term markets; and
- (b) the potential impact of such an arrangement on competition for domestic supply contracts.”

It is a pleasure to serve under your chairmanship, Sir Edward. Before I proceed, I ought to say two things. First, I congratulate the right hon. Member for Devizes on her elevation to the Privy Council. In terms of nomenclature, I am not entirely clear whether I should refer to her as the Minister or the right hon. Minister in the future.

**Claire Perry:** Just Claire is fine.

**Dr Whitehead:** I think I will just continue with “the Minister”—or Claire, depending on the circumstances under which we meet.

Secondly, the hon. Member for Kilmarnock and Loudoun mentioned that he is a man of few words. I may well be a man of even fewer words today, because I am suffering somewhat, and my voice may not last for the whole proceedings. That could be a great boon for the Committee.

11.45 am

In the previous debate, we heard the hon. Gentleman’s wish to put further consideration of a possible cap in place at the end of 2023, when the sunset clause in the Bill comes into operation. Amendment 11 addresses that same issue but in a slightly different way. It acknowledges that there is a determined endpoint for the cap, come what may, and regardless of all other mechanisms in the Bill, such as reports by Ofgem, ministerial statements and considerations of market conditions. Clause 8 makes apparent that those mechanisms

apply for each year during the term of the price cap, but they do not apply when it comes to 2023, because that is the end of the price cap.

Hon. Members might be tempted to wonder, if the conditions for proper market operation are not securely in place by that point—in each of the previous years, Ofgem has reported that the conditions are not in place and therefore the Minister would almost certainly not agree that the price cap should be taken off—what happens in that last year, when those considerations do not apply?

The amendment would make it necessary, under those circumstances, to look at other factors across the market, not just in retail but in wholesale trading, and to consider the conditions that would lead to better operation of the market as a whole. It would require the Minister to produce a report in that last year about what conditions in the wholesale market might bolster the market in terms of working properly, looking particularly at trading and how the market might work under a trading pool system.

I do not intend to go into a lengthy disposition about the nature of a pool as opposed to bilateral trading—I would recommend a paper from the University of Dundee entitled “How does bilateral trading differ from electricity pooling?” by Egheosa Onaiwu. That is a pretty comprehensive study of the differences. Briefly, a pooled system for generating would be established, whereby generators sell into the pool at an agreed price, and buyers bid into that market on the basis of the pool having been established at that agreed price.

The advantage of such a system is that trading is completely transparent at all times. At that point, depending on how far down the curve the pool goes, there are no bilateral deals, which hon. Members may well know have been quite a subject for investigation in previous years. It is not always obvious with bilateral deals in which companies are effectively trading with themselves—when one company has both generation and retail capacities—that they affect what is happening with the real price of energy at the point at which the trade is made. Nor is it particularly obvious, because it is not transparent, whether those deals are in the public interest in keeping the prices as low as possible. Suggestions have been made that on occasions where companies are effectively dealing with themselves, there can be price transfer. That is, a company is actually trading up in its bilateral deals, so that a price is taken out of the retail and transferred to the wholesale operation and an additional profit could be made.

**Caroline Flint:** My hon. Friend is making an important point. To sum it up, the big six are both generators and retailers. The case is that they generate energy, sell it to themselves and then sell it on to us, without us really being clear about what the true price is. But does he agree that the advantage of a more transparent pool is for those independent generators to have a marketplace in which they can sell their energy, as well as those smaller retailers that would like to operate in a much more open and transparent way? I am glad to say that that was the policy when I was shadow Secretary of State for Energy and Climate Change. If, like other policy areas, it seems to be more popular these days, more strength to his elbow.

**Dr Whitehead:** I thank my right hon. Friend for that encapsulation of how the pool works and for her important point that a pool system would allow independent

generators to trade on exactly the same basis as those vertically integrated generators, and, equally importantly, independent retailers bidding into the market would be able to bid in transparently, on the basis that they would know what the price was at that particular point. There would be hands on the table and the price would be clear for everybody. The whole trading process would be thoroughly transparent, to the particular advantage of how the market works in its new incarnation as a large number of independent retailers and generators operating alongside the more integrated generators and those large inheritors of customers from, essentially, the days of the Central Electricity Generating Board.

**James Heapey (Wells) (Con):** I am not sure that I am that enthusiastic about this idea for further intervention, on two grounds. First, the big six are increasingly separating out their supply and generation businesses, because it makes commercial sense for them to do so, and I am therefore not sure that we are tackling a problem that will continue to exist. Secondly and more importantly, in one of the most successful green finance models that is coming through the cheapest cost of capital tends to be when generation is built with a contract directly to a supplier. I wonder if the hon. Gentleman has considered what impact this measure might have on that very cheapest cost of capital that seems to be available for quite significant amounts of generation capacity coming onstream.

**Dr Whitehead:** I will make two points in response. I hope that the hon. Gentleman will be enthused by the merits of the pool when he looks into it—knowing, as I do, how deeply he does look into these matters on a regular basis. Although it is true that a number of companies are dividing themselves in different ways from the model that there used to be, it is by no means clear that in the complete vertical integration of those companies those divisions all face in one direction. In some instances, such as the recent merger of SSE and Innogy, retail has been put together in one company. In other instances, companies are breaking themselves up into what might be called a good company and a bad company, in terms of the different forms of generation, without distinguishing between vertical integration and generation. Indeed, there are further moves abroad. For example, E.ON in Germany has effectively taken over elements of Innogy, which may have effects back on SSE and Innogy in the UK. A variety of things are happening in the market, some of which point towards different forms of vertical integration and some of which, as the hon. Gentleman says, point in the direction of demerger.

That is not necessarily the central point about how a pool operates. Even if there are circumstances under which there is rather less vertical integration, the fact that the pool is bringing complete transparency on all trades to the table means that everybody in the market is absolutely on the same level as far as both those trades and the retail element, whereby people are bidding in, are concerned. As the hon. Gentleman knows, a number of newer companies will largely be bidding into the day-ahead market. They may be considerably disadvantaged in not knowing what has happened with trades down the curve when bidding into that market. Having that transparency right across the piece is, in principle, a very powerful lever to ensure that the market works well regarding retail trading.

Secondly, the pool system is not a fanciful notion that some people might think is a good idea but that has never worked in practice. Probably the most successful trading arrangement in Europe at the moment is Nord Pool, which does precisely this across the whole of Scandinavia. It does not have the negative effects that the hon. Member for Wells suggests it might in terms of cost of capital and investment, but stabilises that market across the whole of Scandinavia and produces transparency across borders.

In any event, a pool system is something that this we ought to look at for this country. What this amendment does is rather less than that. It asks whether the Minister thinks that, under circumstances in which it has not been possible to frank the market for returning to competitive purposes by 2023, other instruments should be introduced to get us beyond the end of the temporary pool and out of that temporary price cap, which is what we all want. That will be on the basis that we between us will have not just done a good job of running a cap but changed how the market works, so that the cap does not have to be in place subsequently and we do not need to return to the idea of one in the future.

That is what the amendment intends to do. I think it is a relatively modest ask of the Minister. I am sure that, if she is not promoted, she will be in her post in 2023—if there is a Conservative Government. At that point, she would simply have to produce a small report setting out how the pool system might work. Then we will look to see whether we can take that forward at that point as a key measure, to ensure that competition returns to the markets after the end of the temporary price cap.

**Claire Perry:** I have listened with interest to the hon. Gentleman and done a bit of research.

The first part of the amendment asks that an additional report is published setting out additional measures for competition. We had a fruitful discussion of this issue on Tuesday, and talked about the fact that there will be a comprehensive report. There is a duty on the Secretary of State to make this transparent, so it will be obvious that the conditions for competition that have been recommended by Ofgem at that point are clear. We discussed at length whether we need to specify, and the will of the Committee was that that was not the case. So the first part of the amendment is not needed, because we will have a transparent report, we will be able to see what “good” looks like—a phrase many of us have used—and we should be able to satisfy ourselves of that.

The second part of the amendment relates to pooled trading. I understand that the hon. Gentleman is a bit of an expert on that, so I felt that I should go away and look at such things. His argument is that having pooled trading arrangements could be an option that should be included in the assessment of competition, and that the report should cover that. He will know that pooled trading arrangements were in place historically. Indeed, I believe it was the first Blair Government that removed those conditions.

12 noon

**Dr Whitehead** *rose*—

**Claire Perry:** The hon. Gentleman is going to correct me on that. Good—I like a bit of correction on history.

[Claire Perry]

**Dr Whitehead:** The Minister is absolutely right that there was a pooled system in place, but it was a one-way pool, not a two-way pool. Furthermore, there were only two generating companies at that time, so the circumstances were very different, and it was not a full pool in any event.

**Claire Perry:** I accept that helpful piece of information. But when it was cancelled and replaced with alternative arrangements, the real issue was that prices did not fall as far as they should. The rocket and feathers effect was in full cry. I have not been able to find a pub called “The Rocket and Feathers” anywhere in the country, so we cannot go out and celebrate the successful passage of the Bill with a drink in an aptly named pub. However, the new arrangements were put in place back in 2001 and extended in 2005.

The CMA, in its very comprehensive review of market competition, compared the principle of bilateral trading relationships, which the hon. Gentleman has eloquently expounded, with a pool approach. Its view was that the evidence did not support a move to such a pooling system, primarily because there is sufficient liquidity in the market—Ofgem reviews the liquidity arrangements—and there is price transparency for all the pool participants already. The CMA’s conclusion was that if we all accept that we need to move to a more competitive market, the evidence does not suggest a move to bilateral pooled trading relationships.

I have set out that Ofgem has wide powers to say what “good” looks like, on the basis of which it will make its recommendation to the Secretary of State about whether the cap should be lifted. I think that covers the first part of the amendment. I am persuaded by the CMA’s report that, given that the arrangements are working, there is insufficient merit in examining the merits of the pooled market, and there would not be sufficient gain from introducing that system. It should not be a specific requirement, as detailed by the clause.

There may be other opportunities to debate this structural point. On the point made by the right hon. Member for Don Valley when discussing the previous amendment, I hope that there will be opportunities over the next few years to talk in depth about what other arrangements need to be made in the market to improve the efficiency of the entire supply chain. However, hopefully in this case the hon. Member for Southampton, Test will consider withdrawing his amendment, as it is not needed in the Bill at this time.

**Dr Whitehead:** I am not persuaded that this notion is not needed in the Bill in the eventuality of the cap going to 2023. However, I am reasonably persuaded that it would not be a good idea to press the amendment to a Division this morning, because the purpose of the amendment was essentially to allow us to debate the question of the possibility of a pool. I have not persuaded the Minister this morning that it would be a good idea for future trading arrangements. However, given the assiduous work that she has already done in looking at how a pool might work, I hope that she will continue with her studies, and will perhaps be persuaded in the fullness of time that it is actually a rather good idea for the long term, and ought to be pursued—if not by this Government, then by the next. I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

*Clause 8 ordered to stand part of the Bill.*

### Clause 9

CONSEQUENTIAL MODIFICATION OF STANDARD SUPPLY  
LICENCE CONDITIONS

*Question proposed,* That the clause stand part of the Bill.

**Claire Perry:** I am not going to delay the Committee on non-controversial clauses, but I feel it is important to state briefly the purpose of each clause, so that we are all clear in supporting them. Clause 9 gives Ofgem the power to modify the standard supply licence conditions after the tariff cap ceases to have effect under clause 8. On the point made by hon. Member for Kilmarnock and Loudoun, we are giving the regulator powers, as it sees fit, beyond the extension of the price cap, to modify the licence as it has already. The effect is that Ofgem can continue to modify the standard supply licence conditions as it deems appropriate, following the removal of the tariff cap, but of course those modifications must be published and it must state their potential impacts.

*Question put and agreed to.*

*Clause 9 accordingly ordered to stand part of the Bill.*

### Clause 10

AMENDMENTS OF THE UTILITIES ACT 2000

*Question proposed,* That the clause stand part of the Bill.

**Claire Perry:** This is simply a clause containing a whole load of technical gubbins. I commend it to the Committee.

**The Chair:** It is a pity we cannot have that sort of debate on every clause.

*Question put and agreed to.*

*Clause 10 accordingly ordered to stand part of the Bill.*

### Clause 11

INTERPRETATION

*Question proposed,* That the clause stand part of the Bill.

**Claire Perry:** This clause is a lot of definitional gubbins. It is extremely important—I do not wish in any way to reduce the hard work of the Bill drafting committee—but it does not require a long speech.

*Question put and agreed to.*

*Clause 11 accordingly ordered to stand part of the Bill.*

### Clause 12

EXTENT AND COMMENCEMENT

*Question proposed,* That the clause stand part of the Bill.

**Claire Perry:** This clause confirms the geographical extent of the Bill. It will come into force in England, Wales and Scotland, but not Northern Ireland. I am sure the Committee knows that there are separate arrangements for energy supply in Northern Ireland, including existing price controls on incumbent suppliers. We have made reference to that cap in our debates. The Act will come into force on the day it is passed, to make sure that we achieve the crucial momentum in the implementation period.

*Question put and agreed to.*

*Clause 12 accordingly ordered to stand part of the Bill.*

*Clause 13 ordered to stand part of the Bill.*

## New Clause 2

### DUTY TO CONSIDER THE NEEDS OF CUSTOMERS IN RURAL AREAS

“(1) When exercising its duties under section 1, the Authority must have regard to the need to protect customers in rural areas.

(2) When exercising their duties under sections 7 and 8, the Authority and the Secretary of State must have regard to—

- (a) whether effective competition exists for customers in rural areas, and
- (b) additional protection in place for customers in rural areas.”—(*Alan Brown.*)

*This new clause requires the Secretary of State and the Authority to have regard for customers in rural areas when exercising their powers in setting, reviewing and terminating the cap.*

*Brought up, and read the First time.*

**Alan Brown:** I beg to move, That the clause be read a Second time.

We know that part of the problem with existing tariffs is that certain groups of people are more likely to be adversely affected. New clause 2 would make the duty to consider the needs of customers in rural areas absolutely explicit. To recap what I think we are all aware of, people who reside in rural areas are more likely to have lower incomes; they are more likely to be off the gas grid, which leads to overall higher energy costs; and, particularly in Scotland, they are more likely to have properties that are much more difficult to make energy-efficient, thereby increasing their ongoing energy costs.

Digital connectivity is an issue predominantly in rural issues, which means that is difficult to undertake regular switching. Rural areas also still suffer from notspots for mobile coverage, which is an impediment to getting a smart meter. If we really believe that smart meters will help revolutionise the market and help people get lower tariffs, we need to eliminate the notspots. The Scottish Government have just announced a £25 million fund to provide more coverage in rural areas, but that is perhaps not something they should need to step up to the plate on. Challenger companies are also less likely to tackle the rural issue, so the incumbents—the big six—often have almost a monopoly in some rural areas. That is another barrier to competition.

To cap it all in terms of the disadvantages for rural customers, people in the Scottish highlands and islands have to pay 4p a unit more for electricity usage. Rubbing salt into their wounds, anything generated in more rural areas has higher transmission charges placed on the generation companies, and customers in those areas pay a higher distribution levy. That is a real injustice for those in rural areas. And, of course, the Government

have removed contract for difference auction capabilities for onshore wind in rural areas, which compounds the whole feeling of injustice.

The new clause would therefore require the Secretary of State and the regulator to have regard to customers in rural areas in exercising their powers when setting, reviewing and terminating the cap. The clause itself is self-explanatory. Again, I am interested to hear what the Minister has to say.

**Claire Perry:** The new clause seeks to add a clause to the Bill to create duties on Ofgem and the Secretary of State to consider the needs of customers in rural areas and to consider additional protections for them.

The hon. Gentleman spoke about this on Second Reading, and many of us who represent very rural constituencies understand exactly what he is saying. I have been really pleased to learn that, in the north of Scotland, the Government have confirmed their commitment to the hydro benefit replacement scheme, which is worth an average of £41 annually per household in the region.

The hon. Gentleman will be aware that costs are in some cases the function of geography—there is this unfortunate thing that it costs more to get electricity down to certain parts of the country. In my own region, the south-west, the peninsular effect creates some unfortunate energy price increases for those living at the end of the grid, as it were. That is something we have long had to live with. I am not saying that that is acceptable, but to date it has been a function of the pricing of energy distribution.

The other issue for many of those representing rural areas, including mine, is that people rely on heating oil or liquefied petroleum gas deliveries, because we are off the grid. Not only can that be a costly proposition, given the spike in heating oil prices, but it is a problem in terms of carbon emissions. As the hon. Gentleman knows from the clean growth strategy, I am determined to phase out fossil fuel heating—not in a way that penalises existing customers—starting with new builds from 2025, and really trying to come up with cost-effective alternatives in future.

When we have the consultation on the energy company obligation, which will be happening shortly, I am minded to review how much we direct towards customers in rural areas. As the hon. Gentleman knows, and as I know only too well from my constituency, fuel poverty is not an urban phenomenon. Many of our constituents live in old homes, which are not suitable for more modern forms of energy efficiency—[*Interruption.*] My hon. Friend the Member for Hitchin and Harpenden is putting up his hand to say that his house is like that. These homes are a problem, particularly for those on low incomes; in my constituency the average income is well below the national average, and many of our homes are simply very old. That is why, what I would like to do with ECO, to be forthcoming, is to see how we can deliver more help to rural households and how we can focus that help more on innovation so that we can create more of a route to market for important new technologies that could help.

We have an open market in the supply of heating oil—it has been looked at, and the conclusion was that it is competitive and working. LPG customers have the

[Claire Perry]

LPG orders introduced by the CMA, which set a maximum contract length. Under the fuel poor network extension scheme, Ofgem sets a target for gas distribution companies to connect an additional 91,000 low-income homes to the gas grid by 2021. So there is work afoot to reduce some of the disbenefits of living in some of the most beautiful parts of the world, such as the constituency of the hon. Member for Kilmarnock and Loudoun.

I have mentioned additional help, but I suppose the question is whether we should specify in the Bill that more should be done. My argument is that the new clause is not necessary, because the Bill already explicitly requires Ofgem to protect all existing and future standard variable and default customers, including consumers in rural areas. Furthermore, Ofgem's role as the regulator under the existing gas and electricity Acts confirms that it has a duty to protect the interests of all existing and future customers. It should specifically have regard to the interests of individuals living in rural areas, among other things.

There are already protections at various levels of the law and in the Ofgem regulations for those customers for whom the hon. Gentleman so rightly speaks. I therefore do not believe that the new clause is necessary, but I remain apprised of the issue he raised, which many of us face: how we help people who live in rural areas, who do not have the same options as those who live in urban areas, whether in terms of heating, lighting or broadband. I hope that he is content with that explanation and is minded to withdraw his new clause.

12.15 pm

**Alan Brown:** I welcome what the Minister said about ensuring that ECO is rolled out and that people who live in rural areas are prioritised. I realise that a cap in itself is not a means to an end in terms of ensuring effective competition and particularly helping people in rural areas, and that other Government policies are required to do that. Although, as the Minister said, the regulator needs to have due concern for all consumers, the new clause was intended to re-press the need for the Government and the regulator always to remember the disadvantages that people in rural areas face. It is clear that the Minister is well aware of those issues from her own constituency. For that reason, I beg to ask leave to withdraw the clause.

*Clause, by leave, withdrawn.*

### New Clause 3

#### ASSESSMENT OF EXTENSION OF THE TARIFF CAP TO SMALL BUSINESSES

“(1) Within three months of the passing of this Act, the Secretary of State shall lay a report before each House of Parliament assessing the merits of extending the tariff cap to small business customers.”—(*Dr Whitehead.*)

*Brought up, and read the First time.*

**Dr Whitehead:** I beg to move, That the clause be read a Second time.

This is a simple and brief new clause that would require the Secretary of State, immediately after the passage of the Bill, to lay a report before both Houses assessing the merits of extending the tariff cap to small

business customers. I do not think I need to emphasise that the Bill's title gives the game away about what the tariff cap will cover: the Domestic Gas and Electricity (Tariff Cap) Bill applies to domestic customers and to no one else. That rather gainsays the idea that, in many instances, small businesses have far more similarities with domestic customers than with large companies, which may have wholly different arrangements for dealing with their electricity supply—they may engage in private wires or bilateral long-term contracts, or have their own generating plant—from small businesses, which in effect hug pretty closely to the principles for domestic customers.

It seems a little invidious that the cut-off point for the price cap is the end of the domestic customer level. I am sure no hon. Member present is in this position, but it is quite possible for a very large house with multiple activities going on in it to consume a lot more electricity than a high street retailer or a small business. A number of small businesses will find that their electricity bills are not capped even though, to all intents and purposes, they are indistinguishable from domestic customers as far as their patterns of use, means of purchase and so on are concerned.

The new clause would require the Secretary of State, shortly after the Bill's passage, to think about whether it might be appropriate to bring small businesses under the cap as it progresses, with a proper definition of which small businesses are in and which small businesses—those at the larger end—are out, so that the cap's benefits can be extended to that particularly hard-pressed sector of the UK economy, and so that a proper relationship can be established between who is doing what so far as their energy purchases are concerned and who should benefit from a cap as a result of doing those things.

This is a simple, straightforward amendment, which I hope the Minister will consider carefully.

**Claire Perry:** I am extremely interested in new clause 3. I will not delay the Committee too much, but the hon. Gentleman is absolutely right to have observed the issue faced by many small businesses. Indeed, it was observed by the last Conservative Government when they commissioned the CMA report. That report also looked at what was happening in the small business sector. It was a really important question.

As the hon. Gentleman mentioned, there is a huge variety of SMEs. They consume energy in entirely different ways and have different supply contracts. Many of them are on a domestic tariff. A question I have asked—I am not sure I know the answer—is what triggers the move from a domestic to a business tariff. If I do not have the answer by the end of this speech, I will happily write to the hon. Gentleman. It is an important question. [*Interruption.*] My civil servants are scribbling furiously. Of course, those businesses will be protected by the tariff.

As the hon. Gentleman mentioned, companies that are not supplied via a domestic tariff generally have fixed-term, fixed-price contracts that they negotiate through a broker, and those contracts are based on a range of different factors. In my constituency, I am aware—this has come up in the question around energy efficiency, which is a particular problem we need to try to crack with the small business sector—that many small businesses, particularly service companies, occupy

premises where energy is just part of the price they pay. There are real disincentives for those landlords to shop around for a more competitive energy price, because it might reduce some of the benefit they get from selling those services as a bundle. It is an interesting question.

The CMA reviewed the small business market and found that a combination of features lead to a weak customer response. My argument on that—I have discussed this with small businesses—is that if someone is making payroll every month, looking to export to new markets and thinking about what they might have to do with the changes to our technical relationship with the EU, they do not necessarily always default to looking at energy costs, even though that might be economically rational, as electricity or power prices might be 5% of an overall cost base. According to the CMA, that weak customer response provides energy suppliers with unilateral market power over inactive customers—those words always make me feel very uncomfortable when we are talking about a supposedly competitive market.

The CMA has already recommended remedies, and those are being implemented. We have ended auto-rollover contracts with restrictions, including termination fees. That was implemented by the Energy Market Investigation (Microbusinesses) Order 2016. We are making prices more transparent, and we are having a price comparison website, which has already been implemented by the CMA through an order in June 2017. Early reports suggest that that has not been fully taken up by suppliers.

We are establishing a programme of prompts with information for consumers to engage, which is similar to the remedy for domestic customers in terms of the least engaged groups. That is ready for implementation, but no date has been set. In a similar way to what we are doing on domestic remedies, we are establishing a database of inactive customers that will be made available to rival suppliers and switching sites. Ofgem has not yet implemented that recommendation.

There has been some progress on transparency and auto-rollover contracts. The recent welcome action Ofgem announced to end back-billing beyond 12 months will also benefit small businesses and should help significantly with the cash-flow drain that a large backdated bill could cause.

Ofgem has a business consumer survey under way that we expect to get sight of this summer. It should give us more insight into the experience of business consumers. Ofgem plans to review consumer protections in the small business market.

While I invite the hon. Gentleman to withdraw the new clause on the basis that the Bill focuses on domestic customers, where we already have more information, I am extremely interested in the problem of how we might provide better customer service and pricing availability to small business customers. I am perfectly happy to commit to looking at the problem very seriously and to have a proper and open discussion, as the hon. Gentleman and I tend to do, about what more might be done. I would send a very strong signal that, if at some future point a price cap mechanism might help small businesses, that is not something I would turn away lightly.

The hon. Gentleman has re-identified an excellent problem, if you like, in the energy markets. As I said to the right hon. Member for Don Valley earlier, the Bill is part of the intention to make a competitive market

work well for all consumers. I will continue to engage closely with this problem, and I hope the hon. Gentleman will be content to withdraw the new clause on that basis.

**Dr Whitehead:** I thank the Minister for that positive response to the overall suggestion. I appreciate that the Bill sticks fairly closely to domestic tariffs, and that is perhaps how we should leave it for present purposes, but I hope that the principle that has been raised, about that almost imperceptible gap, on occasion, between where domestic tariffs finish—

**Claire Perry:** Would the hon. Gentleman accept an intervention?

**Dr Whitehead:** Ah! The Minister has been inspired.

**Claire Perry:** I can inspire the entire Committee with the assiduousness with which my brilliant team is able to answer my questions. A company chooses the business rate. Those in commercial and retail premises have to choose a business tariff, but, of course, a home business, of which there are millions and millions, can be on a domestic tariff. In a way, there is a sort of self-selection mechanism, but if the business moves into commercial premises, it does have to default on to a business tariff. I hope that clarifies the confusion I raised.

**Dr Whitehead:** I thank the Minister for that clarification, but it emphasises the fact that a small business may be in circumstances where it is renting part of a building or is part of a business park, the negotiation of the energy supply is out of its hands and it is paying a set amount for that electricity, but that is not done on domestic rates, even though the extent of the business means the electricity may be well within what is normally paid for by a domestic consumer.

The Minister is absolutely right to identify the issue for small businesses, and I hope that will underline the seriousness with which she will take the issue forward. She indicated that she does want to give it further thought and to look at circumstances where the point of departure may be less abrupt in the future. On that basis, with the trust that she will assiduously pursue this, I beg to ask leave to withdraw the clause.

*Clause, by leave, withdrawn.*

#### New Clause 4

##### ONGOING RELATIVE TARIFF DIFFERENTIAL

“(1) The Secretary of State shall, during the term of the tariff cap conditions being in place, develop, ready for implementation, a relative tariff differential.

(2) A relative tariff differential is a requirement on supply licence holders that the difference between the cheapest advertised rate and the most expensive standard variable or default rate shall be no more than a specified proportion of the cheapest advertised rate.

(3) The Authority will be responsible for setting the proportion referred to in subsection (2).

(4) The relative tariff differential shall take effect on the termination of the tariff cap conditions.”—(*Dr Whitehead.*)

*Brought up, and read the First time.*

**Dr Whitehead:** I beg to move, That the clause be read a Second time.

This new clause is one that I feel particularly strongly about and that I hope the Minister can take on board, not necessarily with an immediate indication that the exact clause might be accepted but perhaps with an indication that she will look carefully at the principles it outlines and consider whether a similar amendment may be necessary and possible on Report. I say that partly because I appreciate that some of the wording is not what we would want to see in the final Bill. I particularly draw attention to the word “ongoing”. I am sorry that I have committed that word to paper, because it really should not exist as an English word; perhaps we can think of a better clause title. However, I want to talk briefly about what the new clause suggests.

12.30 pm

Anyone who has followed the debate leading up to the Bill will know that the hon. Member for Weston-super-Mare in particular has pursued with great vigour, and to his great credit, a campaign to ensure that a price cap Bill came before the House. The fact that the Bill is here today is in no small part down to his hard work, and that of many other hon. Members, in keeping the issue at the head of discussion, and making suggestions and proposals about how the legislation might be introduced.

One proposal that the hon. Gentleman put forward is that, when we talk about a price cap we should talk about not an absolute cap but a relative one, because that has a number of merits that an absolute cap does not. He suggested that it should be based on tariff differentials. For my part, I do not think that a relative price cap cast in that way does the business. Like the Minister, I am in favour of an absolute price cap, which is what is in the Bill. I am not in favour of that formulation of a relative price cap because that is not actually a price cap. It could start on the basis of differential tariffs at any level, and would not perform the function of an absolute price cap.

However, what the proposal of a relative cap does really well is draw attention to a serious, big problem in the energy market today. If energy companies have a very substantial range between tariffs, that affects their ability to switch their customers, and particularly their sticky customers. Let us not forget the range of sticky customers—people on variable tariffs—that a number of companies have. I think SSE, for example, has 89% of its customers on standard variable tariffs and other similar tariffs. Most of the big six have well over 50%. Even some of the newer energy companies are accreting a number of customers who are in that position. Those customers, who have been the focus of the Bill, are the most prone to particular energy companies effectively trading on their loyalty to change the terms of the tariffs over a period of time, so that they migrate towards the top end of the tariff range, rather than the bottom end, which they may have entered into an agreement on in the first place. Even if someone is on a fixed-term tariff offered at a particular point by an electricity company with a substantial tariff range, thinks they got a particularly good deal from that company and is a loyal customer, they may well find themselves placed on a new tariff towards the top end of that company’s tariff range when that mode of deal comes

to an end. In many instances, people do not know that has happened: they thought they were getting a good deal but find that they are paying through the nose for their electricity.

**Caroline Flint:** It is worth exploring what might happen down the road when the temporary price cap ends. I am in favour of an absolute price cap rather than a relative price cap. I am listening very carefully to what my hon. Friend is saying and I have read the new clause, but may I say this to him in a friendly way? My concern is that there is a danger that what he is putting forward may inadvertently create a relative price cap and I am against that because a company could set its highest tariff very high so that, even if there were a 6% differential, it would be a differential between a high tariff and a really high tariff. I am totally at one with him on ensuring that another set of bad practices does not come in when the temporary price cap ends, but is there not a danger that that might be the unintended consequence of his new clause?

**Dr Whitehead:** I thank my right hon. Friend for that important point about trying to look at the consequences of what may happen when the price cap ends. Indeed, the new clause considers precisely what circumstances will be in place at that point. In essence, its purpose is to require the Secretary of State to produce a report on what might happen to relative tariff differentials in the period after the price cap ends. I suggest that that may be one of the pillars of a return to reasonable market conditions when the cap ends. If that pillar and other matters relating to the market working well were in place, and had been franked by Ofgem as being in place, the relative tariff range limitation device might come into place at that point.

In those circumstances, it would make no sense for an energy company to start with a very high tariff, because it would simply lose a whole pile of customers. Indeed, in circumstances where companies have done that, for various reasons, they have bled a very large number of customers. We can see that in some of Centrica’s activities, for example. It seems to me that in circumstances where the market was otherwise working reasonably well, the market itself would determine whether companies could hoick their original offer tariff really high to take advantage of a restricted tariff level. That may simply not be a viable strategy for them to adopt under those circumstances. At the same time, however, companies that had offered a competitive tariff would not have the option of transferring customers to a non-competitive tariff if they did not switch.

That is particularly important given that all the evidence we have so far shows that, whatever we do and whatever remedies or new instruments are put in place, it is unlikely that we will ever have a market in which everyone actively switches. It is extremely likely that the system will continue to operate on the basis of a majority of people one way or another not switching and a minority of people switching, sometimes very actively. Yes, perhaps that switching would keep the market in order, but the market nevertheless would still carry a large number of people who did not switch.

In the past, people not switching has led to the maintenance of SVTs and default tariffs. Even when measures are applied, such as Ofgem’s experiments with

getting people to switch on the terms of the CMA's recommendations—a number of pilots have been carried out, including letters from energy companies or from Ofgem informing people about how they might switch—a good number of people do not switch. We have a reasonable responsibility—indeed, a duty—to consider what will happen to that body of people even after we apply all the other remedies to the market. It seems to me that this particular remedy for the period after the absolute price cap ends may actually address that issue of sticky customers continuing not to switch.

Let me give hon. Members an idea of what is happening in the market today. As we might expect, among the 60-plus companies making a tariff offer in the market, there is an upwards curve in basic tariffs. The annual cost of a dual fuel tariff ranges from about £800 to £1,200 for some of the green tariffs we discussed. If we look at those companies' tariff ranges—I will not mention names—we see that one company that starts at the lower end with an initial tariff offer of a little over £800 has a tariff range of up to £1,150, another company that offers an initial tariff of just over £900 has a tariff range of up to £1,200, and a company that starts at just under £900 has a tariff range of up to £1,150. That indicates that, at the moment, the slope of a company's initial tariff bears no relation to its tariff range. Indeed, some companies have very good tariff ranges—Members might be surprised to hear some of their names—whereas other companies, which Members might have a rather more benign view of, actually have huge tariff ranges. So the question of tariff range and how that may affect sticky customers is a question not just of there being bad companies doing this and good companies not doing it, but of it being reasonably endemic across the range of companies offering a relatively low initial tariff but having a very high tariff range structure in their arrangements.

12.45 pm

The new clause therefore simply says not what should be offered after the cap is over but that there should be a piece of elastic, as it were, between the lowest tariff and the highest. In essence, that is what the relative price cap suggests, but I am saying that the good bits of that suggestion should be incorporated as a pillar of the market's working well once the absolute cap is over. In a sense, that is the best of both worlds, the good bits of what is being proposed in the relative price cap and the good bits of the absolute price cap working well together to ensure that the market works well in the long term.

The Minister should look closely at my suggestion as an instrument to ensure that the market works well, which is what we all want to happen at the end of the absolute price cap. It would also be relatively easy to put in place while nevertheless assuring that section of the market for the future for those people who pay the high tariffs because of their particular behaviours. We should all be concerned about that and I hope that the Minister will take it on board and come back with something that makes it work, perhaps in a slightly different form—perhaps with a better name than the ongoing relative tariff arrangement—and that works well for all of us.

**Claire Perry:** I agree with the right hon. Member for Don Valley that it is absolutely right to think about what might happen when the cap goes off into the sunset,

as we have done extensively. I am always interested to listen to the hon. Member for Southampton, Test but I slightly feel—unless I have misjudged this—that we are going over territory that we have covered extensively, in particular on Second Reading. We have heard many arguments about the absolute versus the relative tariff and, in effect, he is proposing a perpetual relative tariff—[*Interruption.*] Perpetual or ongoing, perhaps we are dancing on the head of a pin—

**Dr Whitehead:** I am not proposing an ongoing cap.

**Claire Perry:** Okay, but there is a relative tariff or a relative cap that is ready to go. The hon. Gentleman said on Second Reading:

“It should be clear that we want this price cap to come in. We believe it should be an absolute and not a relative price cap”.—[*Official Report*, 6 March 2018; Vol. 637, c. 271.]

I agree with him, as does Ofgem and as does the Select Committee, which made it very clear that it felt that a relative cap would simply be gamed.

As the right hon. Member for Don Valley mentioned, there is also the problem that companies will simply lift up their skirts and raise their whole tariff. The hon. Member for Southampton, Test may say that companies would then lose their customers, but we come back to the question of whether people will actually move. Yes, companies may lose those hyper-price-sensitive switchers who are very engaged, but they may not lose the customers we are really here to help today—those who are more vulnerable and not as savvy.

The hon. Gentleman is right to say that Centrica lost more than 800,000 customers, but 650,000 of them were due to a collective switch—one big deal. So only 150,000 of a very substantial customer base, the majority of whom are still on SVTs, actually shifted, despite the price rise. The numbers are therefore not quite as unequivocal as he suggests.

He is also right to raise the issue of ongoing protection for vulnerable consumers. We will all be pleased that, regardless of the price cap, Ofgem has already introduced a safeguarding tariff for those on prepayment meters, an additional 1 million customers. Those customers have saved about £120 to date relative to what they would have paid. The tariffs that they are paying have come down relative to the uncapped SVTs on the market. That absolute cap mechanism, therefore, is working. Even when the safeguarding tariff put in place by the CMA or the price cap in the Bill comes to an end, Ofgem will continue to have the powers to take further steps to protect vulnerable customers as it sees fit.

We are all here because we want the market to be in a competitive place on the expiration of the tariff cap under the sunset clause. The hon. Member for Southampton, Test may say that that is a triumph of optimism over practicality but, in essence, if we believe the market will be more competitive and we do not believe that the relative price cap is the way to address any remaining issues of uncompetitiveness, I find it difficult to see why we should put his new clause into the Bill, running all the risks we talked about on Second Reading—which have been explained eloquently by others—of the variable tariff cap not being an effective way to establish competition. We will have had a temporary absolute cap in place. We will have sent the very clear

[*Claire Perry*]

signal. That will have operated. I can see a situation where a relative cap could undo some of that good work and we would suddenly see prices zooming upwards because there was the opportunity to do so.

I appreciate the hon. Gentleman thinking hard, as always, about what “good” will look like, and I share his desire to continue to work together on ensuring that this cap delivers, but I hope he will withdraw the new clause on the basis that it is not necessary and could have had unintended consequences.

**Dr Whitehead:** I simply do not accept what the Minister says about bad unintended consequences. I do not think that is realistic. Conversely, having something like this in place would be a positive driver of a return to not only good market conditions but proper protections for those operating tariff arrangements under those otherwise good market conditions. It is important that, in the ending of the absolute cap, we get both sides right. It is not just a question of the market working well. It is a question of people in that market who have disadvantageous circumstances being protected properly as it goes forward.

**Claire Perry:** Would the hon. Gentleman accept that those arguments could be made today about whether we are introducing an absolute or relative cap? We have all agreed quite strongly that an absolute cap provides those protections. If he were proposing that Ofgem has an absolute cap ready to go, we could raise some of the questions we discussed earlier about future uncertainty in the market. I felt that until today we had all considered carefully, but rejected, the structure of a relative cap as a hypothesis—as opposed to an actual absolute cap, which we have—that would not deliver the results we want: vital protections for vulnerable customers.

**Dr Whitehead:** Yes, indeed. That is why I have been pains to say that this is not a relative cap. It was not a relative cap when it was proposed, although it was branded as one, but can actually be a pillar of an instrument for market return. I do not want to pursue the new clause today; but, for reasons that the Minister and I perhaps need to talk about, it would be a good idea to bring something like it back on Report. I think we probably will. I beg to ask leave to withdraw the motion.

*Clause, by leave, withdrawn.*

*Question proposed,* That the Chair do report the Bill to the House.

**Claire Perry:** May I thank you for your wise chairmanship, Sir Edward? I also thank Ms McDonagh, who chaired the Committee on Tuesday; the Clerks of the Committee, who have kept us assiduously on the straight and the narrow; and the House staff and *Hansard* reporters, who always do such an amazing job.

I extend fervent thanks to all members of the Committee. We have had an extremely constructive and helpful debate and have probed many aspects of the Bill. I also thank the witnesses who gave evidence and from whose wisdom we have benefited. I think that covers it, apart from thanking my excellent civil servants for their help in drafting the Bill and their excellent answers to questions. We will continue to draw deeply from that well, but at this stage I thank everybody for taking the Bill—hopefully successfully—through Committee.

**Dr Whitehead:** Like the Minister, I thank everyone who has taken part in this stage of the Bill’s passage. We have had a genuinely constructive debate, in which we have all been facing in the right direction. I particularly thank the Clerks for their assiduous work and for their help with tabling Opposition amendments; unfortunately we do not have an entire civil service on our side, so we must seek other help, but we have not been failed.

I hope that the Bill will now progress to its remaining stages with consensus that the tariff will be an absolute cap, and with good support from all sides of the House for the result that we all want.

**Alan Brown:** Without going on for too long, may I, too, thank the Clerks and the Chair? I thank the Minister for listening—I hope—and congratulate her on her appointment to the Privy Council. Like the hon. Member for Southampton, Test, I look forward to seeing the tariff cap in place, competition in the marketplace and consumers being saved money.

**The Chair:** On behalf of us all, I congratulate the Minister on her great honour; we are all absolutely delighted. On my own behalf and my fellow Chair’s, I thank all hon. Members who have taken part, particularly Dr Whitehead and the Minister. For an unreconstructed Thatcherite libertarian marketeer like me, it has certainly been a useful re-education camp on the benefits of intervention in the marketplace.

*Question put and agreed to.*

*Bill accordingly to be reported, without amendment.*

12.57 pm

*Committee rose.*

**Written evidence reported to the House**

DGE16 comparethemarket.com

DGE17 Ofgem - supplementary written evidence

DGE18 MoneySavingExpert.com

DGE19 Good Energy - supplementary written evidence

