

Energy bills set to rise as regulator ups cap



LONDON (Reuters) – Energy bills are set to rise for millions of households in Britain after the country’s energy regulator gave the green light to suppliers to increase bills by more than 10 percent from April 1.

Ofgem was tasked by parliament last year to set a limit after lawmakers said customers were being overcharged for electricity and gas. Prime Minister Theresa May had called the tariffs a “rip-off”.

Ofgem, which reviews the price cap every six months, said it needed to allow suppliers to charge more as wholesale energy contracts, used to help formulate the cap level, were 17 percent higher than during the last cap period.

“No consumer wants to see a price rise but these (increases) are justified,” Ofgem chief executive Dermot Nolan said on a call with journalists.

The cap for average annual consumption on the most commonly used tariffs used by around 11 million households will rise by 10.3 percent – or 117 pounds (\$151) – to 1,254 pounds.

Britain's headline inflation rate increased at an annual rate of 2.1 percent in December, while average weekly earnings were up 3.4 percent year-on-year in the three months to the end of November.

Ofgem calculates the cap using a formula that includes wholesale gas prices, energy suppliers network costs and costs of government policies, such as renewable power subsidies.

Several of Britain's biggest suppliers, a group known as the "Big Six," complained the cap was initially set too low.

Innogy's npower said the cap was partly why it announced plans to shed 900 jobs last week.

Most are expected to increase prices once it is raised.

Britain's energy and clean growth minister Claire Perry said people are still expected to be around 75-100 pounds a year better off than they would be without the cap.

"With over 60 companies and more than 200 tariffs to choose from, consumers can always shop around for a cheaper deal and make big savings by switching," Perry said.

Several smaller, independent energy suppliers such as Bulb and Octopus Energy have said they will not increase prices following the cap rise as their innovative technology allows them to keep prices lower.

"Today's announcement just reinforces the massive gap between these dinosaur companies and modern retailers," said Octopus Energy CEO Greg Jackson.

Britain's big six energy suppliers are Centrica's British Gas, SSE, Iberdrola's Scottish Power, Innogy's npower, E.ON and EDF

Energy.