

**UK energy****UK household energy bills set to be capped by next winter**

Government to introduce new legislation to parliament on Monday



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Sylvia Pfeifer, Energy Correspondent 6 HOURS AGO

The government is expected to make good on its promise to cap expensive household energy bills in time for next winter when it introduces new legislation to parliament on Monday.

The bill will put in place a requirement on Ofgem, the energy regulator, to cap tariffs until 2020, [the biggest single intervention in the UK energy market](#) since privatisation in the 1980s. It will set an absolute cap on tariffs deemed to be poor value, protecting 11m households in Britain.

“It’s often older people or those on low incomes who are stuck on rip-off energy tariffs, so we are introducing legislation to force energy companies to change their ways,” Theresa May, prime minister, will say.

From 2020, Ofgem will recommend whether the cap should be extended on an annual basis up to 2023. The regulator will be expected to review the level of the cap every six months.

A bill introducing a temporary price cap on the most common gas and electricity tariff in the market, the standard variable tariff (SVT), was one of the centrepieces of Mrs May’s speech to the Conservative party conference last October.

About 60 per cent of UK households are on SVTs, which have no end date and generally offer poor value compared with shorter-term fixed rate tariffs.

The latest league table from Ofgem comparing the default tariffs, or SVTs, of the 10 largest energy suppliers shows that those households prepared to shop around can, on average, save about £300 a year from switching to the cheapest tariffs on the market.

Some suppliers, including [Centrica](#), owner of British Gas, have since announced that they will scrap SVTs. The FTSE 100 company last week mentioned the impending price cap as one of the reasons for [its decision to cut another 4,000 jobs](#), most of which will be lost in the UK.

Centrica said it agreed with the government that SVTs “are a problem for customer engagement because they have no end date”.

But the company added: “We just do not agree with introducing price controls into a competitive market which will reduce competition and choice, and therefore impact consumers.”

In a report, MPs from the [business, energy and industrial strategy committee](#) said that energy companies had brought the introduction of a cap “upon themselves” by raising prices last year and failing to move customers from standard tariffs on to better deals.

Citizens Advice called the bill “a significant step towards an energy market that works for everyone”.

Energy UK, the industry trade body, said it was “vital the cap doesn’t halt the growth of competition”.

Lawrence Slade, Energy UK chief executive, said: “It’s also important that the cap accurately reflects suppliers’ costs, most of which are out of their direct control.”

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