Energy UK

The voice of the energy industry

bfy GROUP

Demand better

A smarter, fairer energy retail market

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Contents

Executive summary

Energy is essential to our daily lives and in a changing global environment, the need to secure our future energy resources is fundamentally reshaping our energy system.

Often this is framed around a profound transition; from a centralised energy system dominated by large fossil fuel power plants to a largely electrified economy powered by thousands of clean generation assets.

The UK has made remarkable progress in transforming how we generate electricity. From **removing over 80% of emissions from the power sector since 1990**, to phasing out coal, and building over 60GW of renewables. But realising the benefits of clean power will require looking beyond energy generation, right through to energy supply.

This means taking customers on a journey as we transition from paying a fixed daily rate for power, to the millions of active energy users who are already benefitting from interacting with supply and demand conditions on a daily basis.

Electric Vehicle (EV) chargers, heat pumps, solar panels and batteries are being installed at pace. This is already changing the balance of demand and supply and engaging people across the country who are powering their homes and vehicles in a cleaner, more affordable way. Increasingly, customers are choosing products, services, and other offers from retail energy companies to make the most of these opportunities.

Government focus and investment on secure generation and networks to ensure clean electricity can flow around the system has been crucial. But maximising the benefits this brings means translating an increasingly flexible, dynamic energy system into lower bills, improved customer outcomes, and a new approach to affordability.

The focus must now be on how we make it easier for households and businesses across the country to unlock the benefits of flexibility services, technology adoption, and dynamic pricing – capabilities and markets which take years to build.

The current policy frameworks and regulatory environment do not work. Energy suppliers cannot continue to operate in a market that does not incentivise creativity, innovation or ambition. Now is the time to focus on the role of the customer in the energy system of the future.

Delivering a clean power transition at lowest cost depends on a retail market that drives innovation and attracts investment.

The retail market and the operating environment for energy suppliers at present is not set up to do this:

- Customer debt and focus on survival consume resources which should be spent creating the products and services that could reduce bills and improve customer outcomes.
- Housing tenure, income, and digital barriers make it harder for large parts of the population to actively participate in the energy market.
- The burdensome policy and regulatory environment for the retail market cripples innovation, stifles investment, and is prone to performative interventions that do little to support better long-term outcomes.
- The price cap was introduced to protect customers being overcharged as a result of their choice not to engage with the energy market and switch to a better deal, for example fixed or flexible tariffs. Over half of all households are now on the price cap. The result is energy suppliers operating in a market with compressed margins and unengaged customers where uncertainty is high and returns do not justify the risk.

There is huge potential in this part of the energy industry. Resetting and reimagining the retail energy market will unleash an innovative, competitive, and thriving sector that not only supplies affordable, abundant clean power but also improves customer experience and strengthens consumer protections. **To achieve this, Government should:**

- **Set the right strategic direction** so it is clear the aim of policy and regulation is to enable growth via investment and innovation, whilst maintaining essential consumer protection.
- **Review existing regulation** so that it is outcomes focused, accessible and not burdensome.
- **Take a proportionate approach to new regulation**, to ensure that flexibility service providers can deliver.
- **Ensure that market mechanisms send price signals that encourage demand shifting** so customers use energy when it is cheapest and most plentiful.
- **Ensure the market can effectively deliver necessary upgrades to customer infrastructure** including smart meters, EVs, batteries and heat pumps.
- **Review the costs that are currently collected via energy bills**, including network cost recovery, policy cost allocation and a suitable debt management framework.
- **Reform price protection** towards targeted support, for those genuinely unable to engage with, or afford, energy.

Policy solutions

Regulatory burden and complexity

Regulation that is outcomes focused, accessible and not burdensome

1. Government must provide a clear and strategic direction that the aim of regulation should be to enable investment and innovation while maintaining essential consumer protection.
2. There should be a comprehensive supply licence review, with a binding commitment to reduce regulatory burden and refocus on consumers, investment and modernising the energy system.
3. Sunset principles should be introduced so input-based obligations must justify their continuation rather than assuming persistence by default.
4. Outcomes-based standards should be designed collaboratively with industry and consumer advocacy groups. These standards should be measurable, achievable and genuinely linked to consumer benefit.

A regulatory framework set up to expand flexibility markets

5. Regulation should apply to services, not business types, with a level playing field across all market participants offering each service.
6. Light-touch licensing for flexibility service providers, including suppliers acting in this capacity, should be finalised and introduced as soon as possible.
7. Industry codes should be modified to establish formal interaction protocols between suppliers and flexibility service providers.
8. Flexibility service providers and energy suppliers should be granted clear rights to half-hourly consumption data and asset performance metrics, subject to consumer consent.
9. Regulatory burden reduction should target specific compliance areas including licence condition simplification, streamlined reporting requirements and removal of prescriptive operational mandates that impose costs without protecting consumers.

Short-term firefighting over long-term investment

Debt and affordability must be addressed as a priority

10. Ofgem should establish a sustainable debt management framework, building on the Debt Relief Scheme and combining mechanisms to address existing debt for consumers genuinely unable to pay with improved regulatory tools that prevent the accumulation of debt.

More certainty to industry and avoid knee-jerk policy making

11. The Department for Energy Security and Net Zero (DESNZ) should set out strategic priorities for retail market reform through the Strategic Policy Statement focused on the medium to long-term priorities needed to deliver policy aims.

12. Ofgem, the energy regulator, should conduct a formal impact assessment before starting any work that sits outside its planned forward work programme, with a high threshold to be cleared before resource is committed.

Distributional inequalities

Upgrades to customer infrastructure

13. Government should mandate minimum energy performance standards for rental properties and when upgrading government buildings, requiring landlords and governmental bodies to install smart meters, EV charging infrastructure where possible and practical, and low-carbon upgrades at point of major refurbishment.

14. On-bill financing schemes should be supported, enabling households to adopt EVs, batteries and heat pumps without upfront capital, repaying through energy savings over equipment lifetimes.

15. Network cost recovery should shift from volumetric charges to capacity-based standing charges, ensuring households with solar and batteries remaining connected for resilience bear appropriate network costs.

16. Address digital exclusion with rural broadband investment, and regulatory requirements so that energy services remain accessible through phone and post for those unable to use digital channels.

17. Government and industry should work together on the plan for the tail end of the smart meter rollout, requiring all new buildings to be compatible with smart meters, and planning for the gradual phasing out of the legacy metering infrastructure.

Price constraints

Evolving price protection

18. Ofgem should publish a multi-year roadmap for the evolution of the price cap, specifying whether protection will narrow, transition to social tariff models, or remain universal, enabling suppliers to plan investment accordingly.

19. Price protection must transition away from universal coverage to targeted support for those genuinely unable to engage or afford energy, with tariffs exempted where consumers opt in with informed consent.

20. Bundled services that combine equipment and energy should receive separate regulatory treatment, assessing overall value proposition.

21. Time-of-use tariffs should be allowed to preserve meaningful peak-to-off-peak differentials to maintain incentives for shifting demand.

Pricing frameworks designed to minimise/optimise energy costs and support the system

22. Reformed national pricing must deliver a more cost-effective energy system to enable suppliers to design tariffs that reflect true system value.

23. Policy cost allocation must shift away from electricity bills toward progressive funding mechanisms such as taxation, building on the Renewables Obligation announcement in the 2025 Budget.

Introduction

Scope and approach

This report examines the retail market reforms needed to engage customers in energy and maximise the benefits of our transitioning energy system. It focuses specifically on domestic (household) energy retail markets, acknowledging that non-domestic (business) energy retail markets have their own distinct challenges requiring separate analysis. The report does not address wholesale market design, network regulation or energy generation policy except for where these directly intersect with the operation of the domestic retail market.

Our focus is the retail market that is needed beyond 2030. The capabilities required by this point – flexibility platforms, dynamic pricing, automated services – require years of development. This report identifies the actions that are necessary today in order to deliver a well-functioning, efficient and consumer centric retail market in the future.

The report has drawn on extensive engagement with stakeholders from a range of organisations, including energy suppliers, flexibility service providers, technology firms and consumer representatives. These conversations highlighted substantial consensus on the challenges facing the sector alongside healthy disagreement on the solutions that were needed. This report seeks to reflect this debate fairly, while offering clear recommendations where the evidence supports definitive positions.

Throughout this analysis, we maintain a focus on practical deliverability rather than theoretical possibility. The recommendations are designed to be implemented within current political and fiscal constraints, while rising to meet the energy policy goals and ambitions that have been set. This report seeks to acknowledge difficult trade-offs and prioritises recommending measures with clear evidence of effectiveness over those with intuitive appeal but limited evidence.

The underlying premise or the core argument of this work is that **retail market reform is not a secondary consideration for the clean energy transition but a critical enabler**. Without a properly functioning, investible, retail sector capable of innovation and earning consumer trust, the transition will fail regardless of any progress we make in generation and networks.

Creating the conditions for thriving, successful retail market must therefore be treated as a first-order policy priority alongside the more visible work to encourage investment in infrastructure.

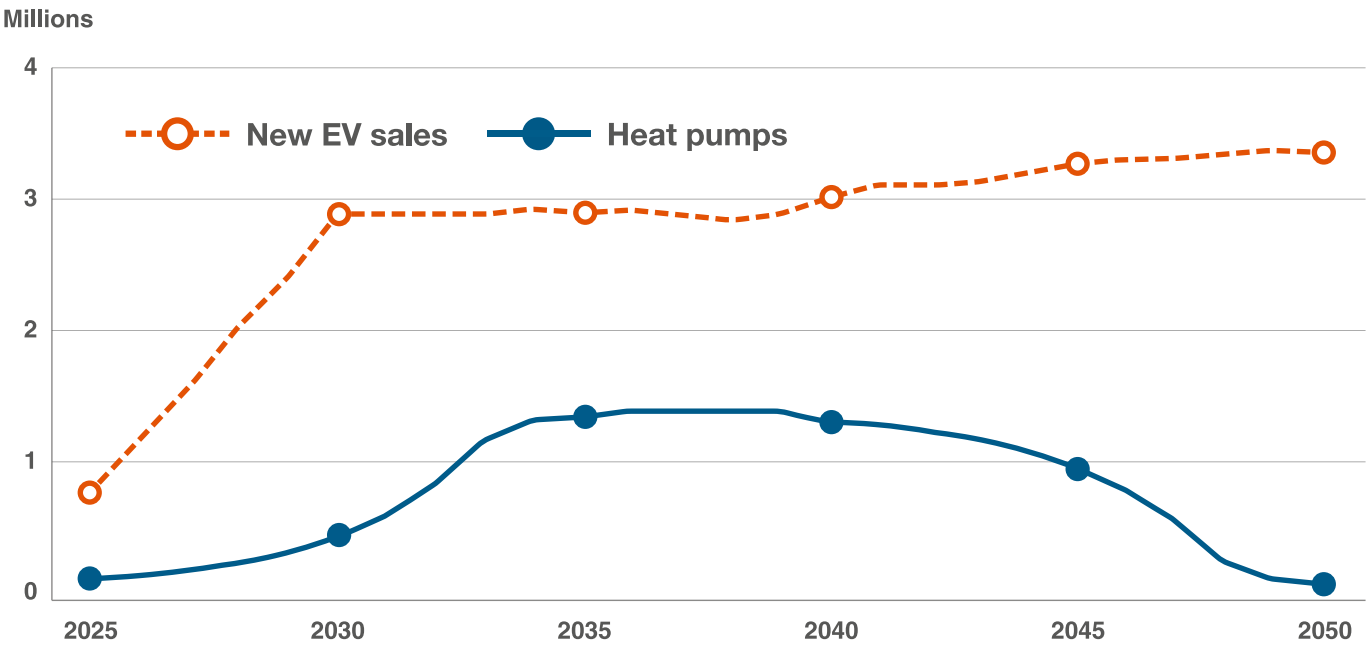
The future role of the retail market

The case for retail market reform extends far beyond consumer protection or competition. At stake is Britain's ability to achieve its clean energy ambitions, deliver economic growth and maintain energy security. Energy suppliers are not passive observers of the transition happening in energy generation. They are the businesses that will invest, innovate and develop the solutions that will ultimately determine whether decarbonisation targets remain achievable or slip beyond reach.

Government's policy ambition is to decarbonise the power sector by 2030 and deliver successive carbon budgets that reduce emissions to Net Zero within the next 25 years. Central to this is the delivery of the Clean Power Plan, with expanding renewable generation, the electrification of heat and transport, increased demand flexibility and digitalisation as the four key pillars supporting the transformation. Each of these pillars is dependent on a well-functioning retail market.

Government plans and projections for consumer-led flexibility imply as much as 12GW of capacity by 2030, up from around 2GW today.[1] Heat pump deployment targets require **400,000 installations annually by 2030**. EV penetration must reach millions of vehicles with smart charging capability. Each are requirements underpinning the wider delivery of the transition to clean energy.

Annual heat pump and EV sales (2025–2050, CCC 7th Carbon Budget)



Source:

[1] Climate Change Committee (2025) 7th Carbon Budget

Achieving these targets could save consumers between **£30bn to £70bn between 2020 and 2050**,[2] but it is reliant on retail market innovation. Suppliers would need to invest in flexibility platforms, dynamic tariffs and bundled propositions. Current market structures prevent this investment, leaving consumers to bear unnecessarily high system costs.

Fundamentally, delivering these savings depends on having a properly functioning retail market. Energy suppliers and service providers are the organisations financing and installing heat pumps in people's homes; designing innovative tariffs that make overnight EV charging financially attractive; building the platforms that aggregate distributed flexibility and sell it into system balancing markets; and creating the bundled propositions that overcome the capital barriers that slow technology adoption.

These companies will provide the products and services that consumers will use to control their heating and vehicle charging with automated systems. But first, people must understand these services exist and trust them enough to adopt them, a challenge requiring awareness-building that our current approach does not adequately address.

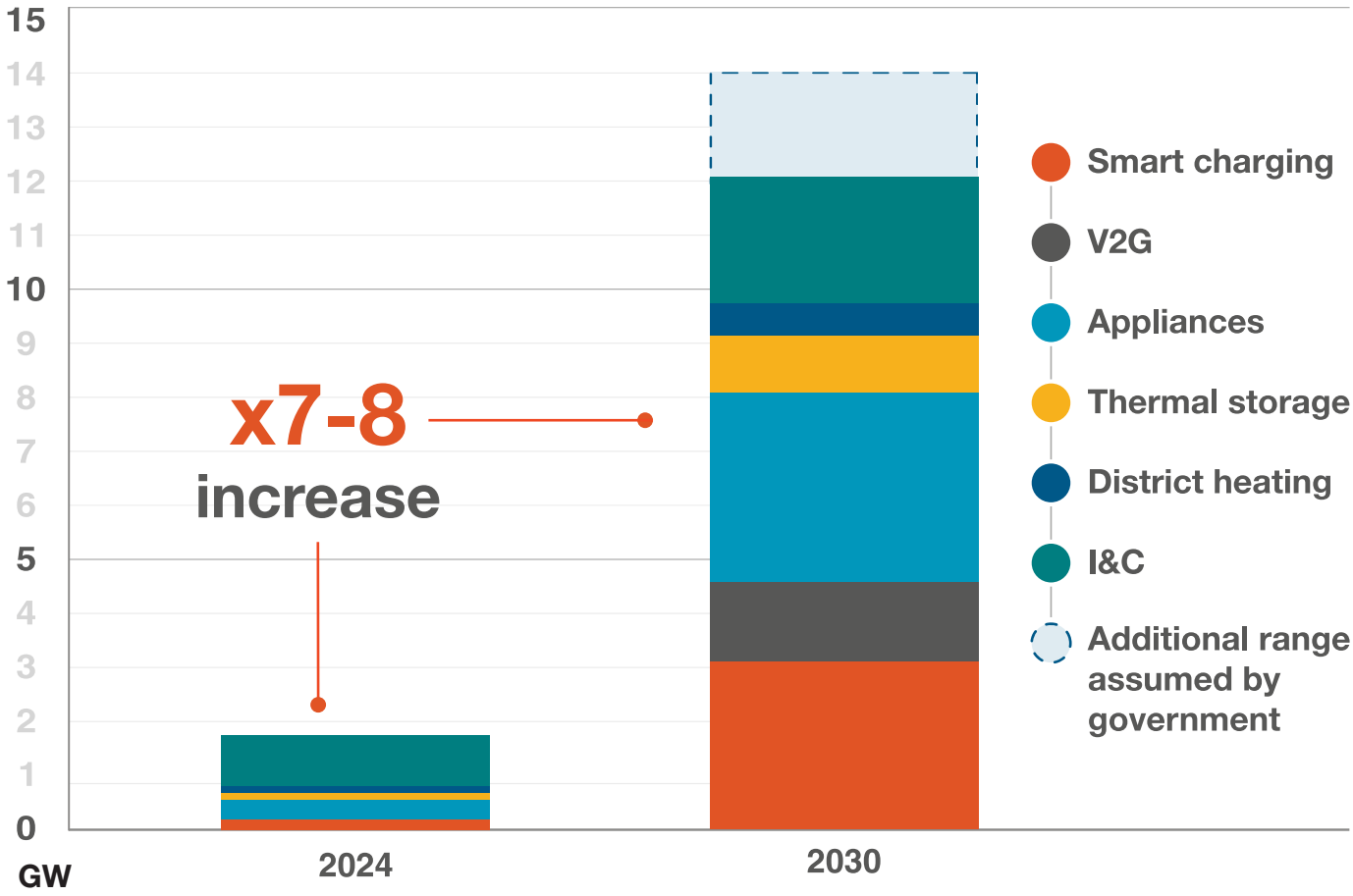
The economic opportunity from an electrified Britain is substantial. **Electricity demand from transport could potentially multiply thirteen-fold between now and 2035** for example.[3] This means the retail market will expand in revenue terms and create highly-skilled employment in technology development, data analytics, customer service and installation trades, while meeting our energy needs at lower cost than the counterfactual.

Between 2021 and 2025, Government funding for flexibility initiatives totalled £110 million. During the same period the retail sector invested £13.5bn in smart metering infrastructure alone.[4] Creating the conditions for private investment to flow into flexibility services is the lowest-cost path for electricity users, and UK citizens.

Sources:

[2] DESNZ (2024) Clean Flexibility Roadmap
[3] EV Energy Taskforce (2022) Charging the Future - Drivers for Success 2035
[4] National Audit Office (2023) Update on the rollout of smart meters

Growth in demand-side flexibility (2023-2024, NESO & DESNZ)



Retail propositions are also critical in shaping consumer adoption decisions in ways that policy instruments cannot. Without compelling retail offers, government targets risk remaining unmet regardless of what subsidy is provided. Take the example of a household considering a heat pump installation. Before subsidy, they face upfront costs of between £11k-£16k depending on the nature and size of the installation,[5] as well as disruption during the installation and uncertainty about performance and ongoing running costs. Whilst government grants help bridge the upfront cost barrier, they are insufficient on their own for many.

The development of bundled propositions covering the financing, installation, ongoing maintenance and energy usage may be key in determining whether interest translates into action.

EV charging patterns will be heavily influenced by the design of retail tariffs. Whilst static overnight tariffs encourage simple behavioural responses, they deliver limited system value. The development of dynamic tariffs responding to real-time system conditions is key to unlocking far greater flexibility, reducing network stress and enabling higher levels of renewable generation.

Source:

[5] DESNZ (October 2025) Boiler Upgrade Scheme statistics

This enables customers to access the cheapest electricity prices by shifting demand to periods of high renewable generation and low system cost, reducing bills in the process. Yet, these tariffs will not appear without investment in the dynamic pricing platforms underpinning them. As a result, the commercial choices suppliers and service providers make materially affects infrastructure requirements worth billions of pounds.

The extent to which consumers buy battery storage for their home or business is almost entirely driven by the propositions developed by the retailers owning the consumer relationship, given how much stronger the case is with solar panels or flexibility services that enable consumers to capture the true financial potential. These value propositions are created by retailers like energy suppliers or flexibility service providers through tariff design and contracts that aggregate capacity with other resources.

Flexibility targets assume millions of customers will adopt smart tariffs and automated services, yet awareness remains low.

Fewer than 30% of EV owners understand potential smart charging savings. Creating customer pull through awareness and trust-building is as essential as creating supply-side capability.

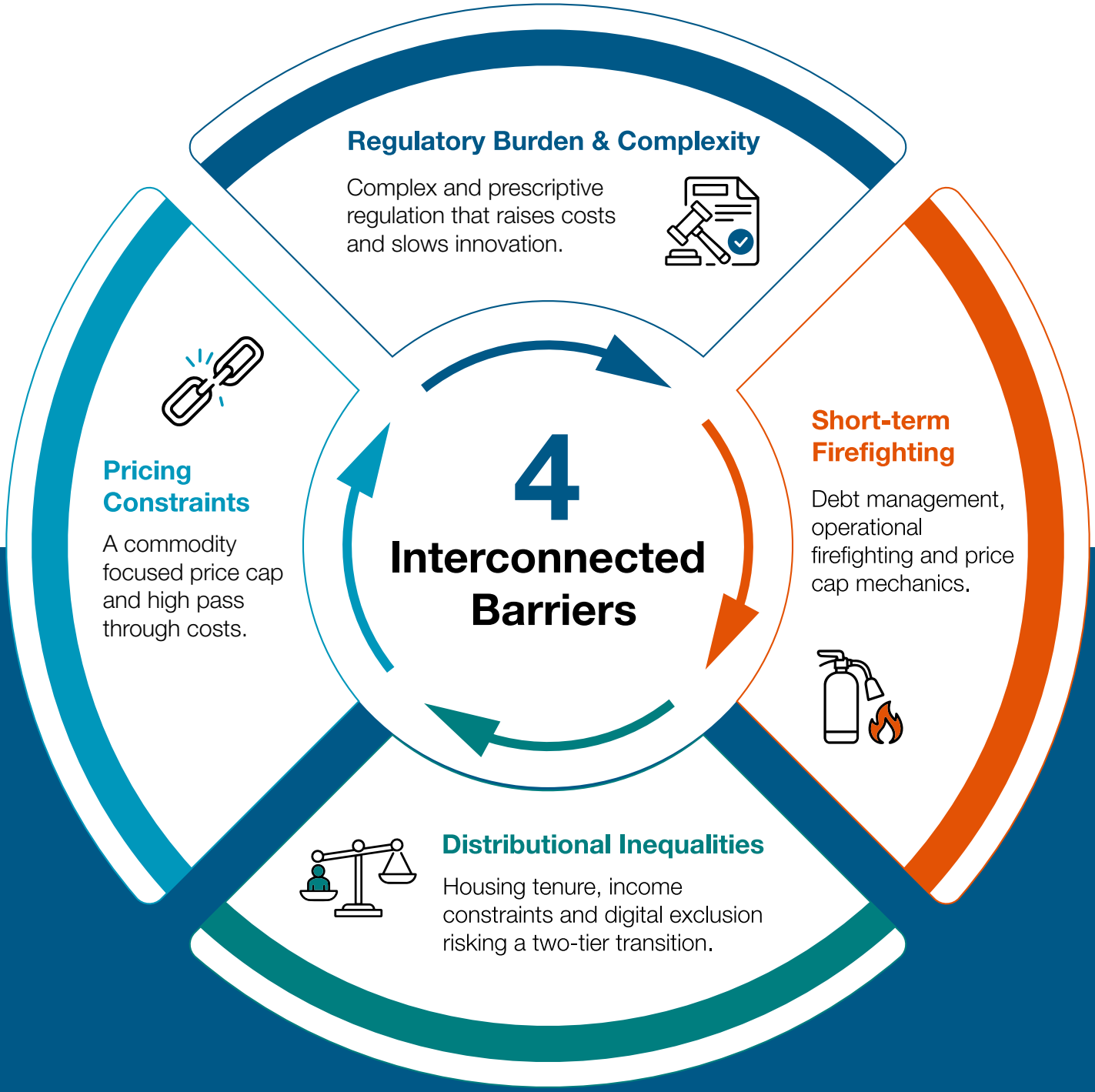
Several examples of such tariff innovation already exist today, and customer interest is gradually increasing, but uptake is nowhere near the rate needed for the future.

By 2035, we could see 2GW of non-grid scale batteries installed in homes and businesses across the country,[6] providing meaningful flexible capacity, but only if retail business models are able to make them economically viable for more households.

Source:

[6] Energy Systems Catapult (2022) Clean Energy Retail report

Barriers and solutions to a smarter, fairer retail market



First, **regulatory burden and complexity** has reached unsustainable levels. Supply licence conditions and industry codes now span nearly 10,000 pages of excessively prescriptive requirements. Ofgem's preference for input-based regulation mandates specific systems and processes, deterring investment. Business model innovation becomes difficult when licence conditions assume ways of working that were relevant at a time when the retail market meant commodity supply rather than integrated service provision.

Second, **short-term firefighting** crowds out long-term investment. Household energy consumers owe energy suppliers £5.5bn and rising,[7] creating a growing crisis that is consuming substantial resource. Price cap mechanics require ongoing attention towards hedging, forecasting and regulatory engagement. These immediate needs absorb management time and capital that would otherwise be innovating around the development of the propositions and partnerships we need for the future.

Third, **distributional inequalities** create structural barriers that retail propositions alone cannot overcome. Housing tenure limits the ability of 5.4 million private rental households from installing technology such as heat pumps or EV chargers regardless of how attractive retail offers become. Income constraints place low carbon technologies beyond millions of people's reach. Digital exclusion affects approximately 3.1 million households lacking internet access, with at least 2 million more facing barriers from inadequate devices, unaffordable data or poor digital skills. Without addressing these barriers, the transition risks creating a two-tier system where benefits flow to affluent early adopters while costs fall on those unable to participate.

Fourth, **pricing constraints** severely limits innovation. The commodity-focused price cap restricts the development of and demand for the dynamic tariffs, time-of-use pricing and bundled services essential for flexibility. Over 50% of the bill is made up of pass-through charges suppliers cannot influence. When suppliers lack pricing power over most of the bill, their ability to design compelling propositions is limited.

Addressing these barriers requires concerted action across government, Ofgem and industry. The following sections examine each barrier in turn and the reforms needed to address them.

Source:

[7] Energy UK (2026) Energy debt: Everyone pays

Regulatory burden and complexity

Recommendations

1. Government must provide a clear strategic direction that the aim of regulation should be to enable investment and innovation while maintaining essential consumer protection.
2. There should be a comprehensive supply licence review, with a binding commitment to reduce regulatory burden and refocus on consumers, investment and modernising the energy system.
3. Sunset principles should be introduced so input-based obligations must justify their continuation rather than assuming persistence by default.
4. Outcomes standards should be designed collaboratively with industry and consumer advocacy groups. Standards should be measurable, achievable and genuinely linked to consumer benefit.
5. Regulation should apply to services, not business types, with a level playing field across all market participants offering each service.
6. Light-touch licensing for flexibility service providers, including suppliers acting in this capacity, should be finalised and introduced as soon as possible.
7. Industry codes should be modified to establish formal interaction protocols between suppliers and flexibility service providers.
8. Flexibility service providers and energy suppliers should be granted clear rights to half-hourly consumption data and asset performance metrics, subject to consumer consent.
9. Regulatory burden reduction should target specific compliance areas including licence condition simplification, streamlined reporting requirements and removal of prescriptive operational mandates that impose costs without protecting consumers.

Consumers deserve robust protection, delivered efficiently. Current regulations prescribe how suppliers must operate rather than focus on what consumers should receive, imposing costs that are paid for through higher bills while preventing innovation that would reduce costs, and result in savings for customers.

Supply licence conditions specify required systems, governance structures, communication templates and procedural steps that suppliers must follow. Compliance is measured through demonstrating adherence to these detailed requirements with documentation, certification and audit.

Retailers are also called upon regularly to demonstrate their inputs and processes meet specific rules. Ofgem issued more than 280 'requests for information' where mandatory replies were required by a specific date in 2025 alone.[8]

The scale of regulatory burden has reached unsustainable levels.

The supply licence conditions have grown by over one quarter since 2019, with new requirements regularly added but old ones rarely removed, even when they have been superseded or proven ineffective. This perpetual growth in regulation creates complexity that imposes costs without proportionate consumer benefit.

The economic impact of this is substantial, with the cost of serving a customer in the UK more than double the cost of serving a customer in France.[9] Suppliers must maintain dedicated compliance functions spanning legal, risk, governance and reporting teams. Management time is absorbed by responding to regulatory consultations, implementing licence modifications and demonstrating compliance with Ofgem's requirements. The cost of all this is ultimately paid for by consumers in the form of higher bills.

> **Part of the problem is we've got such a binary approach. You're either largely unregulated or it's the full Supply Licence - wham!**
>
> Head of Economic Regulation

Regulatory uncertainty particularly constrains flexibility service providers, which represent the most promising source of new investment and competitive pressure. These businesses bundle distributed flexibility from EVs, heat pumps and batteries for sale into wholesale and balancing markets, unlocking value from assets that would otherwise operate in basic modes. Code modifications implemented in November 2024 enable flexibility service providers to participate as Virtual Lead Parties, removing barriers to operating beyond supplier relationships.

Energy suppliers who offer those same services as part of their commodity supply business operate under full supply licences, bearing compliance costs inappropriate for their business models. Others, such as those who offer purely flexibility services, exist in regulatory grey zones.

Sources:

[8] This is correct for the year to 17th December 2025. Excludes any Ofgem requests where responses were voluntary, such as informal data requests and consultations.

[9] Simone Rossi, CEO of EDF UK, evidence to Energy Select Committee, 15th October 2025

Government has outlined a need for **10GW-12GW of consumer-led flexibility by 2030**, requiring millions of households to participate through service providers or supplier platforms.[10] Achieving this will need substantial investment in technology, consumer acquisition and operational capabilities that current regulatory uncertainty prevents.

This also places Ofgem in the position of determining how retailers should serve their customers, substituting regulatory judgment for market expertise. Retailers hold direct customer relationships, customer-facing skills and operational knowledge that Ofgem will struggle to replicate. By mandating specific approaches to customer service, product design, and operational processes, Ofgem is in effect assuming it knows how to serve customer needs better than the businesses whose commercial success depends on meeting them. Instead, Ofgem's role should be to determine the outcomes consumers should receive and allow those with the skills, experience and incentives to compete on how best to deliver them.

The problems extend beyond cost to the nature of what regulation mandates. The input-based rules that exist today were largely designed in a time when the customer-retailer relationship was almost exclusively based around commodity supply rather than integrated service provision.

Licence conditions therefore contemplate billing cycles, the format of bills and how payment plans should be formulated. New business models offering heat-as-a-service, bundled technology installation or flexibility contracts developed in the decades after these rules were designed struggle to fit regulatory boxes intended for a different time. Change is possible and does happen, but modification processes are slow and often require either industry code change or regulatory approval that takes months or even years to complete.

Such prescriptive regulation constrains innovation, with companies developing new ideas having to interpret whether their approaches comply with regulations written without these models in mind.

Although Ofgem allows for 'regulatory sandbox testing', it is still difficult to test new ideas and see what works, fail fast and iterate – as other sectors are able to. When seeking clarity, retailers report that the regulator often directs them to obtain their own legal advice rather than providing guidance on how obligations apply to novel business models. When combined with an approach where getting it wrong results in financial, regulatory and brand risk, the effect is to slow and dampen innovation, potentially preventing promising approaches from ever reaching consumers.

Source:

[10] DESNZ (2024) Clean Power 2030 Action Plan

Proposals often add requirements without evidence they will improve outcomes. For example, mandatory zero or low standing charge tariffs would disproportionately benefit second homeowners, yet is actively being considered by the regulator, and repeated attempts from the regulator to mandate priority phone access for uncapped consumer groups would worsen service for most people who need to contact their suppliers.

> **Ofgem will say 'we won't give you guidance' and are very reticent to say 'no, you actually need to do this' - but are then quick to enforce when you do then get it wrong.**
>
> Head of External Affairs

The problem is not simply volume but the fundamental philosophy of how regulation should work. Input-based approaches measure compliance by checking whether prescribed processes have been followed rather than whether good outcomes have been delivered. A supplier can tick every compliance box and still provide poor service. Conversely, a supplier delivering excellent outcomes through innovative methods may face regulatory intervention for non-compliance with process requirements. This incentivises energy suppliers to manage risk instead of outcomes.

> **I had hoped the introduction of Principles Based Regulation (in 2013) would be the start of a reduction in regulatory burden, but the obligations only ever increased because people were putting stuff in faster than they were taking it out… it's a cultural issue at Ofgem.**
>
> Director of Regulation

Alternative regulatory approaches exist that could address these limitations. Outcomes-based regulation specifies the results that must be achieved rather than prescribing how to achieve them. The Financial Conduct Authority has successfully shifted toward outcomes-focused regulation, cutting substantial pages from its Handbook while maintaining robust consumer protection.

These powers exist in the energy retail market too through the Standards of Conduct, introduced in 2013 with the stated intention of enabling a reduction in input-based regulation but were instead layered on top of existing obligations rather than replacing them.

An alternative approach would start with what consumers should receive, then allow providers to compete on how best to deliver it. Customer service standards might focus on complaint resolution times and satisfaction scores rather than scripted call handling procedures. Billing accuracy might be measured through error rates and prompt correction rather than mandated billing content. Switching processes might target completion speed and success rates rather than specific technical implementations.

This would enable innovation by allowing multiple paths to achieving the desired objectives. Small suppliers could use different systems to large competitors if they deliver the required outcomes. New business models could develop novel approaches without requiring licence modifications. Regulation would stay relevant as things change because outcomes like consumer protection remain constant, even as the means to achieve them change. Furthermore, competitive pressures would increase in the right way as retailers focus on delivering value rather than implementing identical processes.

Transitioning towards outcomes-based regulation requires several things to happen. First, government must provide clear strategic direction that regulation should enable investment and innovation while maintaining essential consumer protection. Current sprawling duties should be streamlined to focus on consumers, investment and clean power. This clarity would guide regulatory priorities and provide accountability for performance.

A comprehensive supply licence review must then be launched with a binding commitment to reduce the burden of regulation. This review should include the introduction of sunset principles where input-based obligations must justify continuation rather than assuming persistence by default. Focus should be given to requirements that go unenforced, process mandates that have been superseded by technological change and duplicative obligations that sit across multiple licence conditions.

Outcomes standards must be designed collaboratively with industry and consumer advocacy groups like Citizens Advice to ensure they are measurable, achievable and genuinely linked to consumer benefit. Standards should focus on areas where outcome measurement is straightforward and the benefits are clear, such as customer service metrics, payment accuracy and switching performance.

> **“The price of becoming a licenced supplier - in regulatory burden and reputational risks - means investors have stayed away when they might have been quite helpful disruptors.**
>
> Former Director of a new entrant

It is also critical that a regulatory framework is set up to enable significant expansion of consumer-led flexibility markets. To do this, first regulation should apply to services, not business types. This means flexibility service providers offering demand response should face the same rules as an energy supplier offering demand response, but not face requirements related to services they do not provide. Similarly, an energy supplier offering demand response should not find themselves constrained by rules that apply elsewhere and not to flexibility service providers, for example regarding the format of tariffs or bills. In short, the playing field should be both level and proportionate.

Creating an investable market for flexibility services requires four interventions:

1. **Light-touch licensing for flexibility service providers** must be finalised and implemented, establishing baseline protections without excessive compliance infrastructure. This should specify exactly what obligations apply, what capital and insurance requirements exist and what ongoing compliance looks like.

2. **Industry codes should be modified** to establish formal interaction protocols between suppliers and flexibility service providers, defining data access rights, meter reading arrangements, settlement responsibilities and dispute resolution processes.

3. **Data access frameworks** should grant flexibility service providers and energy suppliers clear rights to half-hourly consumption data and asset performance metrics, subject to consumer consent, enabling the optimisation their business models require.

4. **Ofgem should reduce regulatory burden reduction** by targeting licence condition simplification, streamlined reporting requirements and removal of prescriptive operational mandates that impose costs with limited consumer protection value.

These reforms would create a regulatory environment that enables rather than constrains the innovation required for clean energy transition. Suppliers and other retailers could and should be able to focus resource on building future capabilities rather than demonstrating compliance. New entrants could compete based on service quality and efficiency rather than ability to afford compliance costs. Investment decisions could be made with confidence that regulatory frameworks will accommodate rather than block innovative business models – and consumer protection would be maintained through accountability over outcomes as opposed to tick-box process prescription.

Short-term firefighting over long-term investment

Recommendations

10. Ofgem should establish a sustainable debt management framework, building on the Debt Relief Scheme and combining mechanisms to address existing debt for consumers genuinely unable to pay with improved regulatory tools that prevent the accumulation of debt.

11. DESNZ should set out strategic priorities for retail market reform through the Strategic Policy Statement focused on the medium to long-term priorities needed to deliver policy aims.

12. Ofgem should conduct a formal impact assessment before starting any work that sits outside its planned forward work programme, with a high threshold to be cleared before resource is committed.

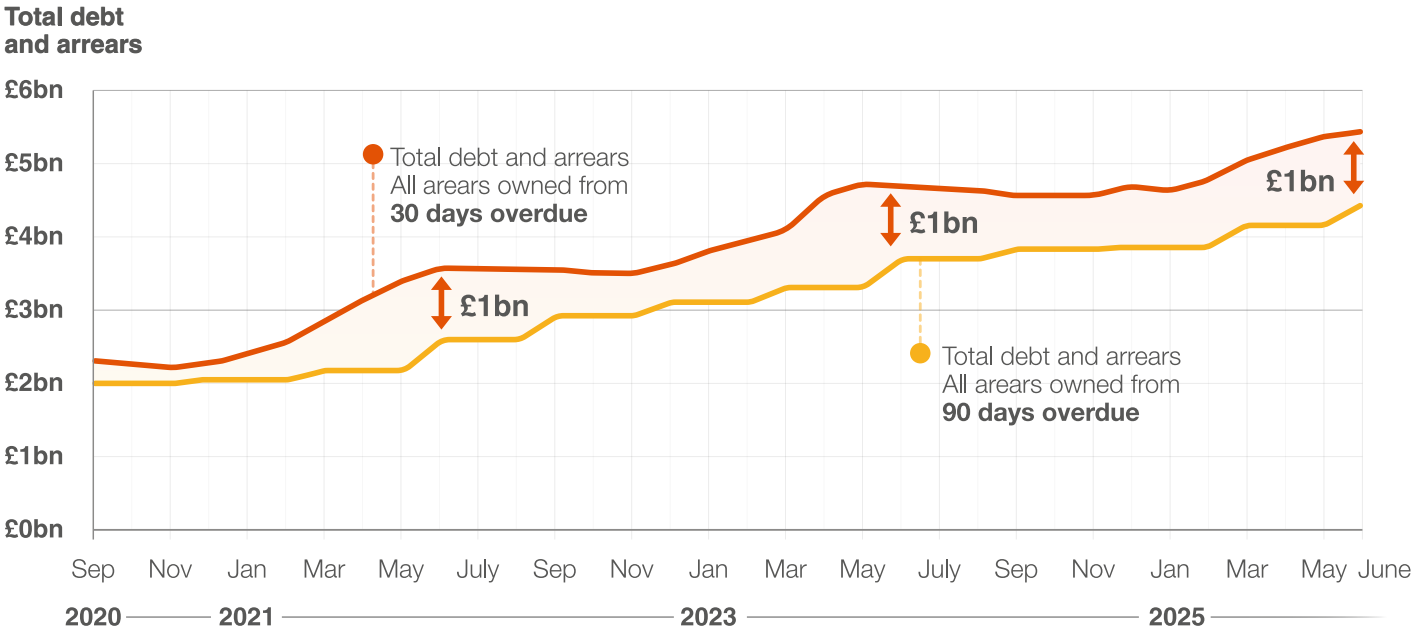
The retail sector faces immediate pressures that prevent investment in what is needed for low-cost clean power delivery. Levels of consumer debt, operational cost pressures and price cap complexity consume the same resources that would otherwise be building the capabilities to reduce overall system costs and deliver clean power in homes and businesses across the country. These pressures are substantial, urgent and entirely rational for individual firms to prioritise.

This is separate from the general regulatory burden of the supply licence discussed above. Media coverage generates political pressure, which prompts Ofgem to launch investigations and proposals that fall outside its published work programme. Whilst in some cases this may be warranted, it is not always the case. Back-billing investigations were launched despite the regulator acknowledging limited evidence of systemic problems and no increase in complaints. Closed account credit balances have been scrutinised even though suppliers successfully return almost all balances and direct unreturned amounts toward hardship funds.

Each reactive investigation or proposal demands a response. Senior management time is diverted to evidence gathering, briefing and engagement on matters that sit outside planned activity. Regulatory affairs teams are diverted from longer-term work aligned to strategic policy aims. Because these interventions arrive outside Ofgem's forward programme, suppliers cannot anticipate or resource them in advance. The cumulative effect is to absorb the management capacity that would otherwise be directed toward delivering the products, propositions and customer offers necessary to deliver policy aims.

The most immediate and foremost demand relates to the level of energy debt. **Household energy debt has more than doubled since early 2023 to £5.5bn**.[11] Small and medium size business debt is estimated to stand at approximately £2bn.[12] This reflects gas and electricity costs that remain historically elevated despite recent reductions, ongoing measures to keep payment plans affordable during the energy crisis, combined with cost-of-living pressures that continue to affect millions of households.

Total debt and arrears under two definitions



The current debt crisis reflects both regulatory failings and affordability pressures. Ofgem's regulatory framework has been too permissive in allowing customers to accumulate debt, with insufficient tools for suppliers to either intervene early or adequately distinguish between those facing temporary difficulties, those with deeper affordability problems and those who are simply unwilling to pay. The result is that it is too easy for households to fall into debt. Addressing this requires both dealing with the existing stock of debt and fundamentally reforming how debt is prevented and managed going forward.[13]

Sources:

[11] Energy UK (2026) Energy debt: Everyone pays
[12] BFY (2025) How to reduce B2B energy debt today and build future resilience
[13] Energy UK (2026) Energy debt: Everyone pays

Servicing the current stock of debt requires substantial operational investment from suppliers today. Dedicated teams must be maintained to manage customer contact, payment arrangement negotiation, vulnerability assessment and hardship fund administration. Debt provisions absorb working capital that could finance innovation. The cost of write-offs is socialised across all customer bills, with **the typical household now paying approximately £70 annually to cover debt-related costs**.[14] The Debt Relief Scheme provides some temporary respite but is not a structural solution. Without action, debt levels will continue to climb back to current levels and beyond because the underlying affordability problems will persist. In short, we are addressing the symptoms and not the causes.

Operational cost pressures create a second set of immediate demands and are rising across multiple dimensions: staffing costs increase with wage inflation and labour market skills shortages; technology costs rise as smart meter programmes continue and systems require upgrading; regulatory compliance demands growing investment in governance, risk management and reporting infrastructure; bad debt provisions have increased substantially. When prices are capped for the majority based on an assumed level of operational costs, suppliers are incentivised to earn returns by 'beating the cap' by continually focusing on efficiency in a way that absorbs management focus, and crowds out strategic thinking about value creation and future market evolution.

> **"The reality is that we're only ever really looking a year or two out. The pressure is always on addressing some operational issue like levels of customer debt, it's difficult to get people to look beyond short-term issues.**
>
> Director of Strategy

Long-term capability building against these pressing demands ends up being both distant and deferrable. Flexibility platforms need development, but their revenue potential remains uncertain, and payback timelines extend over several years. Innovation needs investment but cashflow is constrained. Technology partnerships need cultivating, but their contribution is to long-term performance instead of short-term need.

The result is underinvestment across several fronts. Few suppliers today have built the technology infrastructure, market access arrangements and interfaces that widespread aggregation demands. Innovation budgets are squeezed and strategic planning horizons focus on delivering annual financial performance goals.

Source:

[14] Ofgem (2025) Energy price cap operating cost and debt allowances decision: overview

With one or two notable exceptions, consumer proposition development lags behind what is needed. This can be seen in the development of bundled offerings that combine equipment, installation, maintenance and energy supply. Heat-as-a-service, EV charging packages and battery storage propositions exist as small-scale, niche trials rather than mainstream offerings. The required business model transformation is advancing only slowly.

Partnership development suffers similar barriers. Delivering future propositions requires collaboration with equipment manufacturers, installers, flexibility platforms and technology providers. These relationships need time to mature, with trust built through repeated interaction, however immediate pressures leave limited management bandwidth for cultivating partnerships that will only generate returns in future years.

Underinvestment is entirely rational from a commercial perspective for some businesses. Debt must be managed to prevent defaults, and costs must be controlled to preserve margins under the constraints of the price cap. Near-term profitability is linked to cost discipline at the expense of product development and innovation. These immediate needs have clear consequences for failure. In contrast, underinvestment in future capabilities creates numerous risks that materialise slowly and can be addressed at some unspecified point in the future.

> **Debt is ballooning. There's no sense that regulators are serious about giving us the tools to be able to recover it ... cash collection is genuinely challenging.**
>
> Director, External Affairs

What is rational at an organisation level creates risks for the delivery of nationwide energy policy. By the time long-term capabilities become immediately necessary, it will be too late to develop them.

Breaking this pattern requires interventions that reduce immediate pressures and create space for strategic investment. **This needs to include:**

- **Permanent debt relief architecture** that builds upon the Debt Relief Scheme and shifts costs for consumers genuinely unable to pay from supplier balance sheets to direct Treasury support.
- **A commitment from DESNZ** to set strategic priorities for retail regulation through the Strategic Policy Statement, and to then focus on the medium to long-term priorities needed to deliver policy aims.
- **A requirement for Ofgem** to conduct a formal impact assessment before starting any work that sits outside its planned forward work programme, with a high threshold to be cleared before resource is committed.

A comprehensive debt management framework would address both existing debt burdens and prevent future accumulation through better regulatory tools. Price cap certainty would enable planning for consumer propositions. Regulatory burden reduction would free resources for customer-facing innovation. A planned, disciplined forward work programme from Ofgem, with clear strategic direction from DESNZ, would limit reactive workload diverting management capacity away from the long-term capability building clean power delivery requires.

Without these changes, consumers will miss out on potential bill savings because suppliers will be less able to invest in the platforms required to deliver them.

Distributional inequalities

Recommendations

13. Government should mandate minimum energy performance standards for rental properties and when upgrading government buildings, requiring landlords and governmental bodies to install smart meters, EV charging infrastructure where possible and practical, and low carbon upgrades at point of major refurbishment.

14. On-bill financing schemes should be supported, enabling households to adopt EVs, batteries and heat pumps without upfront capital, repaying through energy savings over equipment lifetimes.

15. Network cost recovery should shift from volumetric charges to capacity-based standing charges, ensuring households with solar and batteries remaining connected for resilience bear appropriate network costs.

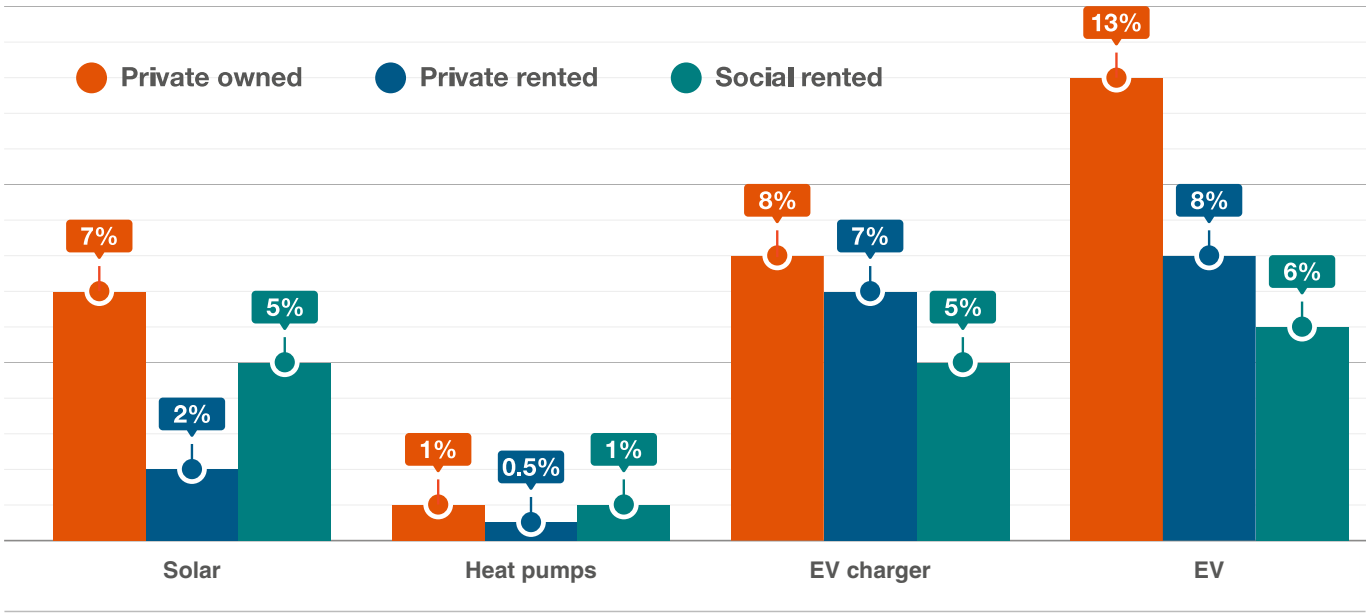
16. Address digital exclusion with rural broadband investment and regulatory requirements so that energy services remain accessible through phone and post for those unable to use digital channels.

17. Government and industry to work together the plan for the tail end of the smart meter rollout, requiring new buildings to be compatible with smart meters, and planning for the gradual phasing out of the legacy metering infrastructure.

By the 2030s, consumers will need access to flexibility services to reduce bills and support a more flexible power system. Structural barriers prevent millions of people from participating, increasing costs for everyone while creating profound inequity. Addressing these barriers is essential for delivering flexibility at lowest cost.

Home ownership represents a fundamental dividing line. Heat pumps, solar panels and battery storage require investment in buildings that tenants are unlikely to make or are prohibited from making. **The 5.4 million households in private rented accommodation face exclusion from technologies that would reduce their bills regardless of their interest or willingness to participate**. Social housing tenants face similar constraints despite higher concentrations of fuel poverty.

Low carbon technology adoption by tenure (2023, English Housing Survey)



Landlords who typically fund installations gain limited immediate or direct benefit. The savings that accrue from low carbon technologies go to the tenants paying the energy bill. This split incentive between those bearing capital installation costs and those receiving operational savings creates a structural barrier that retail propositions alone cannot overcome. This tenure barrier affects all low carbon options. EV charger installation requires landlord permissions that they can withhold. Solar panels and batteries require property modifications tenants cannot authorise. The result is systematic exclusion of nearly 20% of households from flexibility markets.[15]

Income constraints create a second profound barrier. A 4kWh home battery costs approximately £3,000 and a larger 10kWh battery could cost as much as £10,000.[16] Whilst payback periods may be as low as five to eight years, a typical 3.5kW solar installation could cost £6,100.[17] Again, whilst the technology can pay back its costs within ten years, heat pumps require average upfront investment of approximately £13,000,[18] with potentially significant additional costs if property modifications are needed. These represent multiples of monthly household income for low and middle-income families and rely on savings many won't have.[19]

Sources:

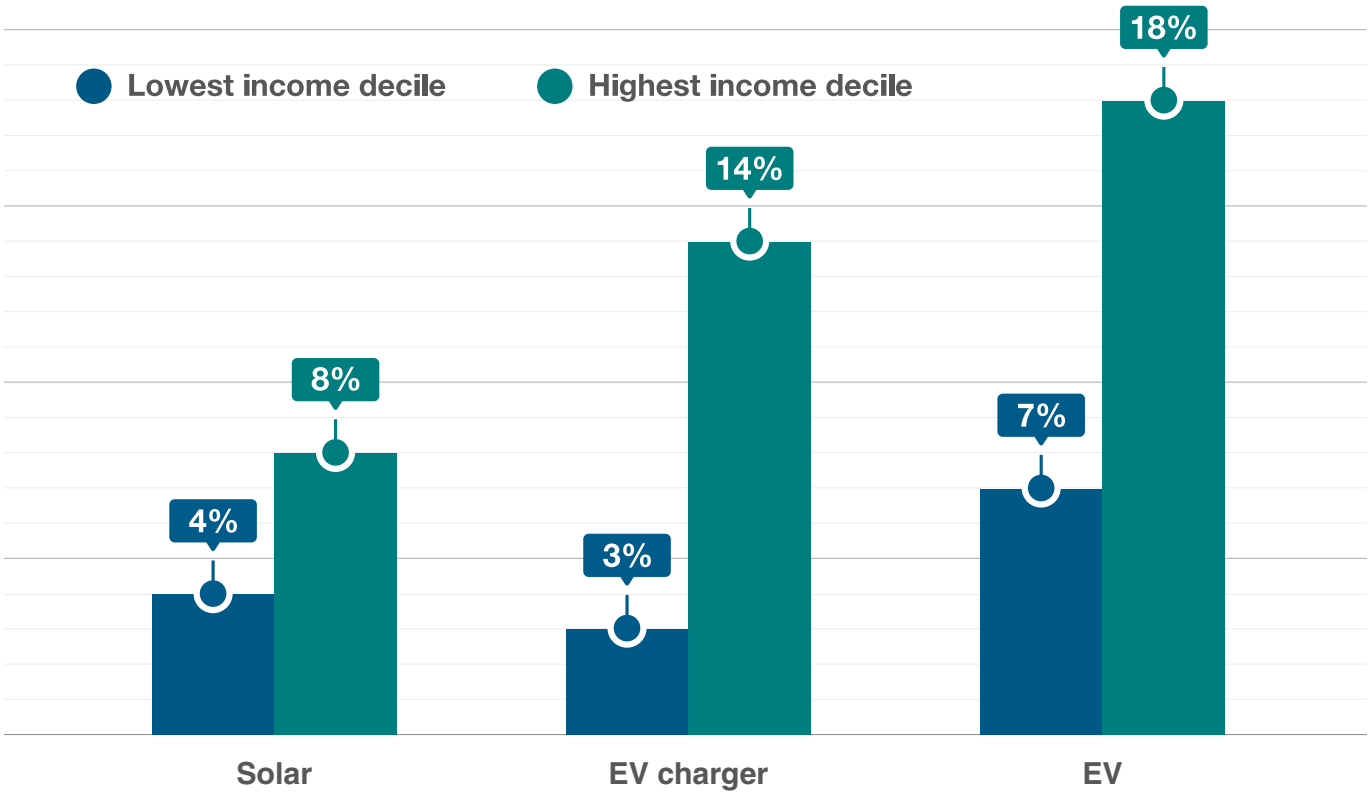
[15] Based on 28.6m homes in the UK, ONS
[16] Avepower (2026) Cost of Home Battery Storage Systems in the UK
[17] Energy Savings Trust Solar insights.
[18] Government, Boiler Upgrade Scheme statistics. Excludes subsidy
[19] UK median monthly disposable household income was £3,058 in 2024, ONS

Long-term savings provide little consolation when you cannot access the upfront capital needed. A heat pump could reduce annual heating costs by £300[20] but a household without the money to cover the upfront installation cost – around £6,000 even after government subsidy - cannot access this benefit regardless of payback period.

Financing options depend on credit scores and affordability assessments that exclude many who would benefit most. Installation costs compound the problem, **representing approximately 40% of deployment costs** with little sign of falling.[21]

The income barrier extends beyond buying technology, impacting ongoing participation. Time-of-use tariffs and dynamic pricing bring with them pricing volatility that low-income households are less able and willing to afford.[22] Risk tolerance therefore varies with income, meaning many are indirectly excluded from propositions that wealthier households can more easily adopt.

Low carbon technology adoption by income (2023, English Housing Survey)



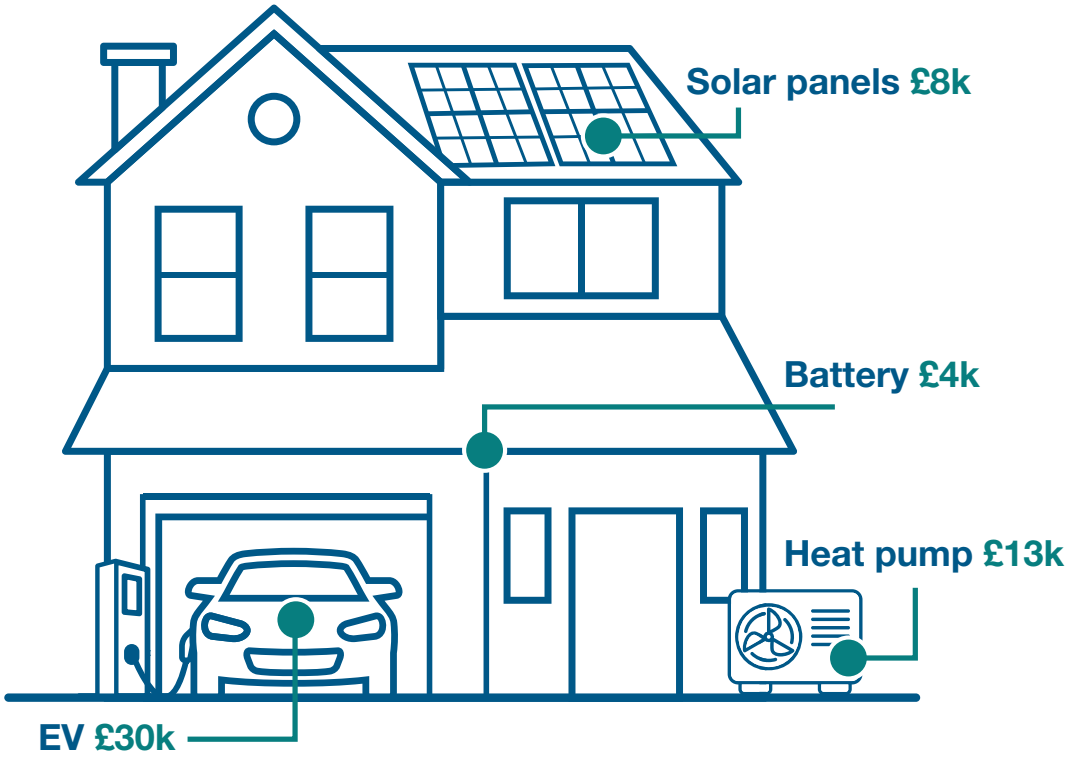
Sources:

[20] Nesta (2026) Warm Homes Plan analysis

[21] Winskel, Heptonstall, Gross (2024) Reducing heat pump installed costs: Reviewing historic trends an assessing future prospects.

[22] Ministry of Housing, Communities & Local Government (2023), English Housing Survey

Cost of low carbon technology (installed new, average size home)



Digital exclusion adds a third dimension. Flexibility services depend on smart meters, broadband connectivity and digital interfaces, however approximately **3.1 million households lack internet access**.[23] Beyond this offline population, millions of people who are connected face additional barriers including inadequate devices, insufficient skills and low confidence.[24] The digital divide maps closely onto income and age demographics, excluding precisely the groups facing greatest affordability pressures.[25] [26]

Sources:

[23] Centre for Social Justice (2024) Understanding Society Wave 12
[24] DSIT (2025) Government Digital Inclusion Action Plan
[25] Age UK, Centre for Social Justice, Ofcom
[26] Sources for technology costs in image: Electric Vehicles - NimbleFins, Solar Panels - Renewable Energy Hub, Heat Pump - Government Boiler Upgrade Scheme statistics, Battery - Checkatrade

Non-commodity charges (costs outside of the wholesale cost of electricity) are a significant feature of energy bills and are forecast to rise substantially as we invest in building the energy networks and energy production we need to ensure good stability and sufficient power. These costs fall primarily on electricity bills today.

This creates disincentives to electrify, in addition to regressively allocating costs based on energy consumption instead of income (i.e. recouping these costs through bills compared to general taxation). With current levels of energy debt at approximately £5.5 billion,[27] affordability problems extend beyond who can afford which technology to questions of whether energy at any price is affordable for substantial numbers of people.

> **What we know is that there is a growing cohort who can optimise consumption, and that means a declining cohort mopping up the costs of the system. That can't be right.**
>
> Chief Commercial Officer

Without intervention, these barriers will create a two-tier system. Affluent homeowners will install technology, access flexibility revenues and benefit from reduced costs.[28]

Low-income renters will remain unable to install the technology, stay on simple tariffs and shoulder system costs while locked out of bill reduction opportunities. This outcome would be profoundly unjust and politically unsustainable.

A just transition requires active policy intervention:

- **Government should mandate minimum energy performance standards for rental properties**, focused on both improving energy efficiency and low carbon technology adoption. This means using reform of Energy Performance Certificates (EPCs) to require landlords to install smart meters, EV charging infrastructure where parking allows and low carbon upgrades at point of major refurbishment.
- **On-bill financing schemes should be established** to enable households to adopt EVs, batteries and heat pumps without upfront capital, repaying through energy savings over equipment lifetimes.

Sources:

[27] Energy UK (2026) Energy debt: Everyone pays

[28] Government published case studies highlight examples where the installation of low carbon technology has reduced consumer bills to less than £0 following property investments of more than £20,000.

- **Network cost recovery should shift from volumetric or standing charges to capacity-based fees**, ensuring households with solar and batteries who remain connected for resilience bear appropriate network costs rather than shifting them to those without self-generation.
- **Digital exclusion requires both investment in rural broadband investment** and requiring that energy services remain accessible through phone and post for those unable to use digital channels.
- **Price protection must evolve from a universal price cap** for those unwilling to engage to targeted support for those genuinely unable to afford energy.

The transition will succeed or fail based on whether benefits and costs are distributed fairly. Policy must actively address structural barriers rather than assuming markets will solve distributional problems that are being systematically created. Without explicit intervention on technology access, financing models, network charging and targeted support, the flexibility transition will deepen existing inequalities.

Pricing constraints

Recommendations

18. Ofgem should publish a multi-year roadmap for the evolution of the price cap, specifying whether protection will narrow, transition to social tariff models, or remain universal, enabling suppliers to plan investment accordingly.

19. Price protection must transition away from universal coverage to targeted support for those genuinely unable to engage or afford energy, with tariffs exempted where consumers opt in with informed consent.

20. Bundled services that combine equipment and energy should receive separate regulatory treatment, assessing overall value proposition.

21. Time-of-use tariffs should be allowed to preserve meaningful peak-to-off-peak differentials to maintain incentives for shifting demand.

22. Reformed national pricing must deliver a more cost-effective energy system to enable suppliers to design tariffs that reflect true system value.

23. Policy cost allocation must shift away from electricity bills toward progressive funding mechanisms such as taxation, building on the Renewables Obligation announcement in the 2025 Budget.

Limitations on pricing and tariff design are preventing the innovation essential for delivering the lowest cost to consumers. Most importantly, **the price cap now covers over 50% of households**, blocking dynamic pricing, time-of-use tariffs and bundled services that could reduce system costs by billions.

The default tariff price cap was introduced in 2019 to protect disengaged consumers who failed to switch from expensive default tariffs. This policy created a safety net for passive consumers whilst preserving incentives for suppliers to offer competitive tariffs. The intention was to protect households who drifted onto default rates after fixed contracts expired or who never actively chose a tariff. Suppliers could offer fixed-term contracts above cap levels where consumers opted in with informed consent. It was designed to prevent exploitation of inertia, not constrain all retail pricing.

The cap has had benefits in recent years. It initially delivered **savings of around £75 per year** when introduced and forced suppliers to operate within tighter margins, creating pressure to streamline operations and drive greater efficiencies.

During the 2021-2022 energy crisis, it also helped shield consumers from the full impact of wholesale price volatility.

The energy crisis fundamentally altered both the cap's function and coverage. As wholesale prices increased, the cap became a brake on genuine cost pass-through rather than preventing overcharging. **While 39% of consumers were originally on the price cap in 2019 this increased to approximately 85% by 2022** as fixed price contracts were withdrawn,[29] far exceeding the policy's original scope.

> **There's a lack of competitive headroom in the price cap, meaning suppliers just aren't incentivised to deliver the propositions that we think we will need to see.**
>
> Head of Regulation

The cap has since become the prevailing price point in the market rather than a simple safety net, creating a universal straitjacket preventing competitive differentiation and innovation.

It is worth underlining that the presence of a price cap is highly unusual for competitive markets in the UK. Its expansion means the cap now covers affluent households which are perfectly capable of engaging in the market, as well as those vulnerable consumers genuinely unable of doing the same. This widespread coverage undermines both retail innovation and engagement in the market at precisely the time we need it. The delivery of energy policy aims requires the sector to find ways to move large numbers of consumers from passive takers of commodity to active participants helping balance the market through behind the meter flexibility assets.

While over half of households use capped tariffs, suppliers cannot justify investment in sophisticated time-of-use tariffs, dynamic pricing or bundled services, because there is no imperative to seek alternatives. If we want consumers to become active participants in the market, we will need to rethink either the design or scope of price protection.

Time-of-use tariffs depend on meaningful price differentials that motivate consumption shifting. Peak-to-off-peak ratios of 2:1 or higher create compelling cases for technology adoption.[30] The cap constrains peak rates and compresses differentials.

Sources:

[29] Ofgem for 2019 values, Bloomberg for 2022 values

[30] Octopus Energy's Cosy tariff offered discounts of 51% below day rates and led to consumers shifting 52% of their daily energy use to off-peak periods. Source: Octopus Energy, Clean Flexibility Roadmap (2024).

This means suppliers cannot easily offer sufficiently attractive off-peak rates to motivate investment in flexible assets or smart control systems. Time-of-use propositions remain financially unattractive compared to simple capped rates.

Furthermore, dynamic tariffs with prices that vary frequently in response to wholesale markets and system conditions are fundamentally incompatible with the price cap. These tariffs enable optimisation that responds to generation patterns and grid constraints, thereby avoiding the need for additional generation to be built to prop up peaks, and reducing overall system costs, and by extension energy bills for all.

> **Innovation is effectively limited to the engaged.**
>
> Chief Commercial Officer

Bundled services that combine equipment provision, installation, maintenance and energy supply face similar difficulties. Heat-as-a-service, EV charging packages and battery-as-a-service offerings integrate multiple value streams. The cap provides no framework for evaluating whether combined pricing represents fair value. Attempting to adapt the cap for this purpose in a half hourly settled market would imply considerable complexity.

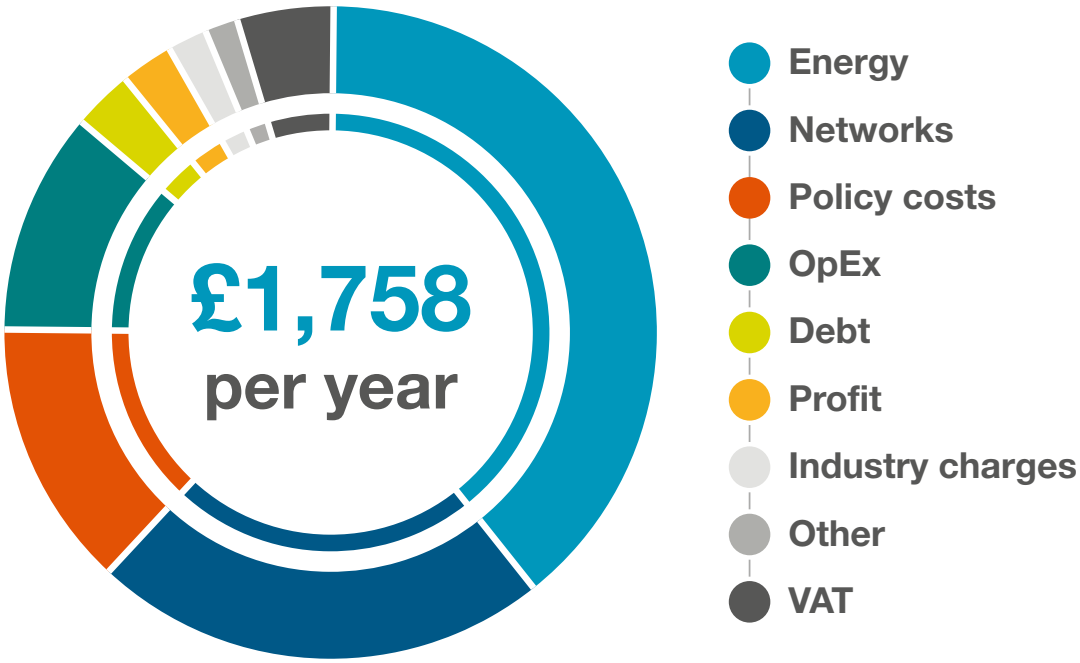
Beyond preventing specific tariff types, the cap limits the potential rewards from innovation. The methodology calculates allowable costs based on efficient commodity supply operation and allows a profit margin of approximately 2%. This creates limited headroom for investment in flexibility platforms or technology partnerships that deliver future value but impose current costs.

Non-commodity charges now comprise over 50% of typical household bills and are forecast to rise as network reinforcement accelerates.[31] These pass-through costs include network charges, policy costs for energy generation technology and system charges outside supplier control. When most of the bill represented the cost of commodity, suppliers could differentiate through wholesale procurement, operational efficiency and service quality. As the proportion of the bill represented by non-commodity costs, this competitive dynamic weakens.

Source:

[31] Energy price cap explained | Ofgem

A breakdown of the average dual fuel bill (January 2026, Ofgem)



The constraint extends to innovative propositions. A supplier developing sophisticated products that aggregate flexibility creates value through optimisation and market access. However, capturing this value through retail pricing is difficult when network and policy charges dominate bills. The margin available for rewarding innovation shrinks as non-controllable pass-through costs grow.

Network charges create additional barriers, with weak temporal price signals that fail to reward load shifting adequately. Until national pricing is reformed, suppliers will struggle to design tariffs that reflect the true system value of shifting when and where energy is used. Policy costs that fall primarily on electricity bills rather than gas or general taxation create further distortions, making electricity appear more expensive and undermining incentives to electrify demand.

Resolving these issues requires coordinated intervention to restore consumer choice while maintaining protection for those who need it.

First, price protection must evolve from universal coverage to targeted support for those genuinely unable to afford energy. This means providing potentially greater support to fewer households, ideally funded through general taxation. Eligibility should be targeted at those who genuinely cannot engage or afford their energy, as opposed to those who actively disengage and in doing so increase overall system costs.

For everyone else, a competitive market with adequate safeguards against exploitation provides better outcomes than universal price controls. To achieve this, Ofgem should publish a multi-year roadmap setting out how this transition will proceed, encompassing the design and introduction of an enduring targeted support scheme and the widening of data sharing arrangements so that suppliers can identify those who need support and direct it accordingly. This reform would narrow the extent of price cap coverage, creating greater depth in support for vulnerable consumers and market space for innovation.

> **"The price cap is hugely complex and very restrictive. The allowed margin is very low and if customers don't pay, you're losing money. This isn't investable.**
>
> Director of Strategy

Second, the cap must accommodate the tariff diversity essential for flexibility. Ofgem should exempt dynamic tariffs from price cap constraints where consumers opt in with informed consent. Bundled services that combine equipment and energy should receive separate regulatory treatment based around fairness and the overall value proposition. Time-of-use tariffs should face cap treatment that preserves meaningful peak-to-off-peak differentials necessary for behaviour change incentives.

Third, ensure that reformed national pricing delivers a more cost-effective energy system, and enables suppliers to design tariffs and propositions that reflect true system value. Network charges should also be structured so that households with solar and batteries who remain connected for resilience bear appropriate network costs.

Fourth, policy cost allocation must shift away from electricity bills toward progressive funding mechanisms such as taxation, building on the Renewables Obligation announcement in the 2025 Budget. This should include capex support costs for energy production assets and energy efficiency programmes. We recommend this knowing that costs would still be incurred by the average household, but that doing so through taxation would result in a fairer distribution of costs and create headroom for retail innovation.

These interventions would restore pricing power essential for flexibility innovation. By enabling tariffs that reflect true system value, they would reduce both system costs and consumer bills while maintaining protections for those who need them.

Conclusion

Today's retail energy market framework is not fit for purpose. It was designed for commodity supply in a stable market, not for the level of flexibility, innovation and consumer engagement the energy and digital transitions demand. Worse, current structures actively prevent the changes needed to meet targets.

Four fundamental barriers block progress. Prescriptive regulation tells retailers how to operate rather than what outcomes to deliver, imposing costs without enabling innovation. Immediate financial pressures from debt, operational costs and price cap mechanics consume resources that should build future capabilities. Structural inequalities around tenure, income and digital access risk creating a two-tier system where benefits flow to those who already have advantages.
And the price cap, now covering over half of households, prevents the tariff diversity essential for flexibility whilst treating all consumers identically regardless of need.

These problems compound each other. The result is a market stuck in low-investment equilibrium unable to deliver what policy demands. Without retail market reform, we will not deliver our energy policy aims.

Reform requires coordinated action across all four barriers to reduce consumer costs while enabling delivery of a clean, resilient and secure power system. Outcomes-based regulation cuts compliance costs passed to consumers. Targeted price protection creates innovation space while improving equity. Reformed network charging enables cost-reflective tariffs. Flexibility service provider frameworks attract investment in flexibility. Together, these changes would save consumers billions in system costs while accelerating clean power delivery.

Without these changes, we will reach the 2030s with consumers paying unnecessarily high costs while the system struggles to integrate renewables and manage demand. The reforms set out here would save consumers billions in system costs whilst accelerating clean power delivery. But retail market reform cannot happen in isolation.

Government must prioritise decarbonisation and demand-side frameworks. Heat and transport electrification targets require coordinated action on building standards, planning rules and consumer finance. Demand flexibility depends on smart tariffs, but also on interoperability standards, data access rights and consumer protection frameworks that span energy, digital and financial regulation. Clean Power 2030 requires policy coherence across departments.

Ofgem also must act now to reform retail market frameworks. With four years to prepare, incremental adjustment will not suffice. The alternative - maintaining structures designed for a market that no longer exists - risks leaving consumers bearing high and avoidable system costs whilst delaying the transition we need.

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