



Domestic Gas and Electricity (Tariff Cap) Act 2018

2018 CHAPTER 21

The cap

1 Cap on standard variable and default rates

- (1) As soon as practicable after this Act is passed, the Gas and Electricity Markets Authority (“the Authority”) must modify the standard supply licence conditions so that they include conditions (“tariff cap conditions”) that impose a cap on all standard variable and default rates that may be charged by the holders of supply licences for the supply of gas or electricity under domestic supply contracts.

But this is subject to section 3 (exemptions from the cap).

- (2) The Authority—
- (a) may modify the tariff cap conditions from time to time, but
 - (b) must secure that such conditions continue to be included in the standard supply licence conditions until they cease to have effect by virtue of section 8.
- (3) The “standard supply licence conditions” are the standard conditions incorporated in supply licences by virtue of section 8 of the Gas Act 1986 or section 8A of the Electricity Act 1989.

[^{F1}(3A) If tariff cap conditions cease to have effect by virtue of section 8 in the case of supply licences for the supply of gas but continue to have effect in the case of supply licences for the supply of electricity, or vice versa, the reference in subsection (2)(b) to the standard supply licence conditions is to be construed accordingly.]

- (4) In relation to a domestic supply contract—
- (a) “standard variable rate” means a rate or amount charged for, or in relation to, the supply of gas or electricity under the contract that is not fixed for a period specified in the contract, and

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Changes to legislation: There are currently no known outstanding effects for the Domestic Gas and Electricity (Tariff Cap) Act 2018, Section 1. (See end of Document for details)

- (b) “default rate” means a rate or amount charged for, or in relation to, the supply of gas or electricity under the contract that applies if the customer under the contract fails to choose an alternative rate.
- (5) Modifications made by the Authority under this section may include consequential, incidental, supplemental and transitional modifications of the standard supply licence conditions.
- (6) The Authority must exercise its functions under this section with a view to protecting existing and future domestic customers who pay standard variable and default rates, and in so doing it must have regard to the following matters—
- (a) the need to create incentives for holders of supply licences to improve their efficiency;
 - (b) the need to set the cap at a level that enables holders of supply licences to compete effectively for domestic supply contracts;
 - (c) the need to maintain incentives for domestic customers to switch to different domestic supply contracts;
 - (d) the need to ensure that holders of supply licences who operate efficiently are able to finance activities authorised by the licence;
 - [^{F2}(e) the need to set the cap at a level that takes account of the impact of the cap on public spending.]
- [^{F3}(6A) In performing the duty under subsection (6)(e), the Authority must have regard to any information provided to it by the Secretary of State, or any guidance given by the Secretary of State, in relation to the matter mentioned in that provision.]
- (7) Nothing in this section is to be read as requiring the cap imposed on a standard variable or default rate to apply in relation to any charge that—
- (a) forms part of that rate, but
 - (b) is not paid on a regular basis by the majority of customers who pay that rate.

Textual Amendments

- F1** S. 1(3A) inserted (25.10.2022) by [Energy Prices Act 2022 \(c. 44\)](#), s. 30(6), [Sch. 3 para. 2\(2\)](#) (with s. 29)
- F2** S. 1(6)(e) inserted (25.10.2022) by [Energy Prices Act 2022 \(c. 44\)](#), s. 30(6), [Sch. 3 para. 2\(3\)](#) (with s. 29)
- F3** S. 1(6A) inserted (25.10.2022) by [Energy Prices Act 2022 \(c. 44\)](#), s. 30(6), [Sch. 3 para. 2\(4\)](#) (with s. 29)

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