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We support people and organisations across the UK to tackle the climate emergency and end the suffering caused by cold homes.

A Review of Ofgem: A Call for Evidence

Closing date: 28 February 2025

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Introduction

The Centre for Sustainable Energy (CSE) is a national charity that supports people and organisations across the UK to tackle the climate emergency and end the suffering caused by cold homes. For over 45 years we have been working with householders, communities and local authorities and delivering practical solutions to address fuel poverty and cut carbon emissions. Our latest Impact Report provides more detail of our work.

We welcome the Government's review of Ofgem's mandate and duties. The energy market and system that supplies and delivers our energy has changed and matured considerably in the last 25 years. More importantly we are facing huge change ahead, as we transform how we generate and use energy to deliver a net zero energy system. At the same time being able to afford to keep warm in winter should be a basic right for all consumers, and its unacceptable that in our current market people must choose between heating their home and eating or find themselves excluded in participating or benefiting from the net zero transition. Ofgem as regulator needs to be at the centre of these changes, regulating and steering those companies participating in the market to deliver the economic, social and environmental outcomes we need for current and future generations.

We provide our response to your call for evidence below.

Legal Mandate

We are seeking views on what Ofgem's mandate should be.

We strongly support continuation of Ofgem's principal objective of protecting the interests of existing and future consumers.

We feel there is less justification for it continuing to have a role '***promoting*** effective competition where that is appropriate', than when it was first established in 2000 when the energy markets had only recently been liberalised. If any role in supporting competition is to be maintained, we feel this should be more to **r*egulate to ensure fair and effective*** competition than to promote it.

We would strongly support Government in introducing a clearer mandate associated with driving robust standards, particularly retail customer service standards.

In summary we would suggest that the Ofgem's principal objective should be "to protect the interests of existing and future consumers and drive-up service standards across the energy industry" having regard for customer vulnerability, net zero targets, security of supply and enabling and supporting innovation.

Duties

We are seeking views on whether Ofgem's duties should be streamlined, and if they should, views on which goals might be prioritised.

We recognise that the expansion of Ofgem's statutory duties causes more tensions and complexity in its decision making. We support some streamlining but feel strongly that the two key duties that must be maintained are 'customer vulnerability' and 'net-zero'.

We would urge consideration of a new duty to 'promote fairness in the market' in recognition that that in the rapidly evolving more flexible and smarter energy market there are increasing ways that consumers (not all of them vulnerable) can find themselves excluded and disadvantaged. A fair energy market is a fundamental requirement to ensure we build and maintain support for the net zero energy system transition.

With the National Energy System Operator now established as a public corporation with a whole system remit, we would suggest DESNZ considers whether security of supply sits best with them.

We think the duty for sustainable economic growth would be better replaced by supporting innovation to drive industry improvement and energy demand reduction. Ofgem has been an important enabler of innovation (e.g. most recently through the Strategic Investment Fund). However, innovation is not as an end in itself and ensuring successful innovations become embedded as business as usual and deliver societal and environmental benefit is equally important.

Transparency and accountability

We are seeking views on making more detailed information available about energy company performance and behaviour, and how this might assist other licensees and consumers.

We would strongly support publication of more detailed information on suppliers' standards of performance (complaints, call wait times, complaints upheld by the ombudsman) but would also call for more transparency of wider issues affecting consumer standards (e.g. provision by suppliers of translation services, supplier performance on recognition of and working arrangements for trusted intermediaries who represent consumers).

We would also support greater transparency of Ofgem's investigation and compliance work as proposed in this consultation.

We are inviting views on Ofgem's annual report and the KPIs it reports against, and how to strengthen Parliamentary scrutiny of Ofgem's performance.

We don't have specific views on this question.

Skills and capability

We are seeking views on the capabilities Ofgem needs to be an effective regulator in a more digital, fast-moving sector.

We agree that Ofgem needs an appropriately skilled workforce that understands the sector and the factors and challenges at a time of substantial energy system transformation.

Specific capabilities we feel the regulator needs to develop further include:

- greater expertise on demand reduction and rapidly developing flexibility markets
- stronger understanding of local and community energy schemes and their needs and benefits
- skills and capacity to undertake more routine distributional impact analysis, e.g. covering how pricing of policies impacts on fuel poverty and consumer vulnerability
- a more detailed understanding of what fairness means for consumers in the rapidly evolving smart, decarbonised energy market
- expertise on future pricing and tariff design to enable them to plan the future energy market.

Ofgem's Regulatory Remit

Does Ofgem have the right regulatory remit? Have you observed harms caused by uncertainty over Ofgem's remit, or by gaps in what is currently regulated in the energy sector?

It is important that Ofgem maintains a regulatory remit over both energy suppliers and network companies (spanning transmission, and electricity and gas distribution companies) – especially since these companies are subject to commercial drivers that might adversely affect delivery of consumer services, infrastructure investment and their social and environmental responsibilities.

The role of Ofgem in regulating NESO is less clear when NESO also has a direct responsibility to Government and as a public corporation NESO will not be subject to penalties for under performance. NESO does need to be held to account on delivery of its business plans, with KPIs monitored and performance incentives agreed, and it makes sense for this role to be delivered by Ofgem. But more clarity is needed about Government's role vs Ofgem's in approving NESO strategy and business plans.

We can see the need for a continued role in Ofgem administering and operationally delivering important delivery schemes such as BUS, GBIS, ECO and WHD.

We are seeking views on Ofgem's role in an energy system that is now, in part, driven by strategic planning following the creation of NESO, in particular, how should regulatory strategy be aligned with strategic energy plans.

Ofgem's regulatory function needs to adapt to take account of strategic energy planning, both nationally and regionally. There needs to be clearer direction from Ofgem around the expected role and performance of Distribution System Operators i.e. a stronger framework of common, comparable and agreed KPIs now. Transmission network companies will need to be regulated to ensure their investment plans align with whole system energy plans i.e. the Central Energy Strategic Plan (CESP). And when Regional Energy Strategic Plans (RESPs) are developed and in place, Ofgem will need to ensure that both electricity and gas networks are committing the investment into networks required for their delivery (e.g. getting the ED3 framework right for future DNO regulation). The detail of how this alignment is achieved and regulated by Ofgem needs more consultation when CESP and RESP methodologies and outputs are clearer.

Delivering Investment and Innovation in the Transition

We are seeking views on the role Ofgem should play to support growth and the government's industrial strategy.

Our view is that a change of focus is needed and Ofgem's duty to support growth per se should be reframed to focus on enabling innovation and investment to ensure our future energy system is decarbonised, fit for purpose and regulated to protect consumers and promote fairness in the market – so no consumers are left behind.

What can Ofgem do to increase investment and innovation in the sector?

The Strategic Investment Fund and Network Innovation Allowances have been important funding streams for supporting innovation in the context of energy networks. These should be continued, with the priorities and detail of their delivery and effectiveness routinely reviewed.

Ofgem has had less of a role in driving innovation by energy suppliers. Suppliers rightly have more freedom to bring forward new products and services to market, which potentially may be stifled by excessive regulation. However, in delivery of consumer protection and customer standards energy supplier innovation is less apparent. Rather than just policing these areas, there could be a role for Ofgem to more proactively encourage innovation.

What might Ofgem do to support an environment of falling energy prices?

There needs to be a better understanding developed and more transparency and honesty about the predicted impact of the energy system transition on future energy prices in the near and medium term – not simply predicting long term savings on bills by 2050 as recently published by the Climate Change Committee[1].

[1] https://www.theccc.org.uk/2025/02/26/end-the-fossil-fuel-age-for-a-secure-and-prosperous-future/

There is a widespread expectation across the industry that network costs will likely need to increase under RIIO T3 & ED3 to deliver the infrastructure needed for Clean Power 2030 and whole system decarbonisation longer term. The general expectation that increasing renewables on the system will drive down cost of generation sufficiently to compensate for higher network costs needs more detailed analysis and evidence. Ofgem should undoubtedly have a role in providing this analysis and identifying the factors and levers it has to support falling prices.

Whilst lowering energy prices for consumers are clearly important, quality of services and energy efficiency are also important factors and regulating to support retrofit and energy demand reduction are important aspects of reducing costs for consumers – as opposed to a pure focus on energy pricing.

What else might Ofgem do differently to support higher growth in the energy sector and wider economy?

See previous comment. Ofgem's focus should be on supporting innovation and investment, rather than growth per se.

Smart meters, smart tariffs and flexibility products offer opportunities for market development and growth that could benefit consumers and enable the transition to a net zero energy system. However development of this new market is heavily dependent on having a functional and trusted network of smart meters. The failure of suppliers to address fixing 3m+ broken smart meters (many in the homes of vulnerable consumers) in a timely manner is a major concern in ensuring that these households are not disadvantaged by being unable to access benefits from new flexibility tariffs and services. Ofgem could play a much stronger role in regulation of suppliers to require prompt repair of non-functioning smart meters. This would help these markets develop, build public trust and increase the potential for bill savings for consumers.

Are Ofgem's regulatory processes sufficiently fast, effective and user friendly?

No. Recognising that regulation is complex and processes need time to deliver robust and effective changes, there are examples of consultations that have taken years to achieve any substantive benefits to consumers, particularly in relation to poor energy supplier customer service and consumer protection. e.g. We have been calling for Ofgem to require suppliers to recognise trusted intermediaries who can advocate for vulnerable customers for a number of years. Similarly, little has changed to improve protection of Economy 7 customers from price variation under the price cap methodology despite the issue being highlighted for a number of years.

Low Carbon Technologies

We are seeking views on Ofgem's remit in enforcing consumer law in respect of low carbon technologies, such as heat pumps and solar panels, and what the appropriate boundaries might be.

There is a desperate need to enforce higher standards of installation of retrofit and low carbon technology to ensure consumer benefits are maximised and avoid a public backlash against adoption. Heat pumps installations need to achieve higher coefficients of performance (COPs) and quality standards for insulation need to be driven up through fully independent retrofit coordination assessment of works completed. See recent DESNZ hearing on Retrofit failures.[2]

Through its remit in administering and operationally delivering schemes that install these measures (ECO, BUS, GBIS) Ofgem should be actively requiring measurement and reporting of the performance of installed measures, requiring remedial works where standards are insufficient and withdrawing licenses from suppliers to work on schemes where they fail to address quality standards effectively.

Better outcomes for consumers and more accountability

The 'better outcomes for consumers and more accountability' section therefore seeks views around increasing accountability and consumer standards in the sector

We fully agree with government that even with a market where consumers can choose a balance between price and service quality, that minimum standards need to be driven up, with Ofgem promoting a culture that encourages this with appropriate levels of accountability.

See our earlier comments about transparency and accountability. In addition to current reporting, suppliers should be required to report on wider issues like translation services and recognition of trusted intermediaries, with that data fully published and Ofgem having the powers to require improvements to be enforced.

We would also like to see a requirement for suppliers to report on the number of non-communicating smart meters their customers have to act as an incentive for suppliers to resolve these issues. Smart meters are required for customers to take advantage of Time of Use tariffs. If we want to ensure energy is affordable to all we need to make sure all customers have the option to access cheaper off-peak tariffs.

Improving executive accountability and consumer standards

We are seeking views on how Ofgem can ensure consumer standards are better represented – for example with reference to other business models within the sector, such as through potentially adopting a 'consumer duty' and 'Senior Management Regime'

We support government in seeking to improve executive accountability but have no specific evidence or views on how to achieve this.

[2] https://committees.parliament.uk/work/8655/retrofitting-homes-for-net-zero/news/205118/retrofit-failures-how-do-we-move-forward-on-warm-homes/

Enhanced investigatory & enforcement powers to protect consumers

We are seeking views on Ofgem having enhanced investigatory powers.

We would support Ofgem being given enhanced powers to investigate, determine and take direct enforcement action, such as fixed penalties, in relation to consumer protection law.

We are seeking views on Ofgem being granted enhanced enforcement powers similar to the CMA

As mentioned above, there is a desperate need for enforcement of higher standards of installation of retrofit and low carbon technology, in particular heat pumps and insulation. If enhanced investigatory and enforcement powers are needed for Ofgem to enforce higher insulation standards, government should act quickly to enable this.

Approach to Penalties and Compliance Orders

We are seeking views on whether the scope and scale of Ofgem's current penalties are set at the right level.

The current penalty levels at the very least ought to be maintained if not increased. The fact that so many companies continue to incur penalty fines suggests that the cost of improving services may out-weight the costs of paying fines. Independent research should be commissioned to try to understand the extent to which poor practice is actively driven by cost of improved practice vs cost of fines.

It's worth noting that funding for fuel poverty services has become heavily reliant on the Energy Redress Fund (i.e. energy company fines) and in the absence of these penalties, DESNZ would need to identify alternative routes for addressing fuel poverty.

A proportion of Ofgem Energy Redress funding is also assigned for emergency fuel vouchers or direct fuel payments to support fuel poor consumers in critical need. While this approach does have immediate short-term benefit for those consumers, it also represents a channelling of fines money back to energy suppliers, potentially cushioning the negative impact of the fines process.

In an effective energy market designed to meet national, public and consumer needs, companies would have stronger incentives to provide energy efficiency services that directly relieve fuel poverty, would be required to offer tariffs that help address fuel poverty and would be expected to deliver higher standards of customer service. The market is not working like that at all at present and hence the current scope and scale of penalties either needs to be retained or increased to address the current market failure to address fuel poverty. .

Increasing the costs of bad practice

We are seeking views on the current system of a maximum fine of 10% and whether it should change?

See comment above. Many suppliers still have poor customer satisfaction scores, which suggests penalties are not sufficient to incentivise improvement. The maximum fine of 10% should therefore be retained, if not increased. It should certainly not be reduced.

Any reduction of the maximum fine would act as a disincentive and likely lead to poorer service. It would also severely impact funding for fuel poverty advice and support services, which are currently addressing failures in the market and a lack of public provision.

Quicker response to emerging issues

We are seeking views around whether this process should change to make it easier for Ofgem to create new rules to respond to emerging challenges

We support government in seeking to change the rules to enable Ofgem to act more quickly (i.e. quicker than 3 months) to deal with emerging issues (such as the recent gas crisis and forced fitting of prepayment meters by suppliers). The introduction of the option of having 'urgent rule changes' seems eminently sensible.

We are seeking views on how Ofgem might better respond, or be better equipped to respond, to emerging issues, especially for which there is not already a clear precedent

In the case of emerging emergency issues with no precedent, Ofgem should develop its own views and plans internally swiftly, consulting with its board, legally team etc. It could then take immediate views from stakeholders in a faster manner without full consultation e.g. via emergency stakeholder online consultation events. Emergency actions could be approved by government on an interim short-term basis, whilst fuller consideration takes place for longer term solutions.

Supplier failure

We are seeking views on how Ofgem might be better equipped to protect consumer interests in cases of (predicted or actual) supplier insolvency and/or financial distress.

Government should speed up the decision process in relation to Ofgem's SoLR Levy Offset Statutory Consultation[3] which was supposed to result in changed to the Supplier of Last Resort process and rules in early 2025. Ofgem should tighten the rules for licensing and have the power to recover costs for the Supplier of Last Resort from retained assets of those companies or owners of the companies, rather than costs being borne by the public or consumers.

[3] https://www.ofgem.gov.uk/consultation/solr-levy-offset-statutory-consultation

Automatic compensation

Is the current compensation framework in the energy market fit for purpose to protect consumers and ensure they receive a consistent minimum level of service?

CSE's advice team directly supported over 22,000 households (primarily vulnerable customers) last year. In our experience of making 3-way calls between vulnerable customers and suppliers to resolve issues, suppliers have never mentioned that there are set compensation amounts. Instead, if for instance a supplier misses an engineer appointment and we complain on the customer's behalf, the supplier will offer a "goodwill" payment of £65 but will not make it clear that they were required to do this. Usually these payments aren't made without us having complained on the customer's behalf.

Are consumers aware of their rights under the existing compensation framework and are eligible consumers receiving timely, appropriate redress when they do experience poor levels of service?

No, as mentioned above, in our experience it is not usual for a customer to be informed of their rights. Instead compensation is framed as a goodwill gesture.

It would be helpful if suppliers had to publish the grounds that are eligible for compensation and corresponding compensation amounts clearly in one place on their website. Often when we speak to customers in vulnerable circumstances who are having issues with their suppliers there are multiple grounds for complaint. Having a list clearly published would make it easier for these customers to feel confident to raise compensation requests without our support.

Are there ways in which the current compensation framework could be improved to better serve consumers? For example, are there specific issues or service areas not currently covered by the existing compensation framework where there is evidence of consumer detriment?

The compensation framework should be extended to explicitly address the failure of suppliers to fix non-functioning smart meters in a timely fashion. i.e. customers should be entitled to claim payments which increase proportionally with the length of time their meters remain broken to reflect the fact that they are unable to access Time of Use tariffs.

The following list illustrates the most common customer service issues with have with suppliers:

- Suppliers losing our authority to talk on the customers behalf
- Complaints being closed (often instead marked as 'feedback') without being investigated.
- Suppliers saying they will do something, e.g. Recalculate a customer's bill, and not doing so.
- Calls to suppliers being cut off midway through.
- Suppliers not investigating smart meter issues.

As far as we are aware, the current compensation framework doesn't cover any of these issues.

Are there examples of compensation frameworks in other sectors that are worth consideration in the context of the energy market?

No comment.

How should Ofgem drive energy suppliers to go beyond minimum levels of service and deliver high standards of customer service?

In relation to complaints, there should be more transparency of supplier performance, including open publication of the extent to which compensation payments have been paid, the speed of dealing with complaints and the type of consumers most affected. In our view principles base regulation has failed to encourage fundamental improvements in customer service standards, Ofgem should be driving standard up by setting and enforcing minimum regulatory standards for complaint handling. Currently vulnerable customers often only get their complaints or issues resolved with the support of a charity such as CSE to advocate for them. Not all local areas have access to this type of support, hence there are likely a huge number of vulnerable customers who are not getting their issues resolved.

Energy Ombudsman

We are seeking views on whether there are changes that could be made to the model under which Ofgem appoints the Energy Ombudsman, to strengthen the Energy Ombudsman's ability to resolve consumer disputes.

Usually the process of going to the Energy Ombudsmen runs smoothly but where suppliers are given recommendations for action and don't take them, we find the Energy Ombudsman's lack of power to compel suppliers to follow their recommendations prevents disputes being settled.

For example, we have a client who has been sent incorrect bills from her supplier for years, sometimes stating she owes them money and sometimes stating they owe her money (up to £4,000 credit). It appears from our investigation that the client owes around £1,500. The ombudsman has instructed the supplier to recalculate the bill and send her an accurate bill, but it has been two months now and they have not done so. Each week our Energy Caseworker calls the supplier who reassures her that they will calculate a new bill and send it within 7 days, but the client has still not received a bill. The client has set up a standing order for payment but does now know whether it is enough. Due to the client's circumstances she would be eligible for the Supplier's Trust fund but she cannot apply until she has the updated bill. Without an accurate bill she also doesn't know what amount her standing order should be so she may well be getting further into debt. The stress is having a terrible impact on her mental and physical health but the Energy Ombudsman has said there is nothing further it can do to compel the supplier to follow its recommendation. It is not unusual for us to find this situation. We would therefore call for Ofgem or DESNZ to enable stronger powers by the Energy Ombudsman where suppliers do not follow their decision in a timely manner.