Opening remarks by Citizens Advice at the roundtable to discuss 'When the cap no longer fits,' held on 10 March 2020.

This might seem like a strange time to be talking about what should happen after the energy price cap ends. After all, the new government was elected on a manifesto that committed it to "keep our existing energy cap." This might imply a degree of permanency, at least for the duration of this parliament.

But that existing cap is, by definition, time-limited. The legislation that enacts it provides that it could cease as soon as December 2020 or as late as December 2023 - but no later. So it could be scrapped in this parliament without breaking a manifesto pledge. Indeed, unless new legislation is brought forward to extend it, it will be. A White Paper is due within weeks, and may signal what happens next.

With that in mind, we've just published a discussion paper, 'When the cap no longer fits,' exploring what seem to us to be the key questions, and possible responses, that policy makers should consider.

One of these fundamental questions is who, if anyone, should be protected. Consumers differ widely in how much they are engaged with the market and in the consequences if they are disengaged.

There are good arguments for constraining any future price protection to vulnerable, disengaged consumers. Those who shop around are likely to be able to beat the price of any backstop protection anyway, and the consequences of being unable or unwilling to engage are likely to hit the financially vulnerable far harder than the affluent. Narrower intervention may have fewer risks of unintended consequences. Why should those who can afford to pay, and who are able to switch, be protected?

The counter argument is that narrow protections simply re-allocate detriment, rather than reduce it. Many genuinely vulnerable consumers can't be easily data-matched, and might end up worse off under a narrow model which could leave them unprotected, while paying towards the protection of others.

And what about the rest of the population? The CMA found that large suppliers had unilateral market power over their default tariff consumers. Despite awareness of the right to switch being near universal, most consumers are disengaged. It seems unlikely that informational nudges alone will solve the loyalty penalty.

Of course there will be many in the sector, particularly among the larger incumbents, who would prefer to see the cap simply left to lapse, arguing that any form of price protection distorts competition, and may have adverse unintended consequences for consumers.

If the government does want to replace the cap, there are a wide range of possible policy options. Our paper explores a range of potential interventions. These build on the ideas raised in last summer's joint consultation by BEIS and Ofgem, and on possible approaches that have we have seen or heard raised by other stakeholders. They cover a broad sweep of territory from a hands-off approach of ‘do nothing’ right through to options that are arguably even more interventionist than the current price cap - like mass opt-out collective switching, or creating a backstop supplier to serve disengaged consumers.

A range of intermediate options are also considered, such as creating a ‘price to beat’ index to nudge consumers to switch, or enhanced opt-in collective switching. Some form of continuing price cap, social tariffs for the vulnerable, and reforming the universal service obligation to promote innovation are also included.

Different philosophies underpin different options. For example, the collective switching approaches, reforming the universal service obligation, or publishing a price to beat could be seen as trying to enhance competition *in* the market. Whereas tendering for a backstop supplier could be seen as trying to generate competition *for* the market. And social tariffs could be seen as taking some consumers out of the market entirely.

We suspect some suppliers might argue the same applies to some form of continuing price cap, though as we highlight in the paper, we are continuing to see extremely high levels of switching co-existing with that model. Views will also differ on whether ‘do nothing’ - not replacing the cap with anything - would result in good or bad consumer outcomes. The findings of the CMA’s energy market investigation remain disputed by many in the sector.

And of course, policy doesn’t exist in a vacuum. The industry is already grappling with some huge change-management programmes, from quicker switching to half hourly settlement. Some of the options would be easier to implement than others. Some have been trialled, some have not. So viable implementation timelines are likely to vary considerably between the different options. We’re interested in what you think is practically deliverable.

We’d like to thank you all for giving up your time today to help us think through these issues. We look forward to the discussion - and without further ado, I’ll hand over to the Chair to kick off.