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Sent to: retailpolicyinterventions@ofgem.gov.uk

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Ref: Ecotricity response: Future of the Ban on Acquisition-only Tariffs (BAT) beyond March 2025 Consultation.

Dear Colleagues

We welcome the opportunity to provide input into this Future of the Ban on Acquisition-only Tariffs (BAT) beyond March 2025 consultation, as the decision on whether to remove or implement an enduring condition in relation to Acquisition only tariffs, will have a fundamental effect on the industry in relation to trust and reputation within the general population.

Ecotricity was the world's first green energy company when we were established in 1995 and we now have over 175k domestic and non-domestic supply accounts, alongside over 100MW of self-developed renewable generation capacity.

We continue to invest in new sources of renewable generation that has recently led to the commissioning of two new solar parks and our first green gas mill, with our first energy storage facility recently obtaining its generation licence. We support policy ambitions that enable the UK to accelerate its drive towards a net zero energy system, whilst ensuring a security of supply that is cost efficient for consumers.

Please see our response to the consultation questions detailed below:

Extending the BAT beyond 31 March 2025

Q1. Do you agree that the BAT should be extended for another 12 months post 31 March 2025, i.e. until 31 March 2026?

Yes, we agree with the 12-month extension of the BAT until 31 March 2026, and feel it maintains stability alongside the upcoming MCR (Minimum Capital Requirements), providing protection in the market from suppliers offering unsustainable fixed-term deals exclusively to new customers and causing volatility. Treating customers fairly should ensure that any discounted deals are available to all customers ensuring fairness and transparency and restoring the faith and reputation within our sector.

Where the BAT does not stop suppliers launching a fixed tariff for new and existing customers, it protects as stated above from any damaging behaviour, like loss leading tariffs, thus having a detrimental impact on the market and customers, should a supplier fall short and leave via the SoLR process.

We also feel that the continued ban supports suppliers who are more conscious when hedging within their business strategies, enabling them to look forward with increased stability for the market and avoid uncalculated risks for customers, suppliers, and the regulator.

Q2. Do you agree with the reasons set out in this section supporting our proposal to extend the BAT until 31 March 2026?

Yes, we agree and support the rationale for extending the BAT. With greater risks to vulnerable customers, and/or those in debt, the removal of the BAT could bolster a decline in consumer trust through the perception of an unfair market that favours only the most active switchers and the financial resilience measures for suppliers.

Q3. Are there any other factors which Ofgem should consider, when determining whether or not the BAT should be extended post March 2025?

At present stability, trust and protection are a priority for our customers. The cost-of-living/energy crisis is still evident with energy debt at £3.7 billion and continues to be a very real challenge for many customers moving into this winter. An option for active switchers to find cheaper tariffs at an affordable cost was often based on switching regularly and through TPI/PCWs being the staple for many wishing to obtain the most effective tariff for their situation. However, we must be mindful that although the market is safer and customer service improving for many, with the BAT in place; Price CAP increases still have an impact on customers' ability to pay for their energy bill.

There are also aspects to consider relating to competition, if stability in future pricing and hedging comes, then returning to having acquisition only tariffs could bring healthy competition.

Hedging for a minority on acquisition only tariffs under the right framework, could offer the opportunity for growth and less risk, with the potential for upfront losses being balanced against profit on later fixed deals for these customers.

Future of Market-wide Derogation beyond March 2025

Q4. Do you believe that the existence of the Market-wide Derogation, and the ability of suppliers to offer bespoke retention-only deals, is consistent with the principle of consumer fairness within the retail market?

We would argue that, having the Derogation on retention-only deals does not meet the principles of fairness, as the fairest model would be to offer the same price to all existing customers at any point of their supply journey. This would still allow for any 'Acquisition savings' to be incorporated into tariff costs for all customers, rather than just retention-only customers, as the retention tariffs do not create equal fairness for customers.

Q5. Do you believe that the Market-wide Derogation has (or is likely to have) a significantly positive or negative impact on consumer interests, or on competition within the retail market? Please provide supporting evidence wherever possible.

We feel there are obvious positives and negatives on consumer interests and competition in the market. A positive for customers would be taking advantage of reduced prices, but this could ultimately depend on the commodity costs at that specific time, from hedging and wholesale side. Negatives would therefore be that those not in the window of retention-only tariffs would not benefit and opening the approach on tariff options for all would be fair.

A ban on acquisition and retention tariffs provides the possibility of increasing market liquidity through providing a level playing field for all customers, however suppliers could foresee the liquidity potential as a negative because of the inability to provide the market with cheaper switching opportunities. But not having either, could create more of a level playing field for suppliers to be active in the market on the merit of their ability to provide tariffs in and around or below the CAP, or innovative tariffs that fall outside of the CAP structure.

Q6. Are there any other factors which should be considered when looking at the impact of the Market-wide Derogation on the market?

We believe that our position is laid out in the response to question 5 and have no further comment.

Q7. Do you agree with our proposal to retain the Market-wide Derogation until March 2026, and our reasons therein supporting this proposal?

We agree that to provide a fair market and aid competition along with stability, the market wide derogation should be maintained to increase trust and allows suppliers to deliver hedged savings into their cost model and existing Tariff options and customer service.

Q8. Would you recommend any changes to the operation of the Market-wide Derogation (assuming that it was being retained for the longer term)?

We would recommend that more regular reviews were delivered to add a greater level of protection, proposing a bi-annual review, monitoring key items like wholesale costs, customer debt and economic landscape.

Potential long-term changes to the BAT

Q9. Are there practical and/or operational difficulties with how the BAT functions at present? Where possible, we would also welcome any perspectives on how these may be resolved in any future enduring BAT.

We do not foresee any practical/or operational difficulties at present.

This response is not deemed to be sensitive.

Should you require any further information, please let me know.

Many thanks

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Sent on behalf of Ecotricity.