

The objectives of economic regulation: Consumer engagement and protection

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The role of consumer engagement in a well-functioning market

- Consumer engagement in the market is one of the driving forces in the promotion of effective competition, however...
- ... consumers are subject to time and attention limitations, behavioural biases or might simply refuse to be engaged
- Therefore it is important for regulators to remove barriers to engagement but we cannot rely on switching as main indicator of a well-functioning market.

Early days of consumer engagement


DECEMBER '98 TARIFFS

Gas prices compared

Use the tables on this sheet to work out which company would be cheapest for you, and how much you could save on your bills

COMPARING GAS COSTS FROM THE DIFFERENT COMPANIES CAN BE CONFUSING, BECAUSE THEY DON'T ALL QUOTE THEIR PRICES IN THE SAME WAY. HOWEVER, BRITISH GAS TRADING'S STANDARD CREDIT TARIFF IS CURRENTLY ONE OF THE HIGHEST ON THE MARKET - THE AVERAGE DOMESTIC USER CAN SAVE A SUBSTANTIAL AMOUNT BY SWITCHING.

PAYMENT OPTIONS
Gas prices depend in part on the way you pay. There are three main options:

- standard credit, where you pay your bill by cash, cheque, or credit or debit card after you receive your bill
- direct debit, where money is automatically paid from your bank account each month or each quarter
- prepayment, where you pay upfront via a meter

This factsheet deals only with the first two types.

HOW MUCH COULD YOU SAVE?
We've calculated the bill for an average gas user in the UK (using 20,964 kWh a year) with the new gas companies and compared the costs with those from British Gas to show how much you could save (or, in a few cases, how much more you would pay). Where there is a range of savings, that is because there are different charges in different parts of the country - see overview for full details of tariffs.

	Standard credit		Direct debit (Quarterly)		Direct debit (Monthly)	
	Cost with British Gas	Saving	Cost with British Gas	Saving	Cost with British Gas	Saving
Amerasia Standard Saver	£362	£331	£331	£312	£331	£16
Amerasia Fixed Saver	£44	£13	£13	£1 more	£13	£1 more
Beacon Gas	£40 to £61	£26 to £51	£7 to £32			
British Fuels	£67	£42	£24			
Calortex	£46 to £55	not available	£37 to £45			
Cambridge Gas Company	£71	£40	£37			
Eastern Natural Gas	£51	£41	£22			
Energy from Norway						

Calculating your bills

On the front of this factsheet, we show how much the average gas user can save by switching from British Gas. But everyone's gas use differs, so you may want to do your own calculations to see which company would be best for you.

The table, right, shows the tariff and annual standing charges for all the companies (sorted as at 1 December). Follow the steps below to work out how much your bill would be with each of the companies, different schemes.

- Get copies of your gas bills for the last year and add the total kWh (ignore the hourly figures to get your annual gas use).
- Multiply your annual gas usage by the Price per kWh figures in the table, and divide by 100 to get the price in pence. Then add the standing charge.

WHO SUPPLIES WHERE
Some gas companies have different tariffs for different parts of the country, and some companies supply only certain parts of the country. Check the table to see whether a particular tariff is available nationally. If not, the areas it is available in are listed below:
A: Cornwall, Devon, Dorset, Somerset, Avon, East & West Sussex, Kent
B: Cambridgeshire, Cheshire, Milton Keynes, Northampton, Peterborough
C: Devon, Cornwall, Gloucestershire, Somerset, Dorset, Wiltshire
D: North-west, Merseyside, Manchester

Company	Tariff	Price per kWh	Annual Standing Charge
Amerasia	Standard Saver	All	£1.13
Amerasia	Fixed Saver	All	£1.13
Beacon Gas	Beacon Economy	A	£1.13
Beacon Gas	Beacon Saver	N	£1.13
British Fuels	1-10,000 kWh per year	All	£1.13
British Fuels	4,000-10,000 kWh	A	£1.13
British Fuels	10,000-15,000 kWh	A	£1.13
British Fuels	15,000-20,000 kWh	A	£1.13
British Fuels	20,000-25,000 kWh	A	£1.13
British Fuels	25,000-30,000 kWh	A	£1.13
British Fuels	30,000 kWh per year	A	£1.13
British Gas/Scottish Gas	Standard	All	£1.14
Calortex	Standard	All	£1.13
Calortex	Standard	All	£1.13
Calortex	Standard	All	£1.13
Cambridge Gas Company	Standard	B	£1.13
Eastern Natural Gas	Standard	All	£1.13
Energy from Norway	Plan A (Plan D)	All	£1.13
Gas West Gold Tariff	10 to 14,000 kWh	C	£1.13
Gas West Gold Tariff	15,000 to 20,000 kWh	C	£1.13
Gas West Gold Tariff	Over 20,000 kWh	C	£1.13
Gas West Green Tariff	5,000 to 10,000 kWh	C	£1.13
Gas West Green Tariff	10,000 to 15,000 kWh	C	£1.13
Gas West Green Tariff	Over 15,000 kWh	C	£1.13
London Electricity	Standard	All	£1.13
Milwaukee Gas	Standard	All	£1.13
NBF Natural Gas	Standard	D	£1.13
North Wales Gas	Standard	All	£1.13
Northwest Electric & Gas	Standard	All	£1.13
Northwest Electric & Gas	Standard	All	£1.13
Northwest Electric & Gas	Standard	All	£1.13
Northern Energy Energy Tariff	Standard	All	£1.13
ScottishPower	Standard	H	£1.13
ScottishPower	Standard	I	£1.13
ScottishPower	Standard	J	£1.13



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The role of innovation in a well functioning markets

- In a well-functioning market innovation will allow firms to bring new products/services to the attention of consumers.
- A variety of different tariffs, payment methods, value-added services is the sign of a market offering choice to consumer, provided that **consumers are aware and empowered.**
- Regulatory intervention in the area of tariffs to prevent discrimination has been challenged in terms of potential anti-competitive effects.



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Features of the GB retail energy market

- The UK Government pioneered liberalisation in the energy retail market in the 1990s.
- Switching rates higher than in many other countries, especially European ones.
- The energy market has been subject to several reviews since liberalisation, including Energy Supply Probe (2008) and CMA investigation (2014-16)
- According to CMA (2016) **lack of consumer engagement** was a key problem.

CMA investigation: proposed remedies

- ‘...for **prepayment customers**, we have ... decided to introduce a price cap for these customers during an interim period while our remedies take full effect’.
- **Smart meters** have the potential both to address some of the technical constraints affecting competition for prepayment customers and to improve customer engagement more generally.
- ‘Our approach will also harness the incentives of suppliers and **third-party intermediaries** to engage customers’.
- ‘The majority of us concluded that attempting to control outcomes for the substantial majority of customers would run **excessive risks of undermining the competitive process**’.

Future outlook and challenges

- Smart grids, distributed generation, TOU and local pricing can support a more efficient use of energy
- New business opportunities arise for the provision of value-added consumers services which simplify consumers' path to efficient use of energy.
- Regulators and policy makers need to ensure that service providers have **equal access to consumers**, but also **protect vulnerable consumers** that business might not be able/willing to serve, and avoid increasing the gap between those who can and those who can't engage (e.g. prosumers).

Fairer energy?



Renewable energy

Richest UK households 'should pay more to fund clean energy'

Government-funded researchers urge change in way clean energy is funded to reduce burden on poorest households

Adam Vaughan
@adamvaughan_uk
Fri 2 Mar 2018
09:01 GMT

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▲ Researchers say the status-quo is hurting the switch to greener energy. Photograph: Alamy Stock Photo

The richest households should pay £410 a year more towards supporting energy

Conclusions

Consumer engagement can have an important role in supporting effective competition but not all consumers want and can be engaged.

The focus on switching rates and foregone savings ignores the 'behavioural' nature of many consumers.

Vulnerable consumers do and will continue to require protection.

Catherine's contributions in the area of equity and fairness in energy remain topical and relevant in a rapidly changing energy system.