Powering Trust

Protecting consumers through financial resilience

ofgem

Making a positive difference
for energy consumers

Powering Trust: protecting consumers through financial resilience

Contents

Note: In this report, we refer to 'suppliers', by which we mean the groups of legal entities which hold the relevant licences (licensees), and are subject to our regulations, but which are collectively referred to by their brand name.

This report only includes aggregate and/or average data. Its focus is on the sector as a whole and the effects of our measures, not on individual supplier performance. Information on suppliers can be found on their websites and in their annual accounts, and Supplier License Agreement financial reporting (referred to as Consolidated Segmental Statements (CSS)) is available annually.

Foreword

During the gas crisis, the importance of financial resilience became clear. Between autumn 2021 and autumn 2022, 27 domestic suppliers became insolvent. Many others were balance sheet insolvent.

On 31 March 2025, the Capital Target regime came into force. Domestic supply licensees must now have a minimum amount of capital at their risk to remain resilient and protect consumers from disruption and cost. This report provides information on the capitalisation of the sector. Today we can confirm that:

- The sector has moved from negative net assets of -£1.7 billion during the crisis to +£7.5 billion of Adjusted Net Assets at the end of March 2025;[1]
- 20 suppliers out of 23 are above the Capital Target while the other three have an agreed credible Capitalisation Plan including self-commitment to controls such as not paying dividends; and
- The cost of supplier failure on bills has fallen from a peak of around £64 on an average annual bill in 2022/23 and is £0 for consumers in 2025/26.

Our new rules reduce the likelihood of suppliers failing and the costs and disruption if they do. We do not seek to operate a “zero-failure regime”.[2] As Rebel Energy’s recent exit shows, in a competitive market, companies may fail periodically for a variety of reasons. The cost and impact on consumers should be small. A resilient and reasonably profitable energy market, with a level playing field for responsible suppliers, supports sustainable competition and investment and our regulatory regime recognises this.

While this report is good news, a small number of suppliers are not currently meeting the Capital Target. They must now deliver on their credible Capitalisation Plans and the restrictions within them. Where Plans are not delivered upon or where supplier licensees drop below the Capital Target without an agreed Plan, they will be subject to additional regulatory measures, including a ban on taking on any new customers. There are still challenges ahead but working together will ensure the market remains in a much stronger place to deal with them.

[1] See page 10 for an explanation of Adjusted Net Assets.
[2] [Jonathan Brearley: State of the Market keynote speech | Ofgem]

Key figures

£7.5 billion

Total Adjusted Net Assets in the sector

The sector has moved from minus £1.7 billion net assets during the crisis to a much stronger position today.

20 out of 23

Suppliers above our Capital Target

The other three have a credible Capitalisation Plan including self-commitment to controls such as not paying dividends.

£0

Supplier failures cost on bills this year

The cost of supplier failure on bills has fallen from a peak of around £64 on an average annual bill in 2022/23.

4.2 million

Domestic customers seamlessly transferred to a new supplier

Since 2021, we have transferred 4.2 million domestic customers through the Supplier of Last Resort and Special Administration Regime processes, ensuring continuation of their energy supply and transfer of their existing credit balances.

Executive summary

In a competitive market, some companies succeed while others fail. Because energy supply is an essential service and we must protect the most vulnerable, Ofgem intervenes to ensure that when a supplier fails, no customer is left without supply. Our measures ensure that customers stay on supply, move to a different supplier, and that their credit balances are protected. The cost of these protections is shared by all billpayers.

However, the crisis demonstrated that suppliers were not resilient enough to unexpected shocks or stresses in the energy market and that those suppliers exiting the market left behind significant costs when they exited. Our previous regulatory approach did not do enough to address this.

On 31 March 2025, the final part of our action plan came into force: the Capital Floor and Capital Target. The purpose of this report is to provide further detail on the measures taken under our action plan and provide transparency on our regulatory approach and some of the impacts it will have had on the energy sector.[3]

Section 1 of this report provides the background to our financial resilience work. We discuss how financial resilience sits within Ofgem's regulatory objectives and priorities.

In Section 2, we provide more detail on the importance of financial resilience and how our actions support this. This includes data on the capital that has entered the sector through retained earnings, commitments, and equity investment, as well as the performance of the sector against our benchmarks. The data in this report is aggregate, giving the position of the sector rather than identifying individual suppliers. We also provide an overview of the Supplier of Last Resort process and an explanation of how the costs of failure are mutualised. We show that financial resilience supports sustainable competition and need not conflict with dynamism and innovation in the energy sector.

The final section, Section 3, sets financial resilience in the wider context of Ofgem's overall mission and surveys some of the challenges ahead.

This report concludes with our renewed commitment to continue to engage closely on our regulatory approach with both consumers and suppliers. We welcome feedback and stakeholder engagement on this important topic.

[3] Action plan on retail financial resilience | Ofgem

Background

1. Ofgem's strategic priorities and how financial resilience helps

Our principal objective is to protect the interests of existing and future consumers. We do this by ensuring that regulatory decisions are made with the full range of consumer interests in mind. We have implemented a 'consumer interest framework' to articulate what consumers need and want from the energy system.4 We use this framework to clarify what our duty to protect consumers means in practice, and to help us identify trade-offs between different consumer interests.

A resilient, profitable, and investable energy market is essential for the sustainable competition we want to see. Suppliers should have incentives to innovate in the pursuit of net zero and receive a reasonable profit as they drive up consumer service standards. At the same time, we recognise that we need to strike the right balance to avoid creating unnecessary barriers to entry to the market or constraints to competition.

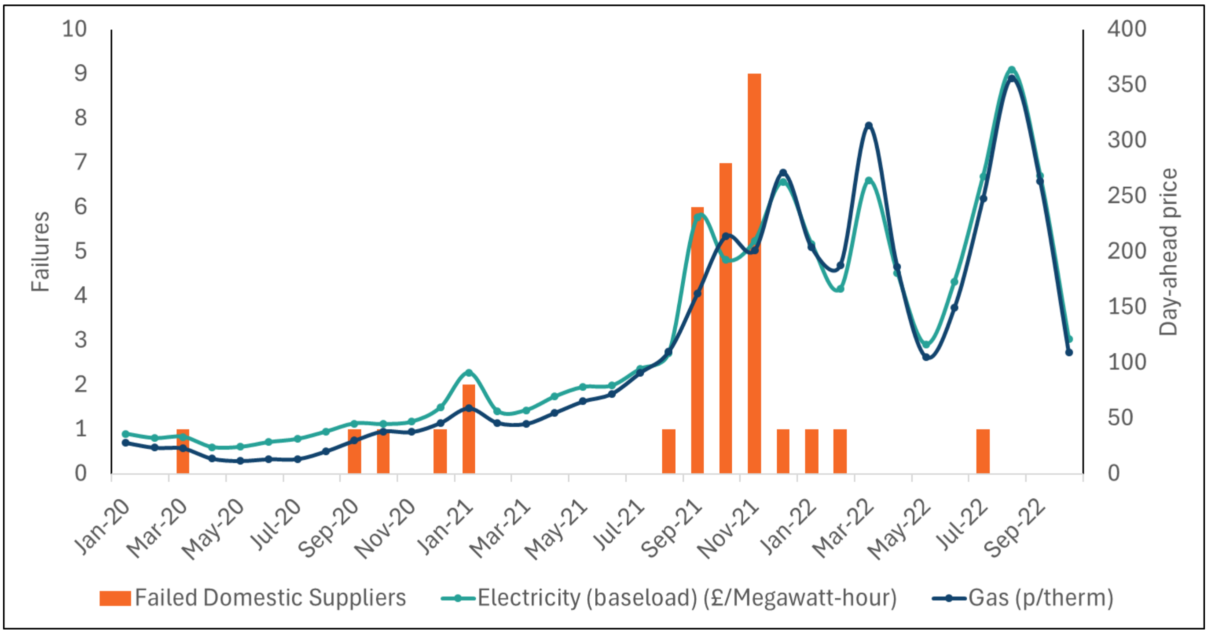
We are also conscious that Ofgem has a new Growth Duty in 2024-25, to have regard to the promotion of sustainable economic growth through its regulatory activities. Currently, Ofgem's primary contribution to economic growth is through regulation that minimises energy costs, keeping supply resilient and energy markets functioning effectively. As Ofgem further integrates the Growth Duty, we will clarify how this will be implemented into our regulatory approach.

2. The 2021/2 energy crisis crystallised risk to financial resilience

The gas crisis in 2021 exposed financial weaknesses in the energy retail market, as illustrated in chart 2. Having agreed fixed low-cost deals to attract more customers, some suppliers could not afford to buy energy at high global gas prices. Between autumn 2021 and autumn 2022, 27 domestic suppliers went insolvent (including Bulb, which entered energy supply company administration under a Special Administration Regime).

[4] Forward Work Programme 2023-24, pp. 7-8.

Chart 2. Domestic supplier failures alongside day-ahead gas and electricity prices, from January 2020 to October 2022



Suppliers were able to adopt risky business strategies, pursuing growth fuelled by revenue from new customers, without putting in place appropriate risk management processes and without having to bear the cost of those risky strategies. Having agreed fixed low-cost deals to attract more customers, some suppliers had not purchased energy in advance to 'hedge' their risk and could not afford to buy energy at elevated prices. Put simply, suppliers were choosing to take large risks, without having their own capital risk, at a time when the market environment became much riskier. Much of the costs associated with these exits were ultimately mutualised.

In December 2021 we commissioned a review into the root causes of supplier failures during the crisis and specifically into how regulation of the industry played a part. The consultancy Oxera was selected to produce an independent report, which was published in May 2022.[5] The Ofgem Board (GEMA) accepted the recommendations in the report.

We took immediate action during the crisis to strengthen our approach to financial resilience and have since developed a package of interventions. [6] These included:

[5] Review of Ofgem's regulation of the energy supply market 3 May 2022
[6] Supply licence applications: reasons for the decision to amend the time period for assessment and to remove tacit authorisation | Ofgem

- **The Capital Floor and Capital Target**, meaning that domestic suppliers must hold a minimum amount capital within their business as a buffer to absorb losses in a stress event.
- **An enhanced 'Financial Responsibility Principle'** placing stronger obligations on suppliers to ensure they manage their finances in a responsible way to minimise the costs associated with mutualisation. This includes requirements that specifically address liquidity, complementing the Capital Target and Floor.
- **Enhanced monitoring and reporting commitments** which obligate the licensee to report certain events, or when they meet specific thresholds.
- **Requirements for suppliers to protect Renewables Obligation receipts** attributable to domestic supply. This means suppliers must set aside these funds from other financial resources to ensure that the money is passed through to renewable generation.
- **Powers to direct suppliers to ringfence their Customer Credit Balances** in certain circumstances. This supports the ban on suppliers overly relying on CCBs as a source of working capital, which can put licensees in a risky position if there is a market shock or an extreme switching event.
- **Asset control requirement** for licensees to own or have sufficient control over all material assets required to run their supply business and used to meet their obligations under the Financial Responsibility Principle.

3. Spotlight on the Supplier of Last Resort process

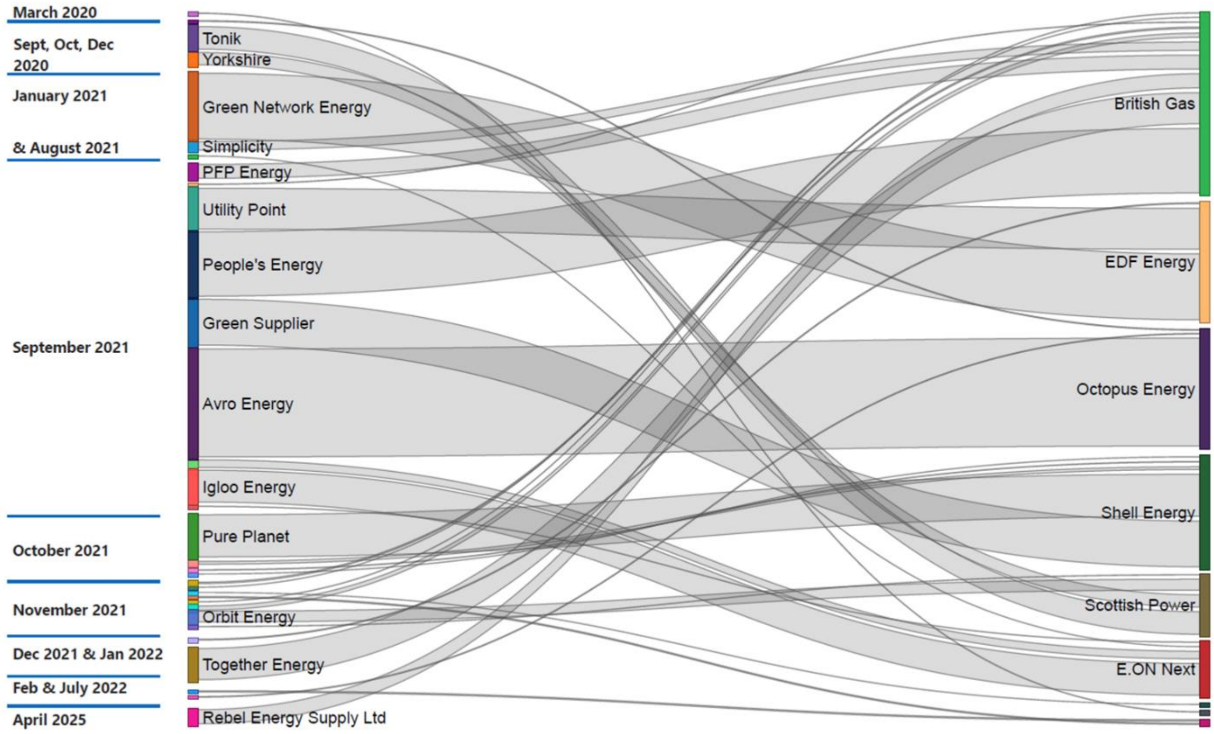
We protect consumers to ensure that when a supplier fails, no one is left without supply. This major protection is a significant intervention in the market which smoothly and instantly transfers customers from a failed supplier to a new supplier.

When suppliers exit the retail energy market, we expect them to do so in an orderly fashion. We prefer them to attempt to transfer their customers to another supplier through a Trade Sale in the first instance. Where suppliers leave the market in an urgent or unplanned way, we have powers we can use to step in and protect consumers. These powers include appointing a Supplier of Last Resort (SoLR), another licensed supplier that takes on the customers of the failed supplier.

From the start of the energy crisis in Autumn 2021 to April 2025, 28 suppliers with domestic customers have failed. We transferred the customers of 27 of these failed suppliers to new suppliers through the SoLR process. Bulb Energy was transferred into a special administration regime (SAR) because given current market conditions and the

Company's large number of customers, we did not consider that it would be feasible or in the best interests of consumers to use our SoLR powers. Overall, with the help of those suppliers who took on new customers, we intervened to protect the supply of 4.2 million domestic customers. This operation, which was unprecedented in scale and complexity, ensured no one was left without power. Chart 8 shows the flow of those customers from failed suppliers to a new supplier through the SoLR process.[7]

Chart 8. Sankey chart of the flow of domestic customers from failed to new supplier



Most recently, Ofgem stepped in to protect customers of the failed Rebel Energy Supply Ltd in 2025. We appointed British Gas to take on supplying Rebel Energy's 84,000 domestic customers, and 6,000 non-domestic customers, following a competitive process to get the best deal possible for customers.[8]

In a normal, functioning market we would expect to continue to see entries and exits, and the Supplier of Last Resort process will continue to play an important backstop role in ensuring customers are never left without a supplier.

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[7] Shell Energy Retail Ltd was acquired by Octopus Energy Ltd in November 2023. This data does not include Bulb, who were subject to a separate Special Administration Regime process.
[8] [Ofgem appoints British Gas to take on customers of Rebel Energy Supply Ltd (Rebel Energy) | Ofgem]

Financial resilience supports a stronger market that delivers for consumers

4. Our regulatory action ensures a safer and more stable energy market

Strengthening capital and liquidity in the sector

Our actions aim to ensure a more stable and resilient sector. To achieve this, we have created measures that target the capital and liquidity positions of suppliers to improve their ability to weather unexpected events.

Our regime draws on the Prudential Regulation Authority's response to financial crises in the banking sector, using capital and liquidity requirements to ensure the safety and soundness of energy suppliers. Sufficient capital and liquidity are critical for suppliers to avoid disruption to the essential service they provide to consumers and to the economy. Sufficient capital absorbs losses that could threaten supplier solvency while sufficient liquidity (cash or cash-like assets that can easily be converted when needed) allows suppliers to meet their liabilities as they fall due. Our prudential regime targets both aspects to mitigate the risks inherent to energy markets and supplier business models.

Capital Target and Floor requirements

As part of this regime, we have brought in a common minimum capital requirement, comprising a Capital Target and Capital Floor. Licensed energy companies who supply energy to domestic customers must at all times meet a 'Capital Floor' of holding zero pounds of Adjusted Net Assets per customer and hold or be working towards a 'Capital Target' of £115.[9] This may be met using Alternative Sources of Capital: sources of funding, such as long-term debt, inter-company credit facilities and parent company guarantees, that we approve on a case-by-case basis. The Capital Target is a common minimum, and we would expect suppliers taking greater risks to need to implement stronger mitigations, which could include holding more capital than the Capital Target level of £115 Adjusted Net Assets.[10]

[9] We have adopted a regulatory definition of Adjusted Net Assets to measure capital in the sector. This is comprised of Net Assets, excluding intangible assets, plus permitted Alternative Sources of Capital. "Capital Target" means licensee Adjusted Net Assets of £57.50 per Domestic Customer. The £115 applies to dual fuel equivalent customers (i.e. £57.50 per electricity customer and £57.50 per gas customer).
[10] See 10.

This requirement means that supplier failure is less likely to happen and that when failures do happen, we will have had early warning signs, allowing us to intervene and minimise costs to consumers.

The Capital Target: We chose the level of £115 after extensive consultation. We calculated this to be the reasonable minimum we expect a financially responsible, well-hedged, supplier would need to have as a buffer for resilience in the event of a severe but plausible shock.[11]

The Intermediate Position: Suppliers who are below the Capital Target but above the Capital Floor are in the Intermediate Position. In this position they will be subject to default Transition Controls until they agree an acceptable Capitalisation Plan with us. This must set out how they will build up their capital to meet the Capital Target.

The Capital Floor: A supplier who is in a negative Adjusted Net Assets position may not be able to pay their debts without support and is extremely vulnerable to any external or internal shocks. Licensed companies that do not meet the Capital Floor are in breach of their Supplier License Conditions and may be subject to enforcement action.

Reaching the Capital Target

Given the starting position of the sector post-crisis, we anticipated that not all suppliers would be above the Capital Target on the day the requirements came into force. However, we have been engaging with suppliers across the sector to hold them to account and ensure that they are proactively working to meet this target in the shortest reasonable time.

We expect those suppliers below the Capital Target to use Capitalisation Plans to focus on building up this buffer and moving to a more resilient position. This may take different lengths of time, as the Plans are proportionate and consider business and market-specific factors. Capitalisation Plans will come with restrictions and controls. Those below the Capital Target are therefore heavily incentivised to reach it as soon as possible. There are details on the process and expectations on Capitalisation Plans in our *Guidance on the Operational Capability and Financial Responsibility Principles*.[12]

If a supplier were to fall below the Capital Target without an agreed Capitalisation Plan, it would be subject to default Transition Controls, which include a sales ban (prohibiting

[11] Strengthening Financial Resilience- Minimum Capital Requirement and Ringfencing CCBs by Direction
[12] Guidance - Financial Responsibility Principle

all sales, marketing, and customer acquisition activity) and a ban on non-essential payments (including making any payment, providing any loan, or transferring any asset to a third party unless it is legally required, operationally essential, or approved by Ofgem).

5. How suppliers are performing against the Capital Target and Floor

Below is a snapshot of the sector's performance against the Capital Target and Capital Floor. This data uses the latest information available. [13] We will publish updated figures periodically. There are 23 suppliers with domestic customers (including two who are currently in Controlled Market Entry).[14]

The latest data shows that:

20

suppliers are above the Capital Target

3

suppliers have approved Capitalisation Plans; 0 are subject to default Transition Controls

£2.4bn

value of Alternative Sources of Capital approved

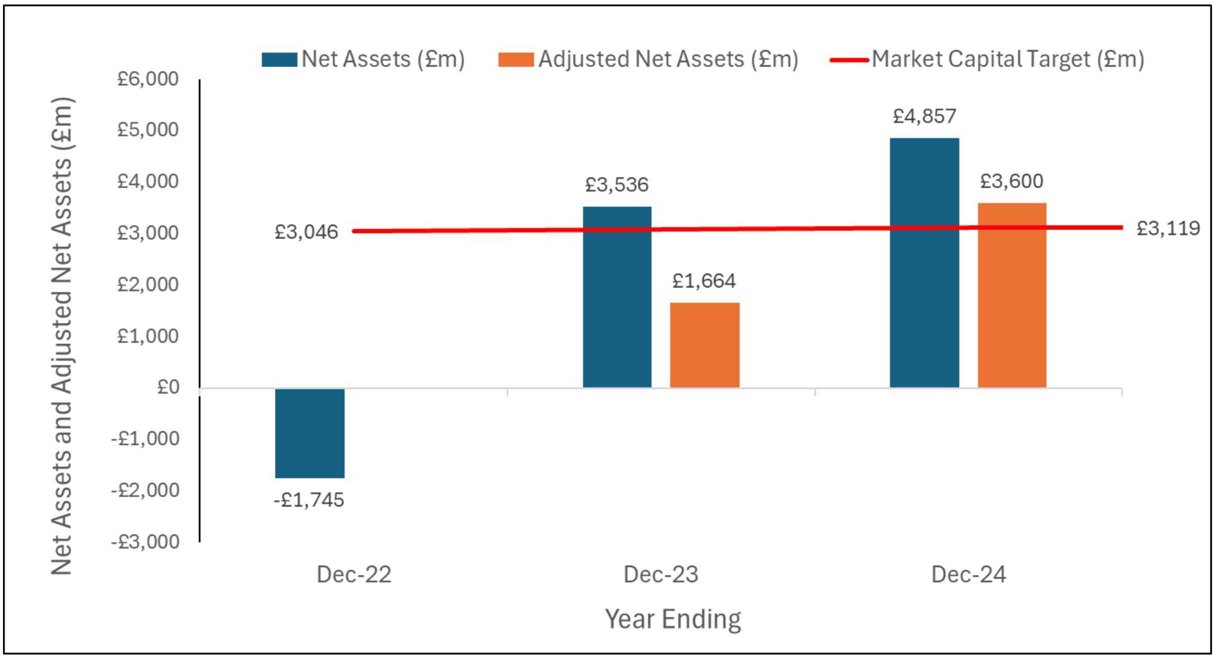
Smaller suppliers tend to hold more capital per customer. We are creating a level playing field by subjecting those larger suppliers who are not yet at this level to controls (either through a Capitalisation Plan or through default Transition Controls) until they build their resilience.

Overall sector position

Since the crisis and the announcement of our measures, the sector has significantly recapitalised. Chart 3 shows the aggregate net assets (since 2022) and Adjusted Net Assets (since 2023), against the aggregate Capital Target level for the sector (a measure of £115 for each customer).[15]

[13] We regulate at the level of individual licensees and each regulated entity must meet its respective Capital Target. In this data, all licensees associated with a supplier must reach the requirement in order for that supplier to be marked as above the bar.
[14] Controlled Market Entry is a probationary period during which an energy supplier must prove that it has in place appropriate systems and processes.
[15] Based on information from monthly Requests for Information (RFIs).

Chart 3. Net assets and Adjusted Net Assets of domestic suppliers in the sector since 2022, against the market Capital Target



Suppliers' capital position in aggregate has continued to improve since December 2024. This is partly because of further capital injections, including Ofgem approving the use of Alternative Sources of Capital (ASC), and retained profits. Domestic suppliers' aggregate earnings before interest and tax (EBIT) were £2.57bn in 2023 and £0.84bn (provisionally) in 2024.[16] This growth and the approved ASC take the aggregate Adjusted Net Assets in the sector to around £7.5 billion.

Liquidity

As noted in Section 4, capital is not the only element of our financial resilience regime. The recent example of Rebel energy demonstrated that meeting the Capital Target is not a guarantee against failure; liquidity is also vital, as is good risk management and governance. This is why our enhanced Financial Responsibility Principle (Enhanced FRP), introduced in April 2023, imposes the obligation on all suppliers to maintain sufficient business-specific capital *and* liquidity so that they are resilient against failure and so that their liabilities can be met on an ongoing basis.

[16] In 2023, suppliers were receiving deferred allowances to reflect costs which they had incurred in previous years. These allowances related to debt-related costs during COVID-19 and wholesale costs during the gas crisis. These allowances remedied previous shortfalls, which would have reduced profitability (or increased losses) in previous years.

Our definition of Adjusted Net Assets excludes intangible assets which are harder to liquidate during a stress event. This helps to ensure access to loss-absorbing capital in times of stress. Our Cash Coverage Trigger also provides us with an indicator of where suppliers may not be maintaining cash at an appropriate level.[17] As our recent Provisional Order to Tomato Energy shows, we will take action where suppliers are not meeting our expectations on liquidity as well as capital.[18]

Supervision and monitoring

We will continue to monitor suppliers' financial positions regularly alongside stress tests, at least annually, and alongside Annual Adequacy Self-Assessments under the enhanced Financial Responsibility Principle.[19] Together these submissions require suppliers to assess their financial positions and risks on a current and forward-looking basis, and in a range of scenarios. Ofgem analyses and engages with suppliers to ensure that action is taken to protect consumers and that reasonable assumptions are made.

At the same time, we supervise and engage with suppliers individually to assess their business models and approach to risk management. We expect suppliers to be the first line of defence by monitoring and assessing their own business specific risks.[20]

6. Financial resilience protects consumers

Reducing costs to consumers

The aim of our resilience measures is ultimately to protect consumers. Our reforms benefit consumers by ensuring a better balance of risks between suppliers and consumers and, in doing so, reduce the likelihood and cost of widespread failures.
The costs to a supplier of taking on customers from a failed supplier may be mutualised, as the new supplier can make a claim for a Last Resort Supply Payment (LRSP). As part of our Supplier of Last Resort (SoLR) process, Ofgem aims to appoint the licensee which offers the best deal overall for energy consumers, and we encourage bidding suppliers to commit to waiving or minimising any financial claims they may make from the SoLR levy. After a SoLR appointment, we thoroughly scrutinise all LRSP claims from SoLRs against our assessment criteria.

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[17] See page 18.
[18] Tomato Energy Limited: Provisional Order | Ofgem
[19] Since the crisis, we have reduced the frequency of our stress testing to annually for smaller suppliers that meet all of our rules, unless there are risk indicators which warrant more frequent and/or in-depth reporting.
[20] Transitioning to a supervisory approach to the financial resilience of energy suppliers

SoLR Levy claims relating to customer transfers for licensees failing since the start of the energy crisis in 2021 have amounted to £2.33 billion to date.[21] This is a cost that has been borne by all domestic billpayers in Great Britain.

Chart 4. Average Cost on Individual Energy Bills to fund Supplier of Last Resort Processes (£)[22]

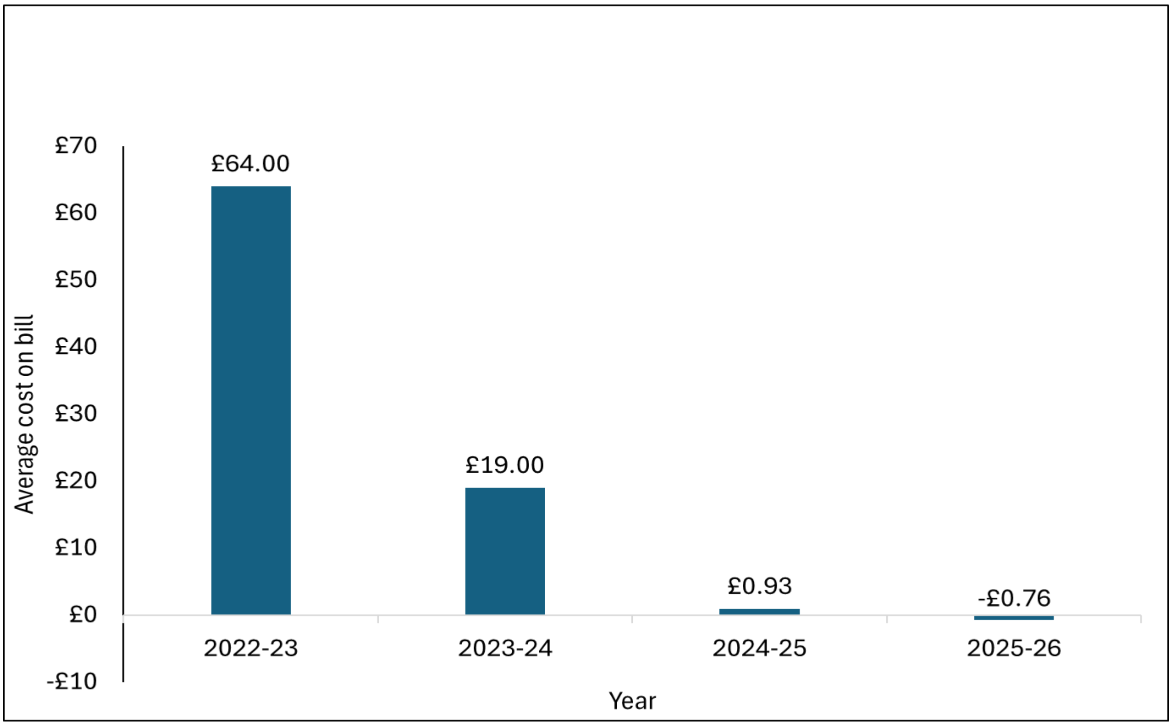


Chart 4 shows the average cost on energy bills to fund these costs. At its peak (in 2022), these costs added around £64 to the average annual bill, falling to around 93p to the average annual bill in 2024-25. During 2025 / 2026 the costs of SoLR Levy claims to consumers have dropped to £0.[23]

Dynamism and investment

We are also mindful that competition and investment are essential elements of a market which works for consumers. A resilient, profitable, investable market is essential for

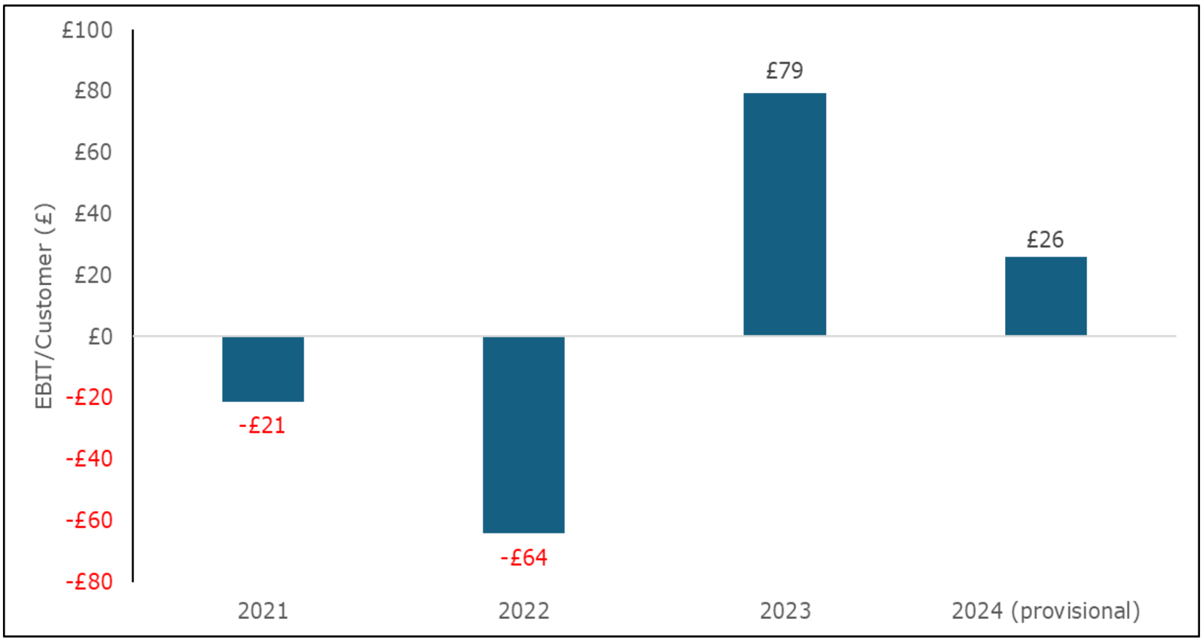
[21] This figure does not include Bulb which instead of the SoLR process went into a Special Administration Regime in 2021 and was ultimately taken over by Octopus. Bulb's special administrators forecast that the shortfall (outstanding debt) to HMG will be zero. Any costs associated with Rebel Energy Supply Limited are not included in this report.
[22] Figures for 2025-26 are an estimate and may be subject to change.
[23] Costs may fall below zero due to repayments made by SoLRs: following appointment, the SoLR submits a creditor claim to the administrator of the failed supplier in parallel to making a SoLR levy claim. Where a SoLR has made a successful levy claim for Customer Credit Balances, any creditor payout to the SoLR must subsequently be repaid to consumers.

sustainable competition, where energy retailers have incentives to innovate in the pursuit of net zero and receive a reasonable profit as they drive up consumer service standards.

To encourage investment, we need suppliers to be able to make a reasonable – though not excessive - profit. This is why in 2023 we made our decision on the profit margin allowed for in the price cap, known as the Earnings Before Interest and Tax (EBIT) allowance. We set an EBIT allowance that we consider is high enough for a notional supplier to finance its activities, but where customers pay no more than necessary to ensure this financeability and promote market stability.

Many suppliers made losses during and after the crisis. Chart 5 shows a recent return to profitability, setting out average EBIT per customer in the sector. The data presented in the chart is derived from the most recent submissions by all retail energy suppliers in the market.[24]

Chart 5. Domestic Energy Supplier weighted average EBIT/Customer (2021 to 2023 actuals, and 2024 provisional)



In addition to investment, sustainable competition is essential to ensuring consumers can get a good deal and a choice of offerings. This has been a key consideration

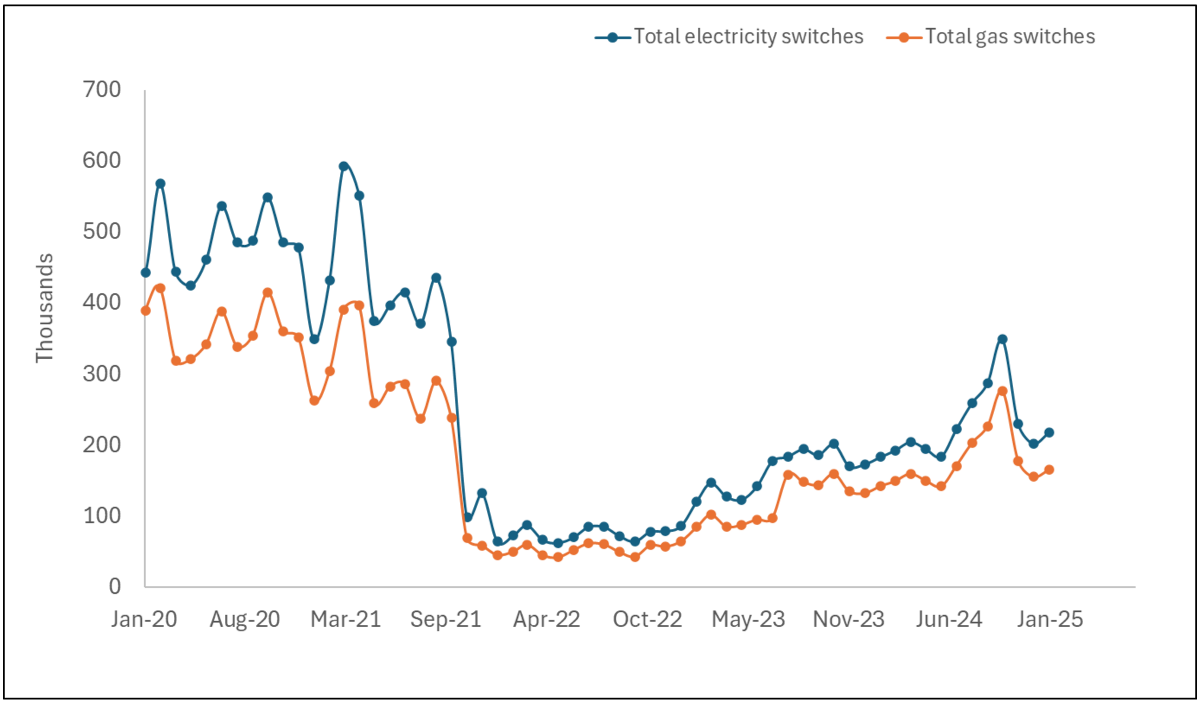
[24] Please note that some of the 2024 results are provisional and subject to final audit and year-end accounting adjustments.

throughout our policy design, as recognised by the Competition and Markets Authority (CMA).[25]

We are encouraged to see signs of more sustainable competition emerging following the crisis and our reforms. As shown in our recent *State of the energy market report*, following the re-emergence of Fixed Term Contracts in the second half of 2023, the number of customers on these tariffs has more than doubled, rising from 11% to 27% over the same period.[26]

Switching is an important measure of competition, and Chart 6 shows this is continuing to recover since the crisis. At the start of 2025, there appeared to be a recovery of the switching rate for both fuel classes. In January 2025, the total number of switches saw a c. 7% increase in switching from the previous month.

Chart 6. Total number of domestic gas and electricity customers switching each month



[25] The CMA found that GEMA “considered impacts on competition extensively during the processes through which it developed and introduced the Capital Target”. [Summary of final determination]
[26] See the full report for more details on tariffs and switching: [State of the energy market report: retail | Ofgem]

7. Suppliers must play their part by managing their risk responsibly

We have changed our approach in response to the crisis and we expect suppliers to do the same. Our framework put new obligations on suppliers to manage their businesses responsibly and take steps to increase their capital and reduce their risks. Other measures in our wider framework designed to reduce the likelihood and costs of failure are set out below.

Renewable Obligation

The Renewable Obligation (RO) scheme provides long-term support for renewable electricity generators accredited under the scheme in the form of Renewables Obligation Certificates (ROCs). Electricity suppliers have an obligation to present a specified number of ROCs for each megawatt hour of electricity supplied to customers. In the case of insolvency, the costs of any shortfall in ROCs are mutualised.

From 2023/24, licensed electricity suppliers in Great Britain now need to protect their RO ('RO ringfencing'). If a supplier does not comply with the standard conditions of the electricity supply licence, we may decide to take enforcement action. On 14 March 2025, we issued a Provisional Order to Rebel Energy since it appeared to us that Rebel Energy was contravening, or was likely to contravene, the rules around the ringfencing of the Renewables Obligation.

Customer Credit Balances (CCB)

While individual billpayers' funds are protected when a supplier fails, the cost of providing this protection is borne by all billpayers. To reduce over reliance on CCBs, we have introduced rules preventing suppliers from overly relying on CCBs, including a 'trigger point' which suppliers must notify if they cross.[27]

We have taken the power to direct suppliers who fall below this level to ringfence funds, setting them aside to cover CCBs. Suppliers are also required to notify us when they are below this threshold or at risk of falling below it in next 12 months.

[27] The licensee which supplies a domestic customer is required to inform Ofgem if the average amount of cash that it holds in its bank account is less than 20% of the value of the Domestic Customer Credit Balances it owes to its fixed direct debit customers.

Business-specific risks

All licensees (whether they supply Domestic Customers, Non-Domestic Customers, or both) are required to maintain capital and liquidity of sufficient amount and quality that they can meet their reasonably anticipated financial liabilities as they fall due in times of plausible financial stress. This means that suppliers must consider and, where possible, quantify their business specific risks to assess what they need to hold beyond the Capital Target and Floor to mitigate these risks. These risks may vary depending on the licensee's business strategy, for example tariff pricing, hedging strategy, purchasing agreements. This also includes, for example, explaining how the licensee considers less quantifiable operational risks – such as exposure to risks associated with other entities within a group.

Where we are now and future resilience priorities

8. There is still work to be done

Most suppliers have reached the Capital Target so they will benefit from proportionate regulatory oversight and be able to pay dividends as long as they have sufficient capital and remain above the Capital Target. This should result in more focus on the investment necessary to create innovative products for the benefit of consumers and our Government's Growth agenda. This is a key aspect of our financial resilience strategy and one we will develop.

To keep the momentum going, we will continue to publish data about suppliers' performance against our Capital Floor and Capital Target considering feedback on the format and method of doing so. We will also provide links to suppliers' Consolidated Segmental Statements later this year.[28]

We have proposed targeted reforms to further develop our resilience framework. For example, we plan to issue our decision on the SoLR Levy Offset (SLO) in the summer.[29] If taken forward, this could help to reduce the overall cost of some supplier failures by using value held in the failed supplier to offset some of the mutualised costs. We also recently consulted on guidance to clarify our expectation on governance arrangements.[30] We plan to issue a decision on these proposals later in the year.

More generally, our financial resilience policies need to remain fit for purpose in a fast-changing economic environment. So, we are considering how to evaluate our policies to identify any necessary clarification or amendments. We will continue to face trade-offs when delivering our growing mandate following the Ofgem Review, so it is important to engage closely with all stakeholders including consumers and suppliers.[31]

We welcome feedback on this report. Please contact us at retailfinancialresilience@ofgem.gov.uk. Suppliers may also share feedback through their Financial Supervisor.

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[28] The CSS includes financial information on the supply business separate to any other activities. It is split between fuel type and the domestic and non-domestic supply business allowing consumers and third parties a view of profitability for different energy supply market segments.
[29] SoLR Levy Offset Statutory Consultation | Ofgem
[30] Supply licensee governance arrangements guidance | Ofgem
[31] See Jonathan Brearley: State of the Market keynote speech | Ofgem