

By email only: retailpolicyinterventions@ofgem.gov.uk

24 September 2025

RECCo response to: Renewal of Ban on Acquisition-only Tariffs (BAT) after March 2026

We welcome the opportunity to respond to this consultation. Our non-confidential response represents the views of the Retail Energy Code Company Ltd (RECCo) and is based on our role as operator of the Retail Energy Code (REC). RECCo is a not-for-profit, corporate vehicle ensuring the proper, effective, and efficient implementation and ongoing management of the REC arrangements. We seek to promote trust, innovation and competition, whilst maintaining focus on positive consumer outcomes. We are committed to ensuring that RECCo is an “*intelligent customer*”, ensuring efficacy and value-for-money of the services we procure and manage on behalf of REC Parties, including those which constitute the REC Code Manager.

We have responded to the consultation questions in the attached, but would highlight the following key points:

- **BAT is a targeted, proportionate fix for the loyalty premium.** It is a well-established intervention deployed in other retail markets such as home and motor insurance. We recognise that the BAT was introduced for different reasons i.e., as a temporary measure alongside the Market Stabilisation Charge to stabilise the retail market, preventing lightly hedged entrants from undercutting prudently hedged incumbents. However, while the BAT stops new-customer-only pricing, it preserves healthy price dispersion and innovation, ensuring existing customers—including those less able to switch—can access suppliers’ best deals and/or benefit generally from downward pressure of competition on tariffs. Renewal to March 2027, with a presumption of continuity until Ofgem’s longer-term review concludes, maintains fair outcomes without the side-effects of the price cap.
- **BAT provides a practical pathway to exit the Default Tariff Cap.** Ofgem should explicitly consider BAT as the cornerstone of a managed transition away from the Cap—signalling milestones and evidence tests—so efficient, market-led tariff setting can resume when conditions allow.
- **Keep the complementary retention derogation alongside BAT.** Allowing retention-only fixed offers can pass through genuine cost-to-serve savings (e.g., avoided acquisition spend) to loyal customers, while BAT continues to prevent acquisition-only discrimination. Retaining both measures together supports orderly risk management, consumer confidence, and market stability during the review period.

We are happy to discuss any of the points raised in this response.

Yours sincerely,

Jon Dixon
Director, Strategy and Development

Appendix: RECCo response to consultation questions

Q1: Should the temporary BAT (SLC 22B) be renewed until 31 March 2027?
<p>RECCo supports renewal to 31 March 2027. Given Ofgem’s ongoing work on future price protection, it is also reasonable that the BAT remains in force until that review concludes and—if the evidence supports it—it potentially becomes an enduring feature. This approach sustains consumer trust and fair competition while longer-term decisions are taken. It is a well-established intervention deployed in the retail (home and motor) insurance markets.</p> <p>The BAT continues to address the “loyalty premium” by ensuring existing customers can access a supplier’s best deals, rather than seeing the most competitive offers restricted to new customers. Retaining the measure avoids cross-subsidies from disengaged or switching-constrained customers to those targeted by acquisition pricing and supports vulnerable or indebted customers who may be less able to move. Renewal also provides regulatory certainty, reduces the risk of policy whiplash, and allows Ofgem to evaluate BAT performance under more stable conditions. In our view, the BAT is a more targeted and proportionate remedy for loyalty detriment than the Default Tariff Cap: it permits healthy price dispersion and innovation while preventing discrimination by tenure or channel. As we commented in our response to the 2022 consultation on extending the BAT¹, we consider that it could form part of a pragmatic strategy for retiring the Cap when conditions allow, enabling efficient, market-led tariff setting without the unintended consequences of price regulation.</p>
Q2: If you consider that SLC 22B should be removed from 31 March 2026, please share specific evidence to support your arguments.
<p>N/A</p>
Q3: Should the BAT’s associated Market-wide Derogation be retained until 31 March 2027, alongside our proposals to extend the BAT for the same time period?
<p>Yes. The derogation should be retained on the same timetable as BAT and, as with BAT, continue until Ofgem’s long-term review concludes, with the option to make it an enduring feature if it keeps delivering consumer benefit. The distinction is important. Whereas acquisition-only tariffs tend to harm consumer outcomes by concentrating the best prices on new joiners and enabling the potential cross-subsidisation of new, typically price-sensitive active customers by those who are less engaged. The derogation enables retention-only fixed deals that can reward loyalty and reflect genuine cost-to-serve savings—most notably avoided acquisition and marketing costs—through lower prices for existing customers approaching renewal.</p> <p>Keeping the derogation helps ensure fair outcomes for customers who cannot readily switch, while supporting orderly portfolio and risk management as suppliers align renewal cohorts with hedged positions. In the round, this complements BAT’s fairness objective without recreating loyalty premia. We agree that any refinements should be considered holistically within Ofgem’s longer-term price-protection review—for example, transparency of eligibility and assurance that cost-to-serve efficiencies are passed through—so the market has certainty now while a durable framework is designed. On this basis, retaining the derogation alongside BAT is pragmatic, proportionate and in consumers’ interests.</p>
Q4: If you consider that the Market-wide Derogation should be removed after 31 March 2026, please share specific evidence to support your arguments.
<p>N/A</p>

¹ “RECCo response to statutory consultation on extending the MSC and BAT beyond 31 March 2023”, December 2022 – see www.retailenergycode.co.uk/fs/wp-content/uploads/2023/01/RECCo-Response-Extension-of-MSC-and-BAT.pdf