

Prices, Gains and Switching in Retail Electricity Markets

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EPRG Spring Seminar, Cambridge, 17th May 2013



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Prices have (mostly) risen and converged: British Gas from high to low (relative) cost









Switching is correlated with potential gains: varies across regions









Switching depends on increases in bills and gains available (and region, time, season)



Dependent variable : Switchers (000)	Coefficient	T-statistic	P-value
Increase in incumbent expend, this month	0.034	2.08	0.038
Increase in incumbent expend, last month	-0.005	-0.38	0.71
Incumb – best entrant expend, this month	0.003	0.22	0.82
Incumb – best entrant expend, last month	0.033	2.17	0.030
Time trend	-0.15	-2.14	0.032
Constant	38.59	46.05	0.00
London dummy	-20.08	-23.35	0.00
R-squared	0.89		
Number of observations	820		

Pooled OLS is used with seasonal dummies and regional dummies, 2005-11

Serial correlation and heteroscedasticity accounted for and standard errors estimated using White's procedure.





Initial gains (often) erode over time













Policy implications

Price differences matter, beware interventions which reduce them, as after Energy Supply Probe

+ each £ reduction in potential gain deters 32 more customers

Price increases have effects of similar magnitudes: good news as energy costs rise??

 Consumer scepticism about persistent benefits of switching is sometimes justified

Take account of the supply side in seeking remedies to increase consumer participation



