

Citizens Advice response to Ofgem consultation on the future of the Ban on Acquisition-only Tariffs beyond March 2025



November 2024

Citizens Advice strongly supports the consultation proposal to extend the BAT for a further year, until 31 March 2026. The BAT continues to:

- help ensure fair pricing for all customers
- prevent harm to indebted and/or vulnerable customers
- help rebuild consumer trust in energy suppliers

We welcome Ofgem including these latter two factors as rationale for retaining the BAT.

We also note the increase in switching this autumn¹, a sign that switching may be returning to more historically typical levels. This is a potential indicator that the BAT is not acting to stymie supplier competition, nor consumer engagement, to the extent that merits removing it. Overall, we support a permanent retention of the BAT, particularly in light of the need for price protection and regulatory consistency in a market transitioning to net zero.

Citizens Advice agree with the proposal to retain the Market-wide Derogation until March 2026, with the caveat that it is changed to ensure that the criteria which define whether a tariff is offered to a particular group of Domestic Customers does not include propensity to switch, nor any other discriminatory criteria. We also think that to minimise harm of increasing price complexity and lack of price visibility, details of retention-only deals should be made easily accessible to all consumers.

Please find our detailed response to the consultation questions below.

¹Energy UK (2024) [Electricity Switching Report September 2024](#)

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 strongly agree that the BAT should be extended until 31 March 2026.

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 with the reasons set out. We welcome the recognition that the BAT acts to ensure that vulnerable and/or indebted customers, who may face barriers to switching, have access to their supplier's best available deals, and don't end up paying higher prices, inadvertently subsidising those more able to pay. This is particularly important given the growing cohort of customers in debt; so far this year we've helped more people with energy debts than at this point in any other year, and their energy debts are at record levels.² Without any further energy affordability support yet to be agreed or implemented by the government, price protection is even more critical.

Further, vulnerability and debt are intersecting factors; of the people we help with energy debts, over half have a disability or long-term health condition. Meanwhile, those on lower incomes are not only more likely to be in debt, but are also, regardless of the debt barrier, less likely to change their energy contract.³ We note that those on lower incomes are disproportionately represented by people of colour.⁴ It is clear that the BAT has a role in ensuring price protection and fairness for people with vulnerabilities and other protected characteristics.

We also welcome the recognition of the consequence of ensuring price fairness; supporting consumer trust. Fair pricing impacts customer satisfaction and trust in their supplier; as internal findings from the most recent Energy Consumer Satisfaction Survey show, fair prices is one of the top three most cited reasons for customer satisfaction. In a market where consumer trust is low, this is even more important, now and in the future. Low trust in suppliers risks constraining positive attitudes towards change during the net zero transition.

²Citizens Advice (2024) [Energy Data](#)

³Citizens Advice (2021) [Rough trade? Balancing the winners and losers in energy policy](#), page 7; Citizens Advice (2018), [The cost of loyalty](#)

⁴GOV.UK (2023) [Persistent low income](#)

We also agree with the rationale that keeping the BAT maintains stability and allows for observation of the impact of regulatory changes, such as recently removing the Market Stabilisation Charge, and implementing the Minimal Capital Requirements in March 2025.

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

Ofgem should also consider how maintaining the BAT aligns with their consumer confidence programme and vulnerability strategy refresh published in September this year. In particular, it is important to consider the role a Consumer Duty may have as a broader framework upon which the BAT may hinge, where products must provide fair value to customers. We note that the FCA's review of good and poor practice related to the fair value outcome called for firms to be particularly alert to risks that cross-subsidies may disadvantage vulnerable customers.⁵

Further, Ofgem should consider the impact of maintaining the BAT upon customer service and product innovation. Although suppliers cannot compete for new customers on introductory prices, there are signs in the market that they are doing so by innovating and considering other consumer outcomes.

Ofgem may also wish to consider the importance of the long-term future of the BAT in considering how universal service is delivered. If suppliers were not required to provide all customers with supply, incumbent suppliers would feel even more pressure to compete, and there would be greater incentive to lower introductory prices. The BAT's original policy rationale, to prevent unsustainable pricing practices, would be pertinent again, as would pricing protection for those less able to benefit from new competitive offers, though steps would also be needed to ensure a level playing field for competition is maintained.

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 believe that the existence of the Market-wide Derogation can be consistent with the principle of consumer fairness. The Derogation allows existing

⁵Financial Conduct Authority (2024) [Price and Value Outcome: good and poor practice update](#)

customers to benefit from cheaper tariffs, which the consultation recognises reflect the lower costs to servicing existing customers. The Market-wide Derogation therefore helps ensure that the price of a product reflects its fair value.

Further, the consumer polling results highlighted in our previous responses⁶ indicate underlying consumer sentiment that loyalty should be rewarded, rather than penalised. What would be less fair, and is something we address below, is if those retention-only tariffs were only offered to some customers reaching the end of their fixed term tariff.

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.

Positive impacts

The Market-wide Derogation could help more vulnerable and/or indebted customers, who may be unable to switch. It enables them to benefit from cheaper prices, without the cost saving of servicing them being spread across all tariffs.

Further, retention-only deals allow suppliers to reward more loyal customers, which could help bolster consumer trust in those suppliers, especially as price is an important factor affecting consumer trust.

With improving consumer trust comes a greater likelihood that consumers engage with 'riskier' innovative product offerings. This could benefit overall competition, and how well consumers access the benefits of net zero.

Negative impacts

We do have some concerns about potential harms to consumers, although with careful amendment to the Derogation, these harms could be limited.

If being with a supplier for a certain period of time is a prerequisite to having access to a cheaper deal, this could inadvertently penalise:

⁶ Citizens Advice (2024) [Response to Ofgem statutory consultation on removal of the Ban on Acquisition Tariffs](#)

- those who've moved into a new residence, where the supplier isn't the same as their previous supplier
- those who've moved into a new residence with the same supplier as their previous residence, but the supplier serves them as a new customer
- those who are paying energy bills for the first time

Some suppliers enable people moving home to take their existing contract with them, though even where this is the case it's unclear if they would be treated as a new customer as part of this process. Given the range of scenarios above, we would welcome clarity on how existing customers are defined.

Private renters, who often have short tenancy periods, younger people, and those with less stable housing arrangements, may be less likely to benefit, though we recognise that this risk of harm may be low. After all, the BAT is being maintained to prevent the reverse harm, that only new customers are able to access cheaper deals, rather than that new customers are blocked from accessing cheaper deals.

The consultation also recognises the potential that suppliers offer retention-only tariffs solely to those existing customers that are more likely to switch. In this way a Market-wide Derogation risks allowing the same harms the BAT acts to prevent; more vulnerable and/or indebted customers being unable to access the best available deals, and cross-subsidising those who are more engaged.

We are also aware of the risk of allowing an additional layer of price complexity in a future market which offers more varied and bespoke products. This complexity could make it even harder to compare products.

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

Another factor to be considered is how the smart rollout and collection of more data may give suppliers greater ability to distinguish between customer types, including energy usage, payment histories, as well as likelihood of switching. This could enable more specific 'profiling' of customers and offering internal retention deals at different, staggered rates based on combinations of customer characteristics, leading to some individuals paying a lot more for their energy than others.

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 with the proposal to retain the Market-wide Derogation until March 2026, with the caveat that it is changed to ensure that the criteria which define whether a tariff is offered to a particular group of Domestic Customers is not intended to act as a proxy for propensity to switch and any other marker of being more or less financially vulnerable. We also think that to minimise harm of increasing price complexity and lack of price visibility, details of retention-only deals should be made accessible to all consumers. This includes the tariff information published in compliance with Supply Licence Condition 31F.11.

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 recommend that the Derogation is amended to ensure more vulnerable and/or indebted customers are not excluded from being offered retention-only deals. For example, the criteria in Supply Licence Condition 222B.2 could be extended so they do not in any way relate to whether or not the domestic customer is able to, or likely to, switch products, nor to their financial vulnerability. Alternatively, Ofgem could clarify that this would be prevented by SLC0 requirements to treat customers fairly and enable informed choices. With existing regulations in place, including supply licence condition 31F, the customer would then be notified, prior to the end of their fixed-term contract, that they could access the retention-only deal, if that was the cheapest tariff available with their current supplier.

The definition of existing versus new customers should also be clarified, in order to better understand the risk to those customers moving residences.

We also recommend that details of any retention-only deals, whether or not they are available at the point in time that the consumer is engaging with the market, should be easily accessible to consumers, including through publication compliant with Supply Licence Condition 31F.11. This enables consumers to better understand the potential risks and rewards of switching to an energy supplier beyond the term of their initial tariff.

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 believe there is a strong case for the BAT to be made permanent as part of the decisions Ofgem makes in the future of price protection review.

We agree with Ofgem's assessment that the scope of the BAT remains wide, including any kind of rewards and incentives exclusively aimed at new customers. For example, cash-based rewards for switching cannot be accessed by those who can't, or are less able to switch. By receiving these rewards, more active switchers are ultimately paying less than those who aren't changing their supplier, and are potentially being subsidised by more vulnerable and/or indebted customers. However, this still leaves scope for contingent discounts that reward loyalty, such as 'refer a friend' discounts.

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Published November 2024.

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Registered charity number 279057.