



CORNWALL INSIGHT

CREATING CLARITY

Alert - Ofgem confirms the BAT will be retained until March 2026

Headline assessment

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Action if desired: Note the decision to retain the BAT as it currently is.

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1 Assessment and Recommendation

On 14 November, Ofgem published its [decision to retain the Ban on Acquisition-only Tariffs \(BAT\)](#) until at least 31 March 2026. The market-wide derogation on retention-only tariffs will also be extended alongside it.

Ofgem's expectation is that the BAT will remain in place until a substantive decision is made on whether it should be maintained on a permanent basis. If this decision is not made by March 2026, Ofgem's current intention would be to extend the BAT for a further year.

Cornwall Insight comment: Ofgem's decision looks to provide greater clarity to industry on the medium-term status of the BAT, reducing the uncertainty that renewing it annually has caused. Ofgem will use this extension to observe the BAT's effects on the market before making a decision on whether to permanently retaining the mechanism. The increase in switching rates observed over recent months, and the increase in supplier offerings available through PCWs are a promising sign that competition in the market is not being significantly hindered by the BAT.

2 Background

The BAT was first introduced alongside the Market Stabilisation Charge (MSC) in [April 2022](#) as a temporary intervention to improve stability in the market during a period of extremely high and volatile wholesale prices. Since then, it has acted as a mechanism to reduce the incentive for suppliers to offer aggressively low-priced acquisition tariffs in an unstable market.

While the MSC was allowed to expire on 31 March 2024, in [February 2024](#), Ofgem decided to extend the BAT until 31 March 2025, setting out its view that the case for retaining the BAT was not compelling for either market stability or price protection reasons. The regulator then consulted in [May 2024](#) on whether to remove the BAT from 1 October 2024, or let it expire on 31 March 2025, with its minded-to position being to remove it in October 2024. However, following strong consultation responses in favour of the BAT, in [July 2024](#), Ofgem published its decision to retain the BAT until at least March 2025, noting it would consult further on extending it out to 31 March 2026. This decision follows the consultation issued in [October 2024](#).

3 The BAT

Of the respondents, all eleven suppliers and all four consumer/charity group respondents agreed with the proposals to extend the BAT post-March 2025. One supplier noted that domestic switching has increased to its highest levels since the energy crisis, suggesting the BAT has not hindered competition. ElectraLink's [switching statistics for October 2024](#) show 361,000 domestic switches were completed in the month, the highest seen since mid-2021.

In line with their previous BAT consultation responses, all five price comparison websites (PCWs) opposed the proposals to extend the BAT, with one stating it penalises those who are more likely to engage in the market without providing sufficient countervailing benefits to disengaged or vulnerable consumers. Three PCWs noted that with a possible extension to the BAT, Ofgem needs to consider how to minimise any potential negative impacts on consumer engagement and competition in the market.

60 of the 61 consumer respondents also opposed the proposals to extend the BAT. Ofgem stated that these respondents were part of a "major consumer campaign led by one party". On debt, they suggested that instead of relying on the BAT to enable access to the cheapest deals, indebted consumers' ability to switch should be better facilitated.

Ofgem noted the concerns from respondents, but on balance still considers that extending the BAT to at least 31 March 2026 supports consumers. It considers it will result in positive impact on consumer trust and improve ability to better support inactive and vulnerable customers through enabling existing customers to access supplier-own deals.

4 Market-wide Derogation

All supplier and consumer group respondents to this section agreed the market-wide derogation should be extended on alongside the BAT. In relation to transparency of retention deals and the risk of these being targeted to those likely to switch, one supplier noted that Ofgem should change existing rules to prevent practices such as these. Another supplier noted that suppliers are already obligated to publish details of all their operational tariffs, including retention deals, and concerns were raised about suggestions to share data with Third Party Intermediaries (TPIs)/PCWs as unregulated entities.

The PCW respondent did not support further extension and urged Ofgem to consider the ability of suppliers to offer retention tariffs without any competitive pressure or checks. It also urged suppliers to make all current tariffs, including retention-only, available to accredited PCWs.

Ofgem's final decision is to extend the market-wide derogation until at least 31 March 2026. It expects that enabling suppliers to offer bespoke deals to their existing customer bases will mean existing customers, including vulnerable or heavily indebted customers, have the opportunity to benefit from cheaper deals. It noted the concerns on the transparency of retention-only deals and will endeavour to work with suppliers and industry over the coming year to ensure there is clarity on the existing rules.

5 Potential long-term changes

Ofgem is actively considering the prospect of an enduring BAT as part of its ongoing work in the future of retail pricing. As part of the consultation, it sought stakeholder feedback on potential changes that could be made, if the BAT was to be made permanent.

One supplier considered that Ofgem should rewrite the rules for the BAT and supporting SLCs to remove the need for separate derogations and guidance, and two suppliers called for more proactive monitoring of current BAT compliance.

Ofgem also noted it received a variety of views from suppliers on banning introductory tariffs, the use of vouchers and refer-a-friend-type deals. These were also considered by consumer groups, which stated that offering cash-based incentives for switching is problematic and risks favouring those that arguably need less support, though they considered that refer-a-friend deals could still work and favour all.

PCWs and TPIs argued that Ofgem should remove the ban on all introductory offers, to encourage suppliers to refocus efforts on business acquisition. They also stated that Ofgem should consider allowing exclusive tariffs for new customers, to incentivise the uptake of greener tech and to those that are vulnerable in rural areas.

Ofgem does not plan to make immediate changes to the BAT while it remains in a temporary state but will consider these proposed amendments as it takes forward its decision-making on whether the BAT should be made permanent.

6 Next Steps

This decision confirms that the BAT and the market-wide derogation will remain in place until at least 31 March 2026.



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