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Dear Maureen

## **RE: Consultation on extending short-term interventions and adjusting MSC calculation**

I am writing to you regarding Ofgem's consultation on the extension of the Market Stabilisation Charge (MSC) and the ban on acquisition-only tariffs (BAT). This is a high-level industry view - Energy UK's members may hold different views on particular aspects of the consultation. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

### **Market Stabilisation Charge (MSC)**

Energy UK supports Ofgem's proposals to extend the MSC to 31 March 2023, recognising Ofgem's stated intention in the consultation of enabling suppliers to continue to prudently hedge in line with the price cap methodology and Guidance, and ultimately protecting customers from potentially significant detriment.

We note that Ofgem makes no reference to potential extension of the MSC past 31 March 2023 within the consultation. We believe that Ofgem should urgently begin its considerations for a further extension. The MSC should be in force so long as it is deemed beneficial to consumers and no longer. If this requires an extension beyond the end of March 2023 then Ofgem should retain the powers to extend again (with consultation). Therefore, we would welcome Ofgem setting out how it intends to review the need for MSC in later periods, and how it interacts with suppliers' hedging strategies during the observation window for the 1 April 2023 cap period, which starts in November 2022.

In addition, it is not clear from the current or previous consultations Ofgem's reasoning, and its thinking as to the benefits for customers of using the different frameworks. Ofgem should provide clarity on its rationale behind using different analytical frameworks to determine the MSC parameters, and whether the MSC should be in force, setting out the pros and cons of each method.

### **Ban on Acquisition-only Tariffs (BAT)**

Energy UK generally supports the limited extension of the BAT to 31 March 2023 at this time, although we note that some members have raised concerns with the lack of assessment of the impact it will have on different suppliers, and distortion to competition that the measure might cause as a result. This assessment should be undertaken and published to enable full scrutiny of the proposed extension.

There is also a lack of information provided in the consultation for us to assess the impacts on competition or consumers of a permanent extension of the measure. However, as part of Ofgem's

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ongoing considerations on this issue, it should include a review of the licence condition wording to ensure that it is fit for purpose.

We hope that these comments on Ofgem's update have been useful, and we would welcome the opportunity to engage if that would be beneficial.

Yours sincerely,

**Steve Kirkwood**

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