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7 June 2024

Dear Dan,

This is our response to Ofgem's statutory consultation on the future of the Ban on Acquisition-only Tariffs ('BAT').

The consultation seeks views on whether the BAT should be removed with effect from 1 October 2024, or should remain in force until 1 March 2025. Ofgem sets out a case for the BAT being no longer needed, with the only question being when it is removed, not if.

As Citizens Advice has highlighted in response to previous consultations on the BAT, we think it should be retained as a permanent measure. Therefore, while we cannot support its removal, of the options that Ofgem is consulting on we regard the one that leaves it in place the longest as being the 'least worst' available. If it has to be removed, the March 2025 option should be chosen. A far better option than either of those proposed by Ofgem would be to simply leave the BAT in place. [REDACTED]

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[REDACTED]

[REDACTED]

It is worth highlighting that we see a different purpose for the BAT than Ofgem does, with the result that our organisations' views of what a successful outcome is also diverge.

Ofgem has been very clear that it saw the introduction of the BAT as a market stability measure, responding to the extreme volatility and price spikes of the energy market price crisis by trying to soften switching and supplier losses (and by implication, the probability of further supplier failures with associated socialised costs and contagion consequences). In its explanation of its thinking, it highlights that those driving factors are now past, or reduced. The market is now far less turbulent, and Ofgem has put in place a range of financial resilience measures that are intended to reduce the risks of unsustainable pricing and supplier failure that existed a few years ago. However, these measures are not yet fully in place, and remain untested.

We recognise that, based on that framing of the problem the BAT was trying to solve, it could have been said to have served its purpose. However, we have always

perceived there to be a wider justification for the BAT that does not appear to be shared by Ofgem. This relates to its role in delivering fair pricing, and improving consumer trust in the energy sector.

Consumer trust in the energy sector remains extremely poor. It is the least trusted sector of the economy.¹ This matters not simply for today's market, which has tended to focus on switching tariffs as the main area of consumer engagement, but for tomorrow's, where consumers are likely to need to be much more engaged with how they heat and light their homes, and power their transport, if we are to reach net zero. It is not known yet how central suppliers will be in that transition, and many other actors such as equipment manufacturers may prove to be equally, or more, crucial in delivering new customer needs. But an abiding sense that suppliers simply aren't to be trusted may constrain positive change in consumer outcomes.

Consumer polling suggests that consumers strongly disagree with the idea of suppliers being allowed to offer new customers better deals than they offer their existing ones. An Opinium poll of 2,000 people carried out for So Energy found that 87% agreed that existing customers should be offered the same tariffs as new ones. Only 6% disagreed with the statement. This view was shared by Parliamentarians - of 103 MPs separately interviewed, 71% supported the retention of the BAT, with only 17% supporting its abolition.²

Separate polling of a nationally representative sample of 2,030 customers by YouGov for E.ON UK reached very similar conclusions.³ 93% thought suppliers should not be able to restrict their best deals to new customers only. 82% said they would have less trust in their supplier if it only offered its best deals to new customers.

The price cap itself largely emerged as a result of public disquiet about the extent of price discrimination between disengaged consumers, particularly where they held vulnerability characteristics, and engaged ones. Ofgem should exercise caution before taking steps that might increase the scale of price discrimination.

The removal of the BAT will make it more likely that consumers will need to switch suppliers if they are to access the best deals. This creates an additional hurdle that needs to be overcome in switching. Some consumers are anxious about the prospect of changing suppliers, and many may have been scarred by the process of undergoing a SoLR from a failed supplier in recent years.

¹ ['Consumer trust and concern in May 2023.'](#) Which (August 2023), ['\(January 2024\) UK Customer Satisfaction Index.'](#) Institute of Customer Service (2024).

² ['Poll shows strong public support for acquisition-only tariff ban.'](#) Utility Week (May 2024).

³ ['UK consumers agree that energy companies must not restrict deals to new customers.'](#) E.ON UK (May 2024)

A growing cohort of customers who are in debt to their supplier may be blocked from switching until they repay what they owe. Preventing those consumers from accessing their own suppliers' best deals is unlikely to be in their best interests. We were surprised and disappointed that Ofgem's consultation did not mention the impact on consumers in debt. Further consideration of how these consumers are affected should be a priority for Ofgem's work on this policy.

Ofgem's own analysis does not present a particularly compelling case for improved outcomes resulting from the removal of the ban. For example, paragraph 2.40 highlights that engaged consumers are much more likely to switch with their existing supplier than to a new one, suggesting that internal switching options - which may be reduced if the BAT is banned - are valued by many consumers. Paragraph 2.42 states that your analysis suggests the impact of the removal of the BAT on switching rates would be 'minimal', which calls into question whether the competition benefits cited elsewhere are meaningful.

We're also concerned with the potential sequencing of this change. While Ofgem is consulting on removing the BAT in the short term, elsewhere it is considering whether it should be reintroduced in future as part of longer term reforms of price protection. In our recent response we set out how we think it can play an enduring role.⁴ Decisions that could see the BAT removed and then reintroduced a matter of months later are likely to appear inconsistent and confusing to consumers and industry. We therefore think it would be preferable to retain the BAT until more progress has been made towards longer term reforms.

The Government has also been considering market reform - most recently with a consultation on default products which is still pending consideration.⁵ Given the necessary delays to this process caused by the election, and the possibility of a change in government, retention of the BAT would allow time for retail market policy to be properly considered in the round.

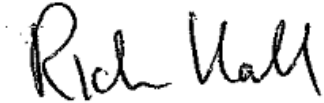
We recognise that changes to proposed policy at statutory consultation stage are unusual, but consider that they would be warranted in this instance as the abolition of the BAT is not in consumers' interests, and very strongly opposed by the public. Ofgem may not have been aware of the weight of consumer anxiety towards the removal of the ban and we encourage it to do its own consumer research on public attitudes towards this step, and to take it into account in your decision making. If you were to pursue the removal of the BAT even despite this we also suggest that you keep the outcomes of this decision under review. A further distrusted market in

⁴ Citizens Advice (2024) [Citizens Advice response to Ofgem's call for input on the future of domestic price protection](#)

⁵ Citizens Advice (2024) [Citizens Advice response to DESNZ call for evidence on the future of default tariffs](#)

which customers lack confidence that suppliers are treating them fairly may not be a price worth paying for the relatively limited benefits that have been identified.

Yours sincerely

A handwritten signature in black ink that reads "Rich Hall". The signature is written in a cursive, slightly slanted style.

Richard Hall
Chief Energy Economist