

Consumer Protection & Retail Markets

Ofgem

10 South Colonnade

Canary Wharf

London

E14 4PU

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Dear Consumer Protection & Retail Markets Team,

Thank you for the opportunity to provide feedback on the consultation regarding the future of the Ban on Acquisition-Only Tariffs (BAT) beyond March 2025.

We have carefully considered the consultation and, as outlined in our previous response, we continue to oppose the removal of BAT. While we recognise the objective of stimulating market competition and encouraging new entrants, we remain concerned that removing BAT, especially in light of current economic uncertainties—such as inflationary pressures, geopolitical risks, and the financial vulnerability of potential new market participants—could have unintended adverse consequences for the energy industry and market stability.

As we noted earlier, the removal of BAT risks leading to the collapse of new market entrants and placing additional financial strain on existing suppliers, with potentially detrimental effects across the sector. We also wish to reiterate the need for a cautious approach regarding the implementation of the Market-wide Half-Hourly Settlement (MHHS). The limited data from trials, coupled with a lack of clear evidence of its success, suggests a more measured introduction of MHHS is necessary.

We continue to advocate for the easing of Licence Conditions to enable the introduction of trial tariffs, as current regulatory constraints inhibit the innovation required to meet evolving consumer and market needs.

With respect to the consultation's questions on Market-wide Derogation and the fairness of bespoke retention-only deals, we acknowledge that such practices may, in some instances, conflict with the principle of consumer fairness. However, it is important for the Regulator to fully consider the underlying factors that contribute to any perceived inconsistencies in fairness.

From a business perspective, rewarding loyal customers with bespoke deals, loyalty rewards or reward schemes is both economically sound and justifiable. Serving existing customers is typically less costly, as acquisition and marketing expenses are not incurred. It is therefore reasonable that these cost savings be reflected in the tariffs offered to loyal customers. Such an approach incentivises loyalty, which benefits both consumers and suppliers. Retaining customers supports market stability, enables more predictable cash flows, and facilitates better long-term planning. In an increasingly competitive and volatile

market, rewarding customer loyalty through bespoke offers is a key differentiator that helps sustain competition.

While we support initiatives aimed at creating a fairer energy market, it is important to consider fairness within the broader context of the competitive environment in which businesses operate. The flexibility to offer deals/rewards to loyal customers is vital for balancing customer acquisition and retention. Removing this option could diminish customer loyalty, increase churn, and create market instability, ultimately leading to higher costs for both suppliers and consumers.

From the consumer's perspective, bespoke deals, loyalty rewards or reward schemes often foster trust and a sense of appreciation. If the ability to offer such deals were removed, loyal customers could feel undervalued, which may lead to reduced retention and less competitive outcomes. This could also introduce greater complexity into the market, making it harder for consumers to navigate.

We therefore encourage the Regulator to consider the broader business and market implications before deciding to remove the Market-wide Derogation. Retaining the ability to offer deals/rewards benefits consumers, supports market stability, and promotes fairness within the framework of economic efficiency.

At the recent annual CEER conference, the challenges of empowering consumers in a volatile market were discussed, alongside the need for flexible and dynamic contracts. It was highlighted that implementing these changes is not an easy journey, given the current infrastructure and the diverse needs of consumers.

Issues such as consumer access to information, their engagement in the market, the availability of relevant data, and their understanding of pricing remain significant obstacles. We believe that addressing these challenges requires a collective effort from all stakeholders, not just suppliers, as the responsibility often seems to fall disproportionately on their shoulders.

Additionally, we wish to highlight that new market entrants should be assessed in terms of their financial stability when offering attractive deals to consumers. For instance, if a new entrant offers competitive deals and rapidly gains a substantial number of consumers, we would like to understand how this situation will be assessed to ensure it is managed responsibly. It is important to us that such processes are robust and do not pose risks to suppliers, should a new supplier's financial position later prove unsustainable. We understand that a new entrant's financial position is evaluated at the outset, prior to market entry. However, we seek reassurance that their financial health will be rigorously monitored on an ongoing basis to minimise the risk of collapse.

It is essential for the Regulator, Government, and other key parties to work collaboratively to ensure consumers are equipped with the necessary tools and information to engage effectively in the energy market, with all stakeholders fulfilling their respective roles.

To summarise:

Opposition to BAT removal beyond 2025: We maintain that removing BAT could destabilise the market and negatively impact both suppliers and consumers.

Caution on Market-wide Half-Hourly Settlement (MHHS): Due to limited trial data and lack of clear evidence of success, we recommend a cautious, phased approach.

Call for Eased Licence Conditions: To facilitate trial tariffs and support innovation within the market.

Fairness in Market-wide Derogation: Requires balanced consideration of all perspectives, including the underlying factors contributing to perceived inconsistencies.

Rewarding customer loyalty: We believe offering tailored deals to loyal customers is both fair and beneficial from a business and consumer perspective.

Impact of removing deals: Could lead to increased churn, market instability, and higher costs, while leaving loyal customers feeling undervalued.

New market entrants' financial position: New market entrants must be thoroughly assessed for financial stability when offering competitive deals, ensuring robust processes are in place to manage potential risks to other suppliers and that their financial health is monitored continuously to prevent any risk of collapse.

Need for broader consideration: The wider business and market implications must be fully considered before removing the Market-wide Derogation.

Challenges in consumer empowerment: Addressing these challenges requires collective responsibility from all stakeholders, not just suppliers.

We look forward to continued engagement and a collaborative dialogue on this important matter.

If you have any questions or concerns, please contact with us.

Yours sincerely,

Antonis Lamaj,

Energy Regulation & Compliance Manager

