

Citizens Advice Response to Ofgem's Call for Input on the future of the BAT post-March 2024

A Citizens Advice
consultation response



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November 2023

About us

We can all face problems that seem complicated or intimidating. At Citizens Advice we believe no one should have to face these problems without good quality, independent advice. We give people the knowledge and the confidence they need to find their way forward - whoever they are, and whatever their problem.

We provide support in approximately 2,500 locations across England and Wales with over 18,000 volunteers and 8,650 staff.

Through our advocacy work we aim to improve the policies and practices that affect people's lives. No one else sees so many people with so many different kinds of problems, and that gives us a unique insight into the challenges people are facing today.

As the statutory consumer watchdog for the energy and post industries we have an important role to play in shining a spotlight on the problems consumers encounter, providing solutions to these problems and ensuring their voices are heard when important decisions are made about the future of these essential markets.

Response

The ban on acquisition tariffs (BAT) is important in improving fairness for energy consumers by ensuring that all customers are able to access the most competitively priced energy tariffs, ensuring that a supplier's best rates are available to both new and existing customers.

While switching rates have been depressed in the current market with the majority of product offers priced at, or marginally below, the price cap, the broader principle that consumers should not suffer a Loyalty Penalty for staying with their current provider is a crucial one not only for the fair functioning of the market but also for consumer trust. If consumers wish to stay with their current supplier they should always be able to access the best deals their supplier offers. We would also note that the BAT does not prevent other acquisition strategies like cashback, additional credit, gifts etc. which suppliers can still make use of without giving rise to enduring loyalty penalties.

While switching supplier is a useful indicator of the health and robustness of a competitive market it should not be regarded as an end in itself. Government has reached similar conclusions in its vision for a better energy retail market¹.

As more competitive tariffs begin to return to the market there are likely to be a cohort of consumers eagerly awaiting a tariff that offers them lower rates. If the BAT is eliminated then some consumers will find themselves unable to switch to the new lowest rate - if it is offered by their current provider but only for new customers - unless they go through an onerous process of leaving their current supplier only to rejoin them to gain access to the tariff they want. While this would increase switching numbers that increase would not be indicative of a market that is working well for consumers.

We have not seen evidence that requiring suppliers to make their most competitively priced tariffs available to their existing customers has reduced innovation, particularly as the main draw to new tariffs in the current market is price. The BAT has the potential to actively incentivise suppliers to compete beyond pure introductory prices and instead consider consumer outcomes and experience and innovative products and services likely to help with the net zero transition. It is also impossible to assess the impact of the BAT separately to the impacts of the Market Stabilisation Charge (MSC) which is due to be removed in March. Given the consumer upsides of the BAT, it would make sense to continue the policy on its own to better understand its impact, and to give time for the market to adjust to the removal of the MSC.

The call for input documentation notes that less engaged consumers may be less likely to switch even within their own supplier to get the best rate, but excluding those customers from having the option to do so risks increasing a perception that the energy market doesn't work for them and suppliers don't have consumers best interests at heart. Suppliers are already required to let their customers know about the best tariff they have available via the Cheapest Tariff Message and should continue to promote these options to their customers.

The failure of over 30 suppliers in recent years may mean that consumers now see 'internal' switching as preferable to minimise risks of disruption. We know

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<https://www.gov.uk/government/publications/delivering-a-better-energy-retail-market/delivering-a-better-energy-retail-market-a-vision-for-the-future-and-package-of-targeted-reforms-html>

that for some vulnerable consumers moving to a new supplier can also be seen as more challenging or risky, while others can be excluded altogether. For the growing numbers of consumers in debt (and with higher debt levels) this may be the only way to access lower tariff costs, as they are either blocked or face significant obstacles to moving to a new supplier. Smart prepayment customers may also prefer to stay with their current supplier to avoid issues around migrating credit upon change of supplier, though it is our hope that some of these smart-specific challenges will be mitigated via a future modification to the Retail Energy Code on smart prepay switching.

In conclusion we disagree that it would be appropriate or beneficial to remove the BAT, particularly when continuing the policy will give more ability to assess its impact and could help rebuild trust and support consumers in debt.

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We are a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

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Published [insert month and year].

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Registered charity number 279057.