

Ofgem Review  
Energy Affordability and Consumers  
Department for Energy Security and Net Zero  
5th Floor  
3-8 Whitehall Place London  
SW1A 2AW

28 February 2025

Dear Sir/Madam

## **Department of Energy and Net Zero Review of the Role of Ofgem**

### **Who We Are**

Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020, we are accountable to the Scottish Parliament. The Act defines consumers as individuals and small businesses.

Our purpose is to improve outcomes for current and future consumers, and our strategic objectives are:

- To enhance understanding and awareness of consumer issues by strengthening the evidence base
- To serve the needs and aspirations of current and future consumers by inspiring and influencing the public, private and third sectors
- To enable the active participation of consumers in a fairer economy by improving access to information and support

Consumer Scotland uses data, research and analysis to inform our work on the key issues facing consumers in Scotland. In conjunction with that evidence base we seek a consumer perspective through the application of the consumer principles of access, choice, safety, information, fairness, representation, redress and sustainability.

We have a particular focus on three consumer challenges: affordability, climate change mitigation and adaptation, and consumers in vulnerable circumstances.

### **Consultation Response**

Consumer Scotland welcomes this review and the opportunity to contribute to it.

We agree with much of the starting position for the review, as set out in the call for evidence: since Ofgem was established, both energy markets and energy services have consistently become more complex, costly and volatile for consumers.

The range of consumer experience has expanded in parallel, from those benefiting from significantly lower bills as a result of adopting energy efficiency measures, low carbon technologies and time of use tariffs, to the large and growing minority for whom energy bills and debt represent a very significant affordability concern, alongside other cost of living challenges.

Against this background, we highlight some overarching comments.

Firstly, flexible approaches to continue progress towards net zero while improving baseline standards are essential. As the consultation recognises, the corresponding challenge for Government, Ofgem, consumer bodies and industry - is to deliver this in practice in ways which are as effective and efficient as possible. A key role for government and Ofgem is to ensure the sector as a whole enables and encourages consumers to participate in the net zero transition, which means approaching the design of policies, schemes and processes from the consumer perspective.

In relation to Ofgem's remit and duties, we therefore strongly support the retention of the central aim of protecting current and future consumers. While we understand the attraction of streamlining Ofgem's wider suite of duties, we consider all duties individually are justified; the issue is more one of how Ofgem applies these duties in different circumstances and in ways which maximise benefits to consumers.

To achieve this, greater consideration of integrated, system-wide approaches may in some cases serve consumers better than regulation of different parts of the energy sector in isolation, especially given the importance of decarbonisation. For example, a home battery may offer the chance to address fuel poverty by reducing bills directly, while also contributing to grid balancing and helping provide security during power cuts.

However, significant changes in the energy sector will require higher levels of trust in the sector amongst consumers than exist currently. Achieving that requires action to improve on customer service standards and prices. There are both governance and implementation aspects to this.

We would highlight that Ofgem staff have consistently offered support and opportunities for engagement to us since our establishment in 2022. However, the corollary is that the volume of consultations and calls for evidence on which Ofgem seeks the opinion of consumer bodies has grown to the point where it can be difficult to respond to all of the issues that may merit our attention. Consideration of how to streamline this process while retaining input from consumer bodies would be very welcome.

In terms of customer service, the evidence of both complaints levels and categories suggests that sanctions applied for breaches have been insufficient to generate change in some companies' behaviours, even after problems have been identified repeatedly. For example, during the period of this call for evidence, the perennial issue of companies failing to follow back billing license conditions has again been highlighted. It is difficult to avoid the conclusion that some suppliers appear to price in poor service, and the subsequent regulatory action, as part of the cost of business.

It is important that the review provides Ofgem with the powers and the tools that it requires to deliver better consumer outcomes in improving customer experience and thus reducing complaints levels. This is likely to include the capacity to raise economic sanctions as necessary until those outcomes are achieved. These need not always be fines. Ofgem has in the past stopped individual suppliers from accepting new customers, for example.

We recognise that all of the above implies an increase in Ofgem's capacity. We would suggest that it may help to manage this if Ofgem concentrates on regulation of energy markets, and as far as possible moves away from delivery of Government initiatives. Accordingly, we recognise the merit in considering options to extend Ofgem's remit to cover low carbon technologies in consumers' homes, however we identify a number of issues that require further development and consideration in order for such a role to both work effectively alongside existing mechanisms and to sit coherently with Ofgem's current remit.

Below, we provide more detailed responses to selected consultation questions. We look forward to discussing these ideas and contributing further to Government's thinking as the review continues.

Yours faithfully,

Douglas White  
Director of Policy and Advocacy  
Consumer Scotland

## **Annex: Detailed Response to Selected Questions**

### **Legal Mandate and Duties**

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

Consumer Scotland agrees with the summary analysis presented in the consultation document; that wholesale price volatility has translated into higher and variable prices for most consumers, exacerbating existing affordability and service standard concerns. It is not surprising that consumer trust in the market has declined as a result.

At the same time, the complexity of the energy system for both consumers and the regulator has increased:

- The electricity generation system has changed massively, with both increasing numbers and diversity of generators and associated demands on the transmission and distribution networks; and
- Energy choices for consumers have also widened hugely. For some consumers, affordability and simple choices around the cheapest single rate tariffs remain critical, while others are considering or have adopted energy efficiency measures, low carbon technologies and next generation time of use tariffs. Further changes for some consumers, such as growth of electricity storage and arbitrage, linked to growing use of home batteries and vehicle to grid charging, are clearly in process.

Against that background, we consider that Ofgem's principal objective should remain protection of the interests of existing and future consumers. However, we recognise the increasing complexity and diversity of experience both within and between different groups of consumers, and the difficulty of balancing different interests and duties.

In these circumstances, it is appropriate for Ofgem's approach to combine a clear minimum level of consumer standards with greater flexibility to reflect wider duties. We recognise that achieving this goal in practice is already challenging and is likely to become more so.

While the suggestion of streamlining Ofgem's duties seems logical and attractive in response, the rationale for retaining each of the individual duties remains clear. In our view, the main challenge is, and will remain, delivery of those duties in an integrated way in practice.

To help streamline decision making, however, it is possible that more integrated consideration of issues across different silos of the energy market may be helpful. For example, electricity could effectively be made more affordable to certain consumers through technology (solar PV and / or batteries and / or vehicle to grid), in ways which also help

balance supply and demand, as noted in the Government's Clean Power 2030 Action Plan, while also helping safeguard consumers during power cuts. However, taking forward such an approach would involve a combined and cooperative approach to regulation across what are currently different parts of the industry, overseen by different parts of Ofgem.

We recognise such an approach is likely to involve greater resource. If it is necessary to simplify Ofgem's work to free up that resource, we would suggest that separating out Ofgem's current delivery functions would be more appropriate than changing regulatory duties.

The overall approach might best be summarised by the question:

'What are the best ways to approach wider duties in ways which, taken together, maximise benefits to consumers?'

## **Transparency and Accountability**

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

Given our remit, we are concentrating on the role of information for energy consumers and those working to further their interests, rather than for other licensees.

In considering these questions, it is necessary to consider:

- Firstly, the role of information in consumer decision-making; and
- Secondly, the role of information in supporting the work of bodies representing consumer interests, including information needed by Ofgem itself, both to recognise good practice and where necessary to hold energy sector companies to account

### ***Consumer Decision Making***

Delivery of consumer benefits through competition is a central aspect of Ofgem's approach, as agreed by successive Governments. Within that, we appreciate that a succession of retail reforms and initiatives has been undertaken by Ofgem with the aim of improving competition, primarily measured by the rate of consumers switching suppliers.

This process has undoubtedly brought direct benefits to a significant minority of energy consumers through lower prices. However, there remain larger numbers of consumers who have not engaged in the market for some time – indeed, the introduction of the price cap

was a clear recognition of this – and we are not convinced there is evidence that even those consumers who have engaged sought detailed information before doing so. Price, and to a lesser extent customer service standards, remain the key considerations among those switching.

There is also a question about the channels through which information can most effectively be made available to consumers. In our view, information from consumer bodies, such as Citizens Advice energy supplier star rating system<sup>i</sup> and switching websites are likely to be more immediate sources of consumer information than Ofgem's website. However, given Ofgem already has a consumer facing section of its website,<sup>ii</sup> it would be helpful to know how often that is visited at present while considering this.

### ***Consumer Representatives' Information***

Consumer Scotland appreciates that Ofgem already gathers and publishes a great deal of data and information, which helps inform our work and that of other consumer bodies. Further, we would emphasise that, on the occasions where we have sought information on particular issues, Ofgem staff have always been helpful in its responses.

Nonetheless, the volume of information gathered and published by Ofgem is very large, and not always presented in ways which allow integrated and timely views of different issues. It may be helpful for Government to consider how Ofgem could present and interpret data of the types outlined in the consultation to that purpose (complaints numbers and types, vulnerability data, etc). Near real time information would be more useful than what is presented in the annual report and accounts which, by its nature, can only provide a snapshot of selected information.

Data could also be more explicitly and simply presented and also given at different geographies, where appropriate (for example, installation of smart meters). Ofcom's approach on complaints data<sup>iii</sup> and on geographical reporting<sup>iv</sup> both offer relevant comparative approaches.

In terms of direct experience of energy consumers, representative bodies – understandably – have much better data on those for whom the market or technological changes create problems, rather than for those whose experience is more positive but may be less clearly reported. It may be appropriate for Ofgem to enhance its own, ongoing data, in a parallel to that covered, for example, by the FCA in its financial lives survey<sup>v</sup>.

### **Skills and Capability**

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

While we do not have specific insights on Ofgem's existing internal capacity, we would take the opportunity to highlight the implications for Ofgem capacity of taking a more integrated approach across its work, and the related issue of Ofgem's engagement with the consumer sector.

On the first of these points, we agree with the analysis presented in the consultation and discussed earlier on this response that there has been, and will continue to be, growing complexity for, and hence widening experience between, consumers in energy markets and services. All aspects of Ofgem's work need to consider that range of consumer experience to ensure that, for example, costs and benefits associated with network investments are fairly balanced between different groups of consumers, as well as between consumers and industry.

This might in turn imply greater consideration of possible approaches at the scoping stage, and a need for more explicit options appraisal with associated impacts assessments, although we recognise this could create tensions for urgent issues.

Our experience has been that engagement has improved in recent years. However, while the chance to better understand and feed into Ofgem's thinking has been welcome, the corresponding volume of consultations and other work has been significant, and has at times exceeded our capacity. Further, we appreciate that the majority of consumer energy agencies in Scotland are less well-resourced than Consumer Scotland, and capacity has been highlighted by our Energy Consumer Network participants and others.

There is a link between this issue and improvement of customer service standards for consumers. Advice bodies have also reported pressures on staff time and wellbeing as a result of dealing with poor customer service on the part of some energy suppliers. A stronger minimum standards approach would free up time for advice body staff to concentrate on more positive activities, such as advice on energy efficiency and low carbon technologies, rather than assisting with complaints handling.

We would therefore welcome consideration, as part of Ofgem's skills and capacity work, of ways in which engagement with others can be simplified and focused to make best use of stakeholders' limited time.

It is also important to consider the specific technical skills needed by Ofgem, both depending on its remit and more widely. As an example within the sector, this consultation asks for views on Ofgem expanding its role to oversee installation of low carbon technologies in consumers' homes and businesses. For reasons explored below, we have reservations about this, but were it to go ahead, there would be a need to recruit (or contract) specialists capable of visiting individual household and business premises across GB to assess installations on site.

More widely, the UK Government is setting expectations about the embedment of AI into the UK economy. The pace of change from technological progress could increase with these

new technologies. In order to effectively regulate the market with AI-based products, Ofgem would need to consider how to recruit and retain those with the experience and knowledge to ensure regulation of those products is effective, at a time when expertise in these areas is likely to be at a premium.

This issue is likely to be replicated across other markets, and so might benefit from Government consideration of a cross-market AI group supporting a range of regulators, including but not limited to Ofgem. This could be more cost effective than each regulator competing for limited AI skills and experience.

## **Ofgem's Regulatory Remit**

### **➤ *Does Ofgem have the right regulatory remit?***

As above, Consumer Scotland considers that there is clear justification for all aspects of Ofgem's regulatory remit. In our view, the individual functions described are all necessary and justified in the consumer interest. It would be counter-productive both in terms of coverage and in costs to separate out elements of the current remit and transfer them to any different organisation.

### **➤ *Have you observed harms caused by uncertainty over Ofgem's remit, or by gaps in what is currently regulated in the energy sector?***

The lack of regulation of TPIs currently under consideration, and issues around the processes for managing failed suppliers, both highlighted later in the consultation, are examples of which we are aware.

More widely:

- There is a long-standing concern around additional costs applied to end consumers through energy resale, for example for consumers in park homes or in multi-occupancy rented accommodation
- There are concerns that proposed regulatory approaches to Heat Networks are not always consistent with regulation of mains gas and electricity. In its new role as regulator from 2026, we would expect to see Ofgem integrate heat networks into its wider energy work. One of the key drivers for heat network regulation was to provide heat network consumers with similar levels of protection as consumers in the gas and electricity market.
- We recognise that it has been necessary to incubate the development of the heat networks function as Ofgem prepare to take on this new responsibility. Looking forward, we would like to see a more integrated approach to help ensure that heat

network consumers are not excluded from support or protections afforded to other areas of the energy market.

- This will help Ofgem to apply a common approach to addressing consumer detriment across the energy market and ultimately build more confidence as the rollout of heat networks accelerates across GB.

## **Delivering Investment and Innovation in the Transition**

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

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

In line with Ofgem's overall purpose of safeguarding the interests of current and future energy consumers, we would be concerned if investment and innovation were to be seen by Ofgem as aims in themselves. Rather, Ofgem's role should be about creating the settings in which innovation can thrive and is not unnecessarily restricted by regulation, in areas where there is a clear consumer benefit. Examples of this could include:

- Accelerating the take up of smart meters, access to which is increasingly a prerequisite for effective use of low carbon technologies. To help achieve this, Ofgem should ensure that the theoretical benefits of smart meters are delivered consistently in practice. Ensuring suppliers provide consistently accurate bills without meter readings and setting shorter limits on back-billing for smart meter consumers would both go some way towards this
- Ensuring that price cap protections are modernised to minimise conflicts with time of use pricing, so that consumers can both benefit from cheaper electricity while at the same time improving the efficiency of the electricity system overall
- Re-considering current rules around universal service to allow more locally based, and / or niche market energy suppliers to enter the market, for example companies linking supply prices directly to local renewable generation or specialising in tariffs for low carbon technologies
- In relation to business customers, the consultation highlights the role of TPIs. While we agree on the need to consider this, it would also be helpful to improve transparency, at least for smaller businesses, by requiring suppliers to publish their prices in formats suitable for price comparison websites to use, so that it is easier for businesses who do not wish to use a TPI to engage more easily in the market directly and effectively

However, this is not just a task for the regulator: Government decisions on the detail of Reform of Electricity Markets, and additional opportunities for consumers to take up cost-reflective tariffs should they wish to do so, could also help reduce both individual bills and system-wide costs for both domestic consumers and businesses.

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

In our view, the single most significant contribution the energy sector can make to growth is by reducing overall prices electricity for consumers, including businesses. There are two reasons for this:

- Firstly, high electricity prices contribute more significantly to overall energy costs now than in the past. Electricity costs now represent more than half of the costs of a typical dual fuel bill, and fuel poverty in Scotland is highest by far among households dependent on electric heating<sup>vi</sup>. Lower prices would have direct benefits in terms of energy affordability and will also release consumer spending towards the wider economy
- Secondly, high electricity prices undermine take-up of both low carbon heating in buildings, and of electric vehicles for those unable to charge at home<sup>vii</sup> as prices directly determine running costs and thus attractiveness to consumers in both these cases. Lower electricity prices could therefore encourage a virtuous circle of growth in low carbon technology take up. Conversely, high prices both restrict such activity and risk undermining the transition to net zero

## **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.***

Consumer Scotland has been working in detail on consumer protections in the energy efficiency and low carbon technology markets over the last few months, and will publish the results of that investigation<sup>viii</sup> in the spring.

The foundation of our work was to build consumer confidence in the sector, emphasising the importance of energy-efficient, decarbonised home heating as a crucial factor for the journey to net zero.

The sector for low-carbon technologies and insulation suffers from significant complexity and low consumer awareness. Successful consumer engagement is possible (and growing steadily) but is broadly limited to those consumers strongly motivated by environmental concerns or supported by public funds. The sector is currently overseen by a patchwork of self-regulation bodies setting installation standards and codes with a complex set of intricacies and accountabilities. Examples of the challenges experienced by consumers can include misrepresentation of funding schemes by bad actors at the margins, and misleading claims of efficiencies with promises of lower energy bills. This impedes overall consumer

confidence. Current regulatory systems are not sufficient to address these issues while public enforcement regimes are under-resourced.

While the question in the call for evidence relates to markets for low-carbon technologies and not to other efficiency products, the solutions should be considered holistically and include insulation technologies as per the [Government's ECO4 scheme](#).

The problems with the sector and ECO4 have been acknowledged by UK Government Ministers:

*“...the Government have inherited a fragmented and confusing system of protections for people who want to insulate their homes—too many organisations with different roles and responsibilities, not enough clarity for consumers about who to turn to if things go wrong... The system is in dire need of reform<sup>ix</sup>”.*

Reform of consumer protection for the sector has also been supported by a coalition of consumer advocacy, energy bodies and financial institutions<sup>x</sup>.

In that context, we recognise the merit in considering what wider role Ofgem might play in helping to achieve better consumer outcomes in this market.

However, there are a number of issues that require further development and examination before determining the nature of that role may be, particularly in relation to consumer law enforcement:

- Given the issues described above, there is a need for a wider review of the overall consumer protection system for the low carbon technologies market. For example, there needs to be a fuller consideration of the work of schemes such as the Microgeneration Certification Scheme or of Trustmark. There *may* be potential for improvements to be more quickly delivered through reform of industry-led schemes.
- To date, Ofgem has not been highly active in terms of protecting consumers under ECO4. Any enhanced role might be better strengthened by a system where Ofgem better regulates and protects consumers for a more accountable relationship between the retail energy suppliers and their obligations to engage installers of energy efficiency and low-carbon technologies. In this context, any wider review should consider whether the appropriate boundaries for Ofgem may give it a greater regulatory oversight role in a single, unified accreditation scheme.
- The low carbon technology sector is characterised by thousands of small to medium-size traders, rather than the major suppliers that dominate Ofgem's regulatory portfolio at present. Careful consideration would need to be given to what role Ofgem could effectively play in co-ordinating enforcement action in this market.
- Regulators are – understandably - often more familiar with (and prefer to use) sector-specific licence conditions than general consumer law. As noted in the call for evidence,

Ofgem currently has a full set of consumer enforcement powers under the Consumer Rights Act 2015 and is a designated enforcer under the Enterprise Act 2002. However, any public enforcement of the Consumer Protection from Unfair Trading Regulations 2008 (soon to be replaced by the Digital Markets Competition and Consumers Act 2024) and the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013, is not routinely undertaken by Ofgem. Effective public enforcement appropriately sits with local trading standards organisations who require sufficient support. Any addition of this work to Ofgem's remit would imply a very substantial expansion of the skills and capacity needed, with associated costs.

Whatever approach is taken, the outcome should be increased consumer confidence through appropriate protection and clarity for consumers in low-carbon technology markets, which implies a need to work effectively with other enforcement and regulatory bodies. In the low-carbon technology market, this could include the CMA, Advertising Standards Authority and Trading Standards, as well as industry-specific bodies.

## 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'***

While we understand the attraction of a Consumer Duty approach focused on outcomes, we are at the same time aware that a number of different governance approaches have been employed previously in energy markets since privatisation, all of which have sought to improve outcomes for consumers. It would be helpful, before deciding on any new approach, to review comprehensively what has been done in the past, both in energy and in other sectors, both to highlight successful work and to learn from what has not worked.

A review of what has worked should also consider governance issues. For example, other regulators, including both the FCA and Ofcom, have senior level consumer panels which provide input and challenge at the highest levels of decision-making. Ofgem has supported and encouraged this approach in some circumstances, for example, as part of Distribution Price Controls, and it may be appropriate to formalise and extend this.

Additionally, how Ofgem is held accountable to the nations and regions could be useful for the government to consider. Following the Smith Commission, an MOU was agreed between the UK and Scottish Governments<sup>xi</sup> on how Ofcom could be more accountable to Scottish Parliament and ensure that consumers in Scotland could be represented at Board level. The Government might wish to consider whether there are ways to change the governance structure of Ofgem to ensure it more explicitly considers, and reports on actions to address, the needs of consumers across the regions and nations of Great Britain, especially where these differ between geographies.

Finally, and as discussed elsewhere in our response, we consider that it is also critical to consider the economics of eventual sanctions alongside administrative and management approaches when poor practice is identified. Penalties must be sufficient to change company behaviours. Repeated failures, particularly where fines have been employed for similar breaches, suggest that, in practice, companies regard fines they receive at current levels as an acceptable price of existing business models, rather than being an incentive to change.

## **Enhanced investigatory & enforcement powers to protect consumers**

- ***We are seeking views on Ofgem having enhanced investigatory powers.***
- ***We are seeking views on Ofgem being granted enhanced enforcement powers similar to the CMA.***

In principle, we recognise the potential merit in Ofgem being given powers and responsibilities which would allow it more quickly to address consumer detriment from initial identification to final enforcement.

However, as per our response to the question of Ofgem's role in the consumer enforcement of low-carbon technologies, there is further work required to fully scope the potential consumer benefits of Ofgem having enhanced direct enforcement powers for consumer law, such as those granted to the CMA under the Digital Markets, Competition and Consumers Act 2024 (DMCC Act).

The CMA's new admin model regime comes into force in 2025 and as such is currently untested. There was a full consideration of the extent of the bodies to be granted such powers in the policy development of the DMCC Act and there may be merit in evaluating the benefits that these powers deliver for consumers before these are extended to other regulators.

We note that Ofgem currently has a comprehensive set of consumer enforcement powers under the Consumer Rights Act 2015 and is a designated enforcer under the Enterprise Act 2002. Such powers should provide Ofgem with an effective set of tools to enforce consumer law in addition to its wider set of powers. The DMCCA also extends the Part 8 regime to allow public enforcers such as OFGEM to impose penalties for breaches of consumer law under the civil enforcement regime.

## Approach to Penalties and Compliance Orders

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

Consumer Scotland is not able to comment on some aspects of the detail of this proposal. However, we would like to take the opportunity to make a more general point. As stated in the consultation, there is strong objective evidence that while energy retail markets work for many consumers, there remain high levels of complaints and dissatisfaction, concentrated around billing and customer service concerns.

That these issues have existed and persisted for decades<sup>xii</sup> suggests that at least some suppliers in energy markets must take the view that it is more cost effective to serve customers poorly than to invest sufficiently in measures to address consumers' concerns. For example, at time of writing, supplier breaches of back billing rules are again being highlighted in the media<sup>xiii</sup>, despite there being clear, long standing license conditions in this area. That in turn suggests that the current levels of penalties levied by Ofgem are, at present, too low to change behaviour.

An outcome focused approach would therefore – alongside strengthened governance arrangements discussed above - involve raising penalties to the point where the economics reward good customer service. This need not necessarily take the form of fines; Ofgem has in the past sanctioned poorly performing suppliers by banning them from accepting new customers until improvements have made.

Unless and until such an approach is taken, it seems likely that the system will continue to underperform, resulting in both detriment for consumers in the short term, and continued lack of trust undermining the energy transition in the medium and longer terms.

The current process of replacing and upgrading RTS meters is another ongoing example. At the time of the consultation; during the period covered by this consultation, Ofgem's recent open letter on progress on RTS meter exchanges<sup>xiv</sup> highlighted that – despite consistently raising this issue with suppliers – there remained at time of writing 600,000 customers dependent on RTS meters with at best uncertain reliability and unacceptably poor outcomes for the consumers involved from the end of June 2025. That this is far from an unexpected or unpredicted event now unfolding shows that incentives as currently perceived by suppliers to address issues like this are insufficient.

The success of any new approach to penalties should be clearly measured by a sustained fall in complaints numbers and other cases recorded by energy companies, alongside a corresponding increase in consumer perception of service standards and trust in the energy sector. <sup>xv</sup>

As above, we support the idea of cross-regulator learning based on what works in other sectors.

## 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 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*

Consumer Scotland agrees that there are circumstances in which faster responses will be needed to emerging issues. While the recent experience of force-fitting PPMs is a clear example demonstrating this need, increasing speed of change, complexity and volatility in energy markets suggest that further examples are likely in future.

To deliver this in practice, we would suggest that a standing body of frontline energy advice groups, based around existing Ofgem stakeholders, could raise issues of concern in near real time, with Ofgem in turn given powers – as with the PPM approach – initially to ‘press pause’ while more substantive investigative is undertaken.

We appreciate that Ofgem already convenes a number of working groups and discussion fora, and, as above, we are also conscious of the limited staff resource available to consumer bodies. It might be more appropriate to extend the function of an existing grouping than to create a new one.

As an example, in Scotland, Consumer Scotland convenes and provides the secretariat for the Energy Consumers Network<sup>xvi</sup>, which brings together representatives of frontline energy advice bodies, and which Ofgem attends as an observer. Ofgem has also made use of the expertise of the group to inform recent consultations. The ECN follows on in part from a predecessor set up in 2022, the immediate remit of which was to provide intelligence to the Scottish Government on consumer experience of and responses to rising prices and to identify solutions<sup>xvii</sup>.

While the ECN has no formal remit or powers, it does provide a current relevant example of the approach above. As part of ongoing work, ECN members highlighted the challenges of the Radio Teleswitch (RTS) meter replacement programme – a proportionately greater concern in Scotland than other GB countries. The ECN continues, at time of writing, to provide intelligence and constructive challenge to Ofgem on the collective experience of RTS consumers on their engagement with energy suppliers.

## 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.***

Consumer Scotland is satisfied that the existing arrangements deliver appropriate outcomes in terms of protecting consumers from the impacts of (predicted or actual) supplier insolvency and/or financial distress. These arrangements include the April 2023 decision<sup>xviii</sup> to introduce an enhanced financial responsibility principle, and the September 2023 decision<sup>xix</sup> to introduce a common minimum capital requirement for domestic suppliers and the ringfencing of customers' balances by direction in certain circumstances.

Similarly, in January 2025 we supported proposals for authorisations conditions on financial responsibility and control over assets in heat network regulation.<sup>xx</sup>

However, we are also aware of the wider concerns raised by Ofgem in their evidence to the Energy and Net Zero Committee<sup>xxi</sup> on shareholders of failed suppliers benefiting from energy hedges and sympathise with aim of changing Ofgem's powers to address this.

## **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?*
- *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?*
- *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?*
- *Are there examples of compensation frameworks in other sectors that are worth consideration in the context of the energy market?*
- *How should Ofgem drive energy suppliers to go beyond minimum levels of service and deliver high standards of customer service?*

While we recognise the overall picture described in the consultation, and as above, agree that there is a clear need to improve standards, we are not able to provide detailed evidence in response to these questions. We would suggest that specific areas of concern and suggestions made by front line advice bodies be the focus of future research by Ofgem.

## 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.***

As above, Consumer Scotland convenes the Energy Consumers Network, a grouping of front line advice bodies. ECN members have previously raised concerns on the specific issue of some energy suppliers' lack of implementation of Energy Ombudsman remedies, and there was agreement during that discussion that the current model potentially fails consumers at the final hurdle. We therefore agree that there is a need to strengthen the approach to reduce, as far as possible, the time taken to reach a resolution.



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- i [Compare energy suppliers' customer service - Citizens Advice](#)
  - ii [Energy advice for households | Ofgem](#)
  - iii [Report: Complaints about broadband, landline, mobile and pay-TV services - Ofcom](#)
  - iv [Connected Nations 2024 - Ofcom](#)
  - v [The Financial Lives survey | FCA](#)
  - vi [Scottish House Condition Survey: 2023 Key Findings - gov.scot](#)
  - vii [Electric vehicle drivers in Scotland say cost of public charging network "too high" | Consumer Scotland](#)
  - viii [Converting Scotland's home heating | Consumer Scotland](#)
  - ix [Commons statement, The Parliamentary Under-Secretary of State for Energy Security and Net Zero \(Miatta Fahnbulleh\) - ECO4 and Insulation Schemes, Wednesday 29 January 2025](#)
  - x [Urgent review of net zero consumer protections](#), letter from Which?, Nationwide, Citizens Advice and Energy UK to the (then) Secretary of State in 2024
  - xi [Memorandum of Understanding between the UK Government, Scottish Government, Scottish Parliament and the Office of Communications - GOV.UK](#)
  - xii [The lost decade - Citizens Advice, Footing the bill: How the energy bill protection gap is putting strain on households - Citizens Advice](#)
  - xiii ['I fought for months to get my £4,500 energy bill cancelled' - BBC News](#)
  - xiv [Radio Teleswitch Service \(RTS\): Electricity Supply Licence changes | Ofgem](#)
  - xv [For example, How Ofcom enforces regulatory, consumer and competition rules - Ofcom](#)
  - xvi [Energy Consumers Network minutes and papers | Consumer Scotland](#)
  - xvii [Scottish Energy Insights Coordination Group Report | Consumer Scotland](#)
  - xviii [Decision on Strengthening Financial Resilience | Ofgem](#)
  - xix [Decision on introducing a minimum capital requirement and ringfencing customer credit balances by direction | Ofgem](#)
  - xx [Heat Networks Regulation: implementing consumer protections consultation | Consumer Scotland](#)
  - xxi [22 January 2025 - Work of the Department for Energy Security and Net Zero - Oral evidence - Committees - UK Parliament](#)