

Maureen Paul,
Retail Policy Interventions,
Ofgem,
10 South Colonnade,
Canary Wharf,
London,
E14 4PU

13th July 2022

Dear Maureen,

We're pleased to share our thoughts in response to the Ofgem consultation around the extension of the Market Stabilisation Charge and the ban on acquisition-only tariffs. These comments are in addition to general commentary from Nous around the changes to the price cap made on 9th June 2022.

About Nous

Nous is a business founded in 2021 to help UK households get smart and stay vigilant as they face the rising cost of living. The company, which has already been featured extensively in national print and broadcast media, is founded by a group of serial entrepreneurs and has raised more than £6m from well-known business angels.

Our first service is a personalised cost-of-living forecast that's free for everyone. It tells households exactly what price increases to expect in the next 12 months, evaluates the best ways to reduce costs, and suggests other steps to take. In the future, Nous will offer a premium service which will automate routine tasks to keep households on fair tariffs with reliable providers, saving people from a lifetime of admin. In due course this will include switching households to cheaper energy tariffs where available. Nous is FCA registered and uses Open Banking to provide services to users.

Nous supports Ofgem's ongoing development of policy to protect consumers from the cost of supplier failures

Ofgem has reacted to the energy crisis quickly, against difficult external conditions, to deliver short-term reform to the market. The National Audit Office estimates that supplier failures since July 2021 have cost UK consumers £2.7bn. It is clear that protections should be put into place to ensure suppliers are financially resilient and can respond to wholesale market shocks.

However, there is now an acute risk that in seeking to regulate to prevent future supplier failures, competitiveness is sacrificed in the name of market stability. It is vital that Ofgem progresses with long-term reforms to the market and the price cap which fulfil its role to protect energy consumers and enable competition and innovation.

Do you agree that MSC should be extended to 31/3/2023?

Nous acknowledges the role the MSC is intended to play in stabilising the market, helping suppliers to manage the risk of hedging at a time of wholesale market volatility. But by Ofgem's own admission, this comes with a trade-off for consumers who will not benefit from falling prices as quickly when wholesale prices start to come down.

The evidence suggests that the cost-of-living crisis will get worse as we move into winter and 2023, with the latest prediction from Cornwall Insight pushing the Q1 2023 energy price cap to £3,363 per year for the average household. After a prolonged period of financial pressure and being unable to switch to find savings, customers will expect suppliers to respond when the market turns in their favour. Failing to do so risks anger and resentment with suppliers and regulators.

Now that weaker balance sheets are no longer trading, and given the more stringent parameters already in place, we would therefore argue that the balance of Ofgem's responsibility at this crucial moment lies with ensuring assertive competition rather than market stability. On that basis, we are not in favour of extending the MSC.

If the MSC were to be extended, Ofgem must ensure that suppliers have every incentive and opportunity to offer discounted deals to new and existing customers so they can benefit quickly when wholesale prices fall.

It is important to assess the wide range of Ofgem interventions and their overall impact to consumers

We are concerned that the focus on alleviating supplier financial risks means consumers miss out on the benefits of a competitive market, the benefits of which go beyond just cheaper prices. A competitive market also encourages suppliers to be held accountable for service levels and other customer metrics, creating conditions where customers have more choice.

Nous would like to see more evidence of how changes in regulation interlink to create the best for consumers, which is Ofgem's stated role. It must help the market transition to a state of healthy competition, with consumers rather than providers as the focus.

The ban on acquisition-only tariffs should become permanent to create fair access to the best prices for all

Nous welcomes Ofgem's intervention on acquisition-only tariffs and would like to see this become a permanent market condition. To create a fair market that consumers can trust, individuals should have access to the best price their provider offers, regardless of whether they are a new customer or not.

Yours sincerely,

Greg Marsh
CEO and Founder

