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‘Renewal of Ban on Acquisition-only Tariffs (BAT) After March 2026’

Dear Daniel,

So Energy is a leading energy supplier providing great value renewable electricity to homes across Great Britain. We supply over 350,000 customers and as one of the last challenger suppliers left in the market and one that is backed by ESB Group’s resources and expertise, So Energy is able to provide a unique view of the BAT.

We welcome the opportunity to comment on the renewal of the BAT. We agree with Ofgem’s proposal to extend the BAT to March 2027 and its intent to consult on an enduring BAT as part of the price protection reform activity.

The analysis underpinning Ofgem’s decisions is good. Last year we provided some additional analysis that supports Ofgem’s analysis in our responses to the 2024 consultation. We remain concerned about the absence of an update impact assessment (IA). In a report from Charles River Associates (CRA), it raised several issues with the previous IA. We will resend this report as part of our submission and ask that Ofgem takes this feedback into consideration whenever it next updates its IA.

We understand that the intent of this consultation is to discuss the 12 month extension, However, we want to reiterate that we look forward to engaging with Ofgem on what an enduring BAT could look like as a future price protection. We understand that operationalising the current BAT is a burden on Ofgem, and we have identified some changes that could reduce this burden. Regardless, a fundamental tension remains. As set out in the CRA report, suppliers will engage in price discrimination between loyal and new customers to the extent that they are allowed, as that is the profit maximising strategy. Whatever rules are in place, suppliers will seek to test the boundaries of what is allowable and the regulator will need to monitor and intervene as appropriate.

The questions to this consultation are narrowly framed. We are keen to discuss the BAT more generally and would welcome a call to share more on our experience and insight.

We set out our responses to each question below.

1. Should the temporary BAT (SLC 22B) be renewed until 31 March 2027?

Yes, we agree that the temporary BAT should be renewed until 31 March 2027.

Ofgem highlight the risk of loyal customers, who tend to be more vulnerable, paying more in order to cross-subsidise new customers. The CRA report we provided alongside our response to Ofgem's previous consultations presented extensive evidence and analysis demonstrating that this was a real risk if the BAT was terminated, even with a price cap in place. We have additional concerns that have yet to be addressed by Ofgem. We hope that Ofgem will take those concerns into considered for the additional 12 months of BAT and anything enduring beyond that.

Impact Assessment:

Ofgem has not provided an updated impact assessment alongside this consultation. When it is next updated, the assumptions underpinning that impact assessment need to be revisited. Our response to Ofgem's previous consultations and the CRA report set out the issues with the previous impact assessment, such as:

Price Discrimination

Ofgem assumes that suppliers will not engage in price discrimination as a result of removing the BAT, despite the fact that this is exactly what the BAT is designed to prevent. The CRA report makes clear that we should expect to see price discrimination should the BAT be removed.

Ofgem's current analysis does not account for 3rd party sales commission. To the extent that suppliers price discriminates, some of the additional revenue gained from loyal consumers will accrue PCWs, rather than consumers who switch to Acquisition-only Tariffs (AoTs). This creates a net negative impact on consumers. At upwards of £70 per dual fuel sale, this material detrimental impact has been left out of Ofgem's analysis. The analysis is also missing additional search costs on behalf of consumers which the FCA found to be in the region of £20 per switch for home or motor insurance¹.

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Distributional Analysis

The current distributional analysis is not fit for purpose because it does not consider key questions, such as:

- Are consumers who renew with their existing supplier more likely to have vulnerability characteristics, such as being elderly, disabled or low income than customers that actively switch suppliers on a regular basis?
- The extent to which the above is true, and has a negative impact on vulnerable consumers which is outweighed by the benefits made by other consumers in general²?

Ofgem need to redesign its distribution analysis to consider the two points above.

Counterfactual Issues

Ofgem's assumption around price discrimination has led to some skewed conclusions in their analysis. For example, Ofgem state in its previous consultation:

¹ FCA "[General insurance pricing practices interim report](#)", paragraph 5.32, p32

² Note, we consider the removal of the BAT to be detrimental to consumers in general.

“3.15. The scale of any disbenefit that might be faced by individual customers is a different question. With the BAT in place, we were keen to observe whether disengaged customers would pay less as a result – in other words, with suppliers unable to offer subsidised deals for incoming customers, whether that ‘subsidy amount’ would be returned to their existing customer base instead via cheaper prices. We have not seen that happening in practice - so far disengaged customers are not paying notably less under the BAT (whereas active customers are paying more).”

Ofgem has not considered that prices for disengaged customers are likely to rise, should the BAT be removed. It’s also unclear where this ‘subsidy amount’ is supposed to be coming from, if not from price discrimination. Presumably, it would be from suppliers sacrificing their profit margins whilst somehow remaining financially resilient in a context of an Ofgem requirement for suppliers to recapitalise their businesses following the energy crisis. If Ofgem is going to promise savings to consumers, then they should be clear about where the money is coming from. The CRA report makes clear that the most likely source is other loyal customers, who are more likely to be vulnerable.

Switching:

When Ofgem consulted on the BAT in 2023–24, both So Energy’s evidence and CRA’s independent analysis highlighted that removing the BAT would result in a detriment of £11–£74 per customer as loyal (often vulnerable) customers would end up subsidising cheaper acquisition-only deals.

At that time, however, both Ofgem and CRA acknowledged that it was too early to judge the effect of the BAT on consumer engagement and competition, since switching volumes were only just starting to recover after the energy crisis. Ofgem’s July 2024 decision explicitly noted that it would keep the BAT in place in order to observe its impact under more stable conditions.

The gap in the evidence base in 2023–24 was whether the BAT suppresses consumer engagement and competition, or whether switching would recover with the BAT still in force. No other major evidence gaps were identified.

We now have nearly two years of switching data since the crisis peak, covering the period when the BAT has been continuously in place. This allows us to address the question left open in earlier evidence. The Energy UK and Ofgem data shows increased switching and market satisfaction:

Energy UK (switching statistics)³:

- 2023: 2.28m switches
- 2024: 2.48m switches (+8.7% year-on-year)
- 2025 (year-to-date): strong monthly activity continues
- Jan 2025: 204,762 switches (+11% vs Jan 2024)
- Feb 2025: 212,672 (+11% vs Feb 2024)
- Mar 2025: 344,792 (+84% vs Mar 2024)
- Apr 2025: 348,423 (+48% vs April 2024)
- May 2025: 251,320 (+38% vs May 2024)

³ [Electricity-Switching-Report-April-2025.pdf](#)

It's clear switching volumes have risen materially in both 2024 and 2025 while the BAT remained in force. Engagement is normalising as expected, confirming CRA's forecast that it was the stabilisation of market conditions – not the removal of BAT – that would drive recovery. Ofgem itself has previously said it was “too early to tell” whether the BAT affects competition. Their own April 2025 report now confirms that engagement and competition are strengthening.

Ofgem (State of the Market, April 2025⁴):

- Ofgem reports that “the number of available tariffs has increased, offering consumers more choice” and that switching rates have continued to rise.
- They highlight that consumer satisfaction has improved, with 81% of customers satisfied with their supplier – the highest since they began tracking. Complaint volumes have fallen to their lowest since 2022.
- Critically for the BAT, Ofgem frames this as evidence that the market is stabilising and engagement is returning under current rules, i.e. while the BAT is in place.

There are several critics which said the BAT would reduce competition, for example, Uswitch in November 2024 said:

“All customers, including those vulnerable and indebted could suffer from softened competitive conditions caused by the BAT”⁵

As seen in the data provided by EUK, Uswitch's predictions have not been borne out. Instead, the BAT has required suppliers to take a measured approach that encourages competition but stability too.

2. If you consider that SLC 22B should be removed from 31 March 2026, please share specific evidence to support your arguments.

No. Removal of the BAT will result in adverse outcomes as mentioned, in our response to Q1.

3. 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?

Yes, the market-wide derogation should also remain in force in order to provide flexibility to suppliers on tariff offerings. We agree with Ofgem's position as stated below:

“We have not seen substantial evidence of the Market-wide Derogation's wider impact on pricing and tariffs in the market, since the BAT was made a standalone market measure in 2024. This is partly attributable to the relatively low number of customers on fixed term tariff deals in recent years following the wholesale price crisis. We expect the derogation's impact to increase in the coming year, given the steady growth in available FTC deals and also the higher number of people who will be reaching the end of their existing deals”

In another 12 months from now, we should be able to see how impactful the 'retention-only' deals have been. Only once this time has passed can we use data to govern its success.

4. If you consider that the Market-wide Derogation should be removed after 31 March 2026, please share specific evidence to support your arguments.

⁴ [State of the energy market report: retail | Ofgem](#)

⁵ [241104: Uswitch - Future of the Ban on Acquisition-only Tariffs \(BAT\) after March 2025 \[November 2024\] - Google Docs](#)

No. removal of the Market-wide Derogation would be premature and would require unnecessary restructure with no addition price protection benefits to vulnerable customers.

Yours Sincerely,

Joshua Field
Regulatory Manager

