

21 February 2025

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via email:

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cc:

*Interim Chair of the CMA*

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Dear Sarah,

**RE: Call for a Market Investigation Reference (MIR) of the supply of energy to non-domestic consumers**

UKHospitality is the leading trade body for hospitality, representing more than 740 members and 130,000 venues across the UK. As a sector, hospitality contributes £93 billion to the economy, employs 3.5 million people and generates £54 billion in tax for the Treasury. We speak on behalf of a wide range of leisure and 'out-of-home' businesses, from FTSE 100 enterprises to medium-size groups and independent single-site operators, as well as 6,000 affiliated operators.

In its Energy Market Investigation in 2016, the CMA found that competition in the retail supply of gas and electricity to small and medium-sized enterprises wasn't effective, causing them to pay 18% too much. The total detriment was then estimated at £500 million p.a.

As one of many crises facing hospitality businesses immediately post-Covid, the energy crisis was particularly challenging for large, medium and single-site venues alike. Not only was the cost of energy an issue for all hospitality businesses, it also resulted in some not being able to secure contracts or being forced to pay even higher prices to whichever suppliers were willing to supply them. Very well financed and stable hospitality businesses were – and in many cases still are – treated as an excessive risk and therefore being charged premiums or denied supply.

It is difficult to think of anything that is more detrimental to business investment in the UK than having to pay an excessive amount for an essential input and potentially not even being able to access it at all.

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In March 2023 the Chief Executive of Ofgem made a commitment to the then Chancellor of the Exchequer, Jeremy Hunt, that Ofgem would consider making an MIR to the CMA (i.e. for it to conduct a fresh market investigation) if it had reasonable grounds to suspect that competition in the non-domestic energy market wasn't effective. Around the same time, UKHospitality wrote to the then business minister, Kevin Hollinrake, calling for an investigation into the business energy market – ideally to be undertaken by the CMA.

In July 2023 Ofgem concluded a review of the market which showed beyond any doubt that competition is not effective. Ofgem described “customers struggling to contract with energy suppliers, poor customer service, and larger price hikes than seem necessary”. This was despite that review not referencing the CMA's analysis in 2016, omitting many of the features of the market that were found by the CMA to affect competition and focusing on the effect on customer service, rather than on the general level of prices. Yet Ofgem has made no mention of an MIR.

In our view an MIR is the only way to address the entrenched competition problems in this market. Market investigations are thorough, and the CMA has wide ranging powers to obtain information and impose remedies. Because this market has been investigated previously, it would be more feasible to produce effective remedies this time and to conclude significantly more quickly than the time limit of 18 months.

The criteria for an MIR are undoubtedly met given the reasonable grounds for suspecting that competition is not effective; the scale of the problem; and the reasonable chance that appropriate remedies will be available.

Businesses continue to report issues with the energy market even though we are no longer considered to be in an ‘energy crisis’. It is our view that the hospitality sector, like businesses more widely, cannot afford to go through the same issues again the next time a major shock to the energy market occurs. This proposal for an MIR has been developed by David Osmon of Ideal Economics, a former economist at Ofgem, the Competition Commission and the Office of Fair Trading who has led a number of market investigation references.

We would very much welcome a meeting with the CMA to explore this further.

Yours sincerely,



*Kate Nicholls OBE*  
Chief Executive  
UKHospitality