

In the consumer energy market the real product is diffe...

Published: January 12, 2026, 11:38 pm

I had real problems listening to an interview on the Today programme this morning. I think it was John Humphries interviewing a person from Scottish Power on their reaction to the cap the Tories are proposing on household energy costs.

The interviewee had much to say on the value of competition. He struggled to justify why it did not work meaning so many people are on tariffs that are more expensive than they need. But what really annoyed me was his continual reference to the customer buying the wrong product.

My aggravation was based on the fact that he so clearly did not understand what the product his company sells is. That is electricity and gas. And as a matter of fact whichever tariff a person is on from whichever company it is with identical electricity and gas arrives in their household through identical wires and pipes. Quite literally nothing whatsoever about the product that is consumed changes when a consumer changes supplier of tariff.

The Scottish Power representative was so far removed from the simple realities of life that they had obviously forgotten this fact. If he had noticed it what he would realise is not that he sells a product at all: electricity and gas sell themselves. Instead what he sells is differentially priced access to that entirely homogenous product at the point that it arrives in the consumer's house. And what he also ignored was that without that differential, and the ability of his employer to exploit it for gain, there would be no profit for 'competing' companies in this market.

What this also then explains is why a cap is not what is needed. That still permits differential pricing. What is needed are tariffs designed to deliver an essential and homogenous product to the consumer without excess profit being extracted from them.

And it's not at all clear that any tinkering with the current supposed market can achieve that, largely because the market is not in the product in the form of gas and electricity at all, but is in contract differentials that can only pay a return based on exploitation of some at least.

In that case something much more radical is required.