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By email (cc retailpolicyintervention@ofgem.gov.uk)
3 January 2023

Dear Maureen

Statutory Consultation on extending the market stabilisation charge and ban on acquisition tariffs

We welcome and support Ofgem's proposal to extend the market stabilisation charge and the ban on acquisition tariffs to the end of March 2024.

We consider the ban on acquisition-only tariffs should be a permanent feature of the regulatory framework and we ask that Ofgem immediately conducts the redrafting required so that the licence condition 22B is fit for this purpose. This includes removing the need for derogation requests where supplier's tariffs are deliberately structured to favour loyal customers, and considering the use of a principle based approach which makes the outcome (protection of loyal customers) clear.

With regard to the MSC, we do not support Ofgem taking the right to remove the MSC following a six monthly review in October. We do not see the circumstances occurring in autumn this year where this would be a proportionate measure and taking these powers adds unnecessary risk for suppliers which will soon be hedging for this period.

We would also like Ofgem to:

- Work with BEIS to consider and create the circumstances in which it is no longer necessary to have a market stabilisation charge from April 2024 onwards. While intervention during periods of extreme volatility is necessary to stabilise the market and protect consumers, the MSC is anti-competitive and should not be seen as an enduring solution. The upcoming BEIS review of the retail market should be used to find a path through to removing the requirement as soon as possible after spring 2024.
- Resist continued pressure to tighten the parameters in the MSC and to ensure that suppliers are not shielded from risks they can and should manage (such as the risk of losing customers because they provide poor service).

Finally, we note that the current arrangements during the energy crisis do not adequately compensate retailers which are still gaining significant numbers of new customers - and which do so at a loss. The burden of this is not evenly shared across the market, with Octopus Energy gaining over 25% of switches in recent months, around double the amount proportionate to our market share. The cost of purchasing energy for these new customers

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is not accounted for in the price cap allowances - exposing retailers in our position to the inverse of the cost which the MSC aims to address. The result is a penalty on companies which provide good service which runs counter to market arrangements which should favour such companies.

We ask Ofgem to consider a new mechanism to calculate and levelise the cost of customer switches, so that they do not fall disproportionately on the companies doing the best job to look after customers. Just as the MSC has been put in place to encourage good hedging practices, a mechanism of this sort will remove the financial disincentive to provide good customer service and help protect financial resilience of those companies doing their best for customers.

I would be happy to meet to discuss these points further.

Yours sincerely

Rachel Fletcher
Director for Regulation and Economics