

CMA recommends protecting prepayment energy customers beyond 2020

The prepayment price cap was put in place following the CMA's energy market investigation to protect customers from high prices as a result of not being able to switch suppliers as easily as other customers.

The cap was only due to be in place until the end of 2020, when it was expected that the roll-out of smart meters would be complete and increased competition would lead to lower prices.

The CMA's review assessed both the progress of smart meter roll-out and accuracy of the price cap, following the introduction of Ofgem's separate price cap for default tariff customers.

It now recommends that Ofgem should continue to protect prepayment customers once the CMA's cap expires, given that the full roll-out of smart meters will not have completed by 2020. This recommendation applies to the period from 1st October 2020.

The review has also found that Ofgem's default tariff price cap was set using more current and detailed data than that available to the CMA in 2016 when it was conducting its energy market investigation. As a result, the CMA has decided to adopt Ofgem's more recent methodology, resulting in an increase to the cap price with prepayment customers paying roughly £1 a week more based on current prices.

The adjustment is necessary to keep the cap accurate in today's market. The prepayment price cap will continue to protect customers from high prices and give them wider choice in the market by enabling suppliers to compete effectively below the cap. A price cap set too low may lead to suppliers leaving the market, reducing both competition and consumer choice. Even with revised level of the price cap, prepayment customers will still be protected from unnecessarily high prices.

The amendments to the price cap methodology will come into effect on 1 October 2019 when the price cap is re-calculated to take into account changes in the energy market during the last 6 months.

All information relating to the [prepayment price cap](#) is available on the case page.