



3rd Floor North
200 Aldersgate Street
London EC1A 4HD
Tel: 03000 231 231

citizensadvice.org.uk

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Dear Maureen,

Thank you for providing us with an opportunity to comment on Ofgem's proposals to extend the Market Stabilisation Charge (MSC) and Ban on Acquisition Tariffs (BAT). This submission is non-confidential and may be published on your website.

The MSC

We remain concerned that Ofgem's published analysis for this policy underplays the benefits to consumers of being able to save money from shopping around, were wholesale prices to fall significantly. Current retail prices are crippling, and beyond the means of many households. Even with the Government's Energy Price Guarantee in place we are likely to see a very significant expansion in fuel poverty, with associated hardship for millions.

Ofgem is clearly very worried about the potential for further supplier failures with associated costs to consumers. Separately, its current consultation on strengthening financial stability suggests that building capital adequacy within the sector may take years, with proposals to set interim minimum capital requirements that suppliers must hit by March 2025 en route to as yet unspecified, higher targets at a later date.

That work takes place against a backdrop where future wholesale prices remain very uncertain. It is to be hoped that they drop towards historic norms rapidly but that is not guaranteed. Some projections have suggested that they may remain elevated for a protracted period, perhaps towards the end of the decade.¹

This combination of factors leaves us worried that Ofgem may be on a slippery slope towards the MSC becoming a permanent, or at the very least, long term, feature of the market. While set out as a measure to protect long term competition it may very well come to stifle it, with no meaningful competition existing while it is in place.

For these reasons we would like to suggest two areas where this policy, if retained, should be amended.

¹ eg, ["Energy prices will not return to normal this decade, warns Cornwall Insight."](#)

The first is that Ofgem needs to be much clearer about what the circumstances or triggers are that would allow it to remove the MSC at a later point. These are set out in quite general, subjective terms (eg in paragraph 2.32) and need to be much tighter. At the moment they contain so much wiggle room that they could easily be interpreted in different ways at any given time. You should be able to more clearly signal the conditions under which the MSC can be removed if you are to continue to present it as a temporary measure.

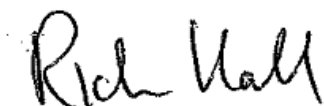
The second is that the current proposal to permanently amend licences to allow for an open-ended number of one year extensions to the MSC should be replaced by a single one-off amendment to extend it by a single year. This would not preclude Ofgem from extending the MSC in future were it to deem that necessary, but would require it to bring forward a new licence amendment to do so. In our view, that would necessitate a higher degree of scrutiny of any future decision(s) to extend the MSC than the current proposal whereby Ofgem simply published a statement to say that it was exercising its (taken in perpetuity) right to extend it by another year.

The BAT

We are supportive of your proposal to extend the BAT. As highlighted in previous consultation responses, we think there is a reasonably strong case for making it a permanent requirement.

The reasons for that view relate to trust, transparency and opening up avenues for internal switching. It should help to build trust in energy suppliers if consumers perceive that new customers of their supplier are not being offered sweetheart deals that they cannot access themselves. It should make it more transparent to sticky consumers what the level of acquisition pricing is as they could see where their existing supplier was pitching such deals; serving as a helpful nudge to shop around. Finally, by opening up internal switching options, it may encourage some consumers who would be nervous about switching suppliers to nonetheless access better deals.

Yours sincerely



Richard Hall
Chief Energy Economist