Published on *Adam Smith Institute* (http://www.adamsmith.org)

Think Piece: Regulation and the UK's energy market [1]

Written by **Blog Editor** [2] | Wednesday 22 May 2013

Stephen Littlechild, Professor emeritus at the University of Birmingham, fellow of Judge Business School at the University of Cambridge and a top regulator from 1983 to 1998, explains how politicians and regulators have, by misunderstanding how markets work, regulated to boost energy firms' profits at the expense of higher bills for consumers.

Britain?s competitive retail energy market was the first in the world, and for many years the most competitive. It had the most active suppliers, and the most active customer switching. This competition and choice brought better offers for customers. It may not seem like it because of recent energy price increases. But these reflect increases in fuel costs like gas, higher costs of renewable energy and other obligations on suppliers, not a lack of retail competition.

In fact, retail competition was sometimes too fierce, witness the problem with doorstep mis-selling. But Ofgem took action to fix that problem.
Retail profits in the domestic sector used to be minimal; Ofgem calculated that many were negative. New entrants came into the market, but until recently most found it tough to survive.

Retail competition has been enhanced by a dozen switching sites. Each seeks the best way to attract users, to offer the simplest calculations, to include the most relevant information and the clearest comparisons, to facilitate subsequent switching. No other country can boast as lively, innovative and effective market for information and assistance to energy customers as Britain.

Continue reading. [3]

blog comments powered by Disqus [5]

Source URL: http://www.adamsmith.org/blog/energy-environment/think-piece-regulation-and-the-uks-energy-market

Links:
[1] http://www.adamsmith.org/blog/energy-environment/think-piece-regulation-and-the-uks-energy-market
[2] http://www.adamsmith.org/taxonomy/term/5808
[3] http://www.adamsmith.org/research/think-pieces/if-it-aint-broke-break-it-how-to-increase-prices-and-profits-in-the-gb-retail
[4] http://disqus.com/?ref_noscript
[5] http://disqus.com