

Consultation Response

Price Cap - Consultation on the process for updating the Default Tariff Cap methodology and setting maximum charges

Office of Gas and Electricity Markets (Ofgem)

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Response

We welcome the opportunity to respond to this consultation. The Default Tariff Price Cap (the Cap) is designed to ensure default tariff customers pay a fair price while ensuring suppliers can charge the efficient cost level for energy. While Age UK is cognisant of the issues faced by suppliers in the last few months, we are committed to ensuring that the needs of older consumers, particularly those in vulnerable circumstances, are foremost in the minds of policy makers and Ofgem.

Our proposed changes to

circumstance is focused on situations where prices increase. A drastic reduction in energy prices will have a high impact on consumers because they will no longer be paying a fair and cost reflective price for their energy. Standard Variable Tariff customers who are disengaged from the market⁵ rely on appropriate protection by the Cap. It would be unfair for suppliers to profit from these customers during an exceptional and unexpected price crash. If Ofgem is to enact these proposals and consider exceptional circumstances which negatively impact suppliers,

¹ BEIS, 2021. *Annual Fuel Poverty Statistics in England, 2021 (2019 data)*. Department for Business, Energy, and Industrial Strategy. [Online]. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966509/Annual_Fuel_Poverty_Statistics_LILEE_Report_2021_2019_data.pdf. [Accessed 22/11/2021].

² BEIS, 2021. *Annual Fuel Poverty Statistics in England, 2021 (2019 data)*. Department for Business, Energy, and Industrial Strategy. [Online]. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966509/Annual_Fuel_Poverty_Statistics_LILEE_Report_2021_2019_data.pdf. [Accessed 05/08/21].

³ Age UK, 2021. *Briefing Paper: Digital inclusion and older people – how have things changed in a Covid-19 world?*. Age UK. [Online]. Available at: <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/active-communities/digital-inclusion-in-the-pandemic-final-march-2021.pdf>. [Accessed 05/08/21].

⁴ Ofgem, 2019. *Consumer Survey 2019: Consumer Engagement Survey Tables*. Table 637. Ofgem. [Online]. Available at: <https://www.ofgem.gov.uk/publications/consumer-survey-2019>. [Accessed 07/10/21].

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