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**11 June 2024**

Dear Dan,

Rebel Energy are grateful for the opportunity to respond to Ofgem's consultation on removing the requirement for suppliers to make all tariffs available to new and existing customers ("the ban on acquisition-only tariffs").

Rebel Energy is a relatively recent new entrant to the GB retail supply market. As part of our mission, we are committed to offering fair prices for all our customers and supporting them to access better deals.

We welcome Ofgem's desire to review licence obligations to determine whether they are still appropriate in the light of market developments. We also support Ofgem's aim of enabling cheaper tariffs for energy consumers following the high prices they have faced during the energy crisis.

Nevertheless, we do not support Ofgem's proposal to remove the ban on acquisition-only tariffs from 1 October 2024. We believe that such a decision would not be in the interests of energy consumers. Removal of the ban would reduce transparency of pricing in the market, making it harder for consumers to make informed choices about their energy supply. In turn, this would risk undermining trust and confidence in the market at a critical time when we should be looking at ways to improve fairness and transparency for consumers. Furthermore, such a decision would go against the grain of supporting suppliers to develop the sort of longer-term customer relationships that will be vital to underpin the deployment of low-carbon technologies and, in turn, the achievement of net zero ambitions.

Rather than remove the ban on acquisition-only tariffs this autumn, we call on Ofgem to maintain the ban while it develops its policies on the future of price protection and promoting retail innovation. This would avoid the unsettling prospect of Ofgem removing the ban and then reintroducing it for a third time in little over a decade.

*The market has changed significantly from before the energy crisis*

When considering the role of the ban on acquisition-only tariffs, it is worth remembering the situation that existed in the retail supply market before the energy crisis. The vast majority of the cheapest tariffs on the market were so-called 'PCW-exclusive' tariffs, which suppliers only made available to new customers and when taken up through a particular price comparison website. In this way, the most engaged customers were able to access the cheapest tariffs across the market. However, most customers were not able to switch to their own supplier's cheapest tariff. Indeed, many may not have even been aware that such tariffs existed.



We recognise Ofgem's desire to see effective price competition between suppliers and for cheaper tariffs to return following the high prices experienced by consumers during the energy crisis. Nevertheless, we caution against expecting or wanting to see a return to the situation that existed before the crisis. As we all now know, much of the intense price competition observed then was driven by unsustainable pricing practices and risky hedging strategies. We should therefore not expect to see such intense price competition as part of a more resilient and sustainable post-crisis retail market.

Furthermore, reforms to the default tariff price cap – notably the shift to quarterly updates – have reduced the scope for suppliers to price their fixed tariffs so as to significantly undercut their standard variable tariffs for extended periods even when wholesale prices are falling.

#### *The objective of the ban on acquisition-only tariffs*

While the ban on acquisition-only tariffs was introduced as part of Ofgem's suite of measures to stabilise the market during the energy crisis, we contend that the aim was never really about market stability. The market stabilisation charge was a much stronger and more effective measure for mitigating the risk to consumers of supplier failures in the event of rapidly falling wholesale markets.

Rather, the ban was fundamentally about fairness – based on a view that suppliers' cheapest tariffs should be available to existing as well as new customers. Ofgem's decision document from February 2022 stated that the measure would “*limit price discrimination by suppliers and help to improve consumer trust and confidence in the retail market [...], improving access to cheaper tariffs for consumers who may be less willing or able to switch supplier, particularly those in vulnerable situations*”. We believe that these arguments still hold today as they did in 2022.

The welcome stabilisation of the market over the past year or so therefore does not change the case for retaining the ban. Indeed, the falling away of the market stabilisation charge from April this year removed the most significant barrier to competitive pricing of fixed tariffs by suppliers – and will have a far greater impact than whether the ban stays or goes. We are already starting to see cheaper fixed tariffs return to the market and switching begin to rise again.

We understand Ofgem's concern that the price cap and the ban on acquisition-only tariffs play a similar role and therefore risk unhelpful regulatory duplication. Nevertheless, we do not believe that they are substitutes; the ban has significant wider benefits. Indeed, the two measures could complement each other. Better therefore, we think, to consider the policies in the round rather than removing the ban now and needing to reintroduce it again in the not too distant future.

#### *Wider impacts of the ban*

At Rebel Energy, we have always made all our tariffs available to existing as well as new customers. In our experience, consumers dislike the idea of not being able to access their own supplier's best tariffs and we believe that this can damage their trust and confidence in the market. Yet, the situation that



existed before the energy crisis showed that when one supplier started to offer PCW-exclusive tariffs and other deals that were not available to existing customers, other suppliers eventually felt compelled to follow suit for commercial reasons – whether or not they agreed in principle with the practice.

We would therefore expect the removal of the ban to lead, in due course, to a situation where most if not all the cheapest tariffs in the market are available only to new customers. Overall, we believe that this would not be a good look for the retail energy market, especially at a time when there is a need to rebuild trust and confidence in the market.

We think that there would be other unhelpful impacts of removing the ban. First, customers who lack the confidence to switch supplier but may be willing to switch to a cheaper tariff with their existing supplier would be excluded from doing so in relation to acquisition-only tariffs. In the wake of the energy crisis and with millions of customers having been through the supplier of last resort process and millions more in some degree of debt with their supplier, it is not yet clear how many customers will feel confident to – or be able to – engage with the market to the extent of switching supplier.

In addition, allowing acquisition-only tariffs would reduce the transparency of pricing in the market. In accordance with the licence obligations on cheapest tariff messaging, suppliers would be able to tell their existing customers that they are on their cheapest tariff (available to them), while offering cheaper tariffs to new customers. This could give customers a false sense of comfort that they are on a good deal and so discourage shopping around.

Furthermore, the prevalence of PCW-exclusive tariffs would hamper the ability of consumers to see the cheapest tariffs available on the market. What people see would depend to a greater extent than now on which price comparison service they are using. As we start to see more innovation on the back of developments like smart metering, half-hourly settlement and low-carbon technologies, consumers are going to need more support to engage effectively in the market and to make informed decisions about their energy supply and related products and services. Anything that risks reducing trust and confidence in sources of information and advice could negatively affect engagement with this nascent market.

We welcome the analysis that Ofgem has undertaken to inform this consultation. This suggests that removal of the ban would lead to lower prices for consumers on average. We don't dispute that this is a likely outcome, albeit that the level of reduction in prices may be relatively small and the benefits would be felt by a subset of more engaged consumers.

We fully support the right of customers to shop around and we take seriously our role in supporting them to make informed choices about their energy supply. Nevertheless, we believe that an undue focus on frequent switching between suppliers based on the lowest priced tariffs could detract from the significant benefits in terms of bill savings and reductions in carbon emissions from customers adopting innovative tariffs and low-carbon technologies such as heat pumps and electric vehicles. There is a risk that by reducing consumers' trust and confidence that suppliers are being transparent and looking out for the interests of their customers, we make it even harder for suppliers to develop the sorts of longer-term customer relationships that will be necessary to achieve our net zero ambitions.



In this way, we believe that Ofgem's analysis places too much emphasis on the benefits of lower prices for the most engaged customers and not enough emphasis on wider considerations. In particular, we believe that the potential benefits for consumers in the longer-term from the adoption of innovative products and services that would be put at risk by removing the ban are likely to far outweigh the potential benefits in the shorter term from any reductions in prices for the most engaged customers.

#### *Conclusion*

For the reasons set out above, Rebel Energy does not support Ofgem's proposal to remove the ban on acquisition-only tariffs this October. Instead, we would prefer to see the ban retained while Ofgem considers the future of price protection and, alongside that, the potential role of such a ban as part of any reforms. In doing so, we would like Ofgem to place greater weight on wider considerations of fairness, transparency and consumer confidence.

We are content for this consultation response to be made available on Ofgem's website.

Yours sincerely,

**Neil Barnes**