

Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

30th December 2022

Dear Maureen,

Thank you for the opportunity to share comments around the consultation on extending the Market Stabilisation Charge and the Ban on Acquisition only tariffs beyond 31st March 2023.

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 regularly features as a consumer champion in national print and broadcast media, was founded by a group of serial entrepreneurs and has raised more than £6m from well-known business angels. Nous has a range of free smart tools to help users navigate the cost of living crisis. In due course this will include helping households save money on their energy bills where available. Nous is FCA registered and uses Open Banking to provide services to users.

Regulation of the retail energy market must be dynamic to balance consumer protection with effective competition

A fair and resilient market must encourage active participation from consumers, Ofgem cannot claim to be protecting consumer interests until this happens. Active participation does not have to mean high levels of consumer switching, however having consumer choice and competitive pricing will naturally keep suppliers accountable to their customers. We do not want to see a return of unsustainable pricing which ultimately harmed consumers, but we do advocate for a balance that allows suppliers to pass on the best savings to households when they are in the trading position to do so.

Ofgem have made good progress developing policies to protect against further supplier failures. Whilst the MSC and BAT are just two interventions in the market, there is a need for a data driven approach to assess the cumulative effect of regulation on creating a market that works for consumers and stakeholders.

We need strong leadership from BEIS and Ofgem to increase consumer participation and engagement in greener and smart energy products that help us move to Net Zero. The Oxera report warned against the regulation pendulum swinging in the opposite direction. There is an acute risk that the continuation of the MSC will contribute to the market becoming regulated to the point of pseudo nationalisation.



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We remain strongly against the MSC as a market intervention and would encourage Ofgem to review both the VAR and conditions for removal regularly in the context of the fast changing macro environment.

1) Do you agree that Ofgem should modify supply licence standard conditions SLC 24A and 22B so as to maintain powers to operate the MSC and the BAT until 31 March 2024, with powers given to the Authority to renew this annually?

The MSC is dampening competition in the market and that is a poor outcome for consumers. The market is at risk of becoming an oligopoly with limited customer choice and supplier accountability. This trade off has been widely accepted, as a means to protect against supplier failure, but the impacts of this go beyond pricing and will embed consumer disengagement in the market long term. Our concern is that households will not get access to the savings they could get if the MSC were not in place. Ofgem must ensure that conditions are created to encourage competition, innovation and better outcomes for households.

Having a low risk trading model protected by the MSC will be popular with suppliers and most beneficial to the incumbents with a large base. Customers are less likely to move away from their current supplier if only minimal savings are available, meaning the incumbents are in a low risk position with no need to try to win new business or invest in retention. When less customers churn, there is a risk that investment in service levels and quality propositions to keep customers on the base goes down. In that situation, the only winners are shareholders.

Financial resilience measures implemented by Ofgem are creating the right environment for responsible business

This has been proven by the low number of new entrants to the market in 2022 and the decisive action Ofgem has taken around licence management. We thoroughly support the new rules on market entry and financial resilience, suppliers who have met these high standards must still have an opportunity to be competitive.

We are now in a situation where the combination of the MSC and the EPG mean that there is little incentive for suppliers to move away from the pack on pricing, even when wholesale trading conditions mean they could do so.

Every effort should be made by Ofgem to remove the MSC as soon as it is deemed practicable

The decision should be taken in the context of multiple data points, including an assessment of the cumulative effects of Ofgem regulation on the energy market at that given point in time.

We welcome Ofgem's transparent approach to review of market conditions and removal of the MSC. Given the constantly changing macro situation, it would be beneficial to review the situation annually with stakeholders, with this in mind we do not support annual renewal without consultation.



2) Do you agree that this should continue to include, in the case of the MSC, the existing power for the Authority to terminate it early?

Yes we are in favour of Ofgem having authority to terminate the MSC early. There must be complete transparency around the measures and circumstances in which it will be terminated.

3) Do you have any comments on the proposed drafting of the changes to the supplier licence standard conditions?

No

4) Do you agree that we should extend the market-wide derogation from SLC 22B for fixed retention tariffs?

Yes. Suppliers should continue to have the ability to offer fixed retention tariffs to their existing customers which are not available to new customers. Customers with a longer relationship with a supplier and with a proven level of value should be rewarded for that at retention.

5) Do you have any comments on the analysis presented in section 2?

We believe that whilst there is continued volatility in the market, the VAR indicators as referenced in section 2 should be reviewed more frequently.

6) Do you have any comments on the draft impact assessment presented in section 3?

No

Yours sincerely

Jon Rudoe

Co-Founder

