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Making a positive difference
for energy consumers

2024-25

Office of Gas and Electricity Markets (Ofgem)

Annual Report and Accounts

HC 1210

ofgem

2024-25

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Annual Report and Accounts

(For the period 1 April 2024 to 31 March 2025)

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This is part of a series of departmental publications which, along with the Main Estimates 2025-26 and the document Public Expenditure: Statistical Analyses 2025, present the government's outturn for 2023-24 and planned expenditure for 2025-26.

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Chair and Chief Executive foreword

The energy sector is vital to our success as a country: it underpins our living standards, helps drive economic growth and enables the Government's Net Zero goals. We are now at a pivotal moment in the transition from an energy system based largely on natural gas to a new system in which renewable energy will play the major part. As a country, we are exposed to historically high and volatile global gas prices which make our industries uncompetitive and leave many households unable to afford their energy bills. At Ofgem, we are responsible for ensuring that the transition to the new energy system happens in the best interest of consumers in terms of both the prices they pay and the services they receive.

In the past year we have seen improvements in the retail sector, with the highest satisfaction rates for domestic customers, including those using prepayment meters, and the lowest level of customer complaints since we began compiling the data. At its best, the whole energy sector is driven by a clear sense of customer service. We would like to acknowledge everyone from those in call centres helping customers in vulnerable circumstances to the engineers building the vital new infrastructure and responding to problems caused by extreme weather events. Both of us have experienced this dedication first hand as we have listened in on customer calls and visited project sites across the country.

Despite those improvements in customer service, we are not complacent and recognise much more is possible. We continue to use every tool at our disposal to improve performance: from engagement with company boards to robust compliance and enforcement action against companies when they do not provide the service customers deserve. This latter activity has resulted in companies paying many millions of pounds into the Energy Redress Scheme, which helps people who are most at risk from cold homes and high energy bills, as well as providing wider benefits to current and future energy users.

We continue to work closely with government, charities and with the sector to address the questions of affordability and customer service. We particularly appreciate the insights and data that consumer groups contribute to help us identify developing issues. We have both visited many consumer groups across the country from Poplar to Birkenhead, from Cardiff to Govan, and have been humbled and inspired by the projects we have seen. We are using all these insights, together with our consumer confidence analysis, to develop the way we regulate the retail market: making it clearer what outcomes we expect, defining minimum performance standards and areas for service improvement.

We have also made tangible progress in protecting consumers from the cost and disruption of companies leaving the retail market, with suppliers now holding an aggregate of £7.5 billion in Adjusted Net Assets to ensure their financial resilience. This has not been at the expense of competition and innovation in the market, as the number and variety of energy tariffs continues to increase, at levels significantly below the protection of the price cap.

The scale of investment required for the new energy system has required a greater degree of central planning. The NESO came into being last October and produced the Clean Power 2030 Plan, which will be followed by a longer term Strategic Spatial Energy Plan supported by a series of Regional plans. We continue to regulate the NESO in all of their work while working closely with them on Connections reform to ensure that the right projects can find a place on the Transmission system in time to realise these various plans.

To give confidence to the Transmission Operators and their supply chains for the major investments needed we previously published the Accelerated Strategic Transmission Investment scheme (ASTI) and have now published our Advanced Procurement Mechanism. Both initiatives are designed to optimise the cost of the network build programme.

With this enabling framework in place we shall be holding the industry to account in delivering the new energy system on time and on budget.

Finally, we are working closely with government on its review of Ofgem's duties, scope and powers and governance status. We intend to become the right regulator for the new energy economy, with the agility to respond to a rapidly changing energy markets while we fulfill our role to protect consumers while supporting Government aspirations for growth and Net Zero.

Building on the steady progress we have made this past year, and working closely with all of our external stakeholders, we are confident that Ofgem will rise to the challenge of serving all consumers, especially the most vulnerable, in a time of unprecedented change in the energy sector.

M J McAllister

Mark McAllister
Chair

Jonathan Brearley
Chief Executive

Performance Report

Annual Report and Accounts | 2024-25

Performance report

Performance overview

The purpose of the performance report is to provide an understanding of Ofgem's role, obligations, and performance throughout the fiscal year 2024-25.

Ofgem's purpose and structure

Ofgem's statutory role and structure

Ofgem is Great Britain's independent energy regulator. Its principal objective, set out in law, is to protect the interests of existing and future gas and electricity consumers.

Ofgem also has duties to promote economic growth (see Growth Duty) and to support the UK Government's Net Zero target (see Net Zero Duty).

Ofgem's governing body is the Gas and Electricity Markets Authority - referred to as GEMA, the Authority, or the Ofgem Board. The Senior Executive Committee (SEC) is chaired by our Chief Executive Officer (CEO) and is a management forum for constructive and collective ownership of Ofgem's overall performance and delivery.

More details about the structure are provided in the Directors' Report at page 42. Ofgem's Key Performance Indicators (KPIs) are included at Appendix I. For more information on Ofgem's risks and how these have been mitigated please refer to the Risk Overview on page 54.

New government

The new Labour government, has announced its intention to 'make Britain a clean energy superpower,' and has set its flagship energy policy to achieve a clean power system by 2030. Ofgem is supporting key elements of the Clean Power 2030 Action Plan including networks and connections, consumer led flexibility, long duration energy storage, market design and social schemes. We are working closely with the Department for Energy Security and Net Zero (DESNZ) to clearly understand each of our roles and responsibilities across relevant policy areas.

Ofgem also has an important role in delivering economic growth. Beyond enabling the infrastructure required for Clean Power 2030, Ofgem supports innovation in the energy sector, boosts investor confidence through its regulatory regime, and fosters sustainable economic growth.

Ofgem Review

On 19 December 2024, DESNZ announced a comprehensive review of Ofgem's role, remit, powers, and duties. The review aims to:

- strengthen Ofgem's role in supporting consumers and protecting households from poor service.
- continue to support growth and innovation in the energy sector.

Ofgem welcomes the review and its aims. In the context of the evolving energy market, the new Clean Power 2030 targets, 25 years after Ofgem was founded, now is a good time for the review. Ofgem will work closely with the government in response to the review findings and observations.

Changes in the institutional environment

The National Energy System Operator (the NESO) is now in place and is responsible for planning and operating the energy system, to achieve carbon reduction, security of supply and efficiency objectives.

Ofgem are responsible for regulating the NESO, and work alongside them as part of the Clean Power 2030 mission.

Consumer benefits

The Consumer Benefits Analysis calculates the total monetary value of all the benefits that consumers have experienced through the decisions which Ofgem makes each financial year. Ofgem look at all decisions from the 1 April 2024 to the 31 March 2025. All consumer benefits are expressed in 2025 prices, using the GDP deflator and a discount rate of 3.5% as recommended by the Treasury. To note, the model only measures the benefits; the total benefits are hence assessed against Ofgem's regulatory business costs rather than the costs associated with the policy decision.

At the end of each financial year, Ofgem evaluates the value of quantifiable decisions that were made through Impact Assessments (IA). This has been calculated as over £2.7 billion worth of consumer benefit generated by our activities in 2024-25. This means for every pound spent, there is a benefit of approximately **£7.63** to the consumer. One of the major decisions includes the Electricity Transmission Advanced Procurement Mechanism which has a benefit of approximately £1.4bn. Most of these impacts which feed into the analysis are direct impacts, however there are also positive qualitative indirect impacts that have arisen from these activities, e.g. the Transmission Acceleration Action Plan anticipated that the introduction of competition in energy transmission could result in significant savings to consumers by 2050.

The 2024-25 figure does not include all of our regulatory interventions – such as the benefit that the Price Cap offers consumers in terms of a safety net for unexpected spikes in wholesale prices, where money is transferred from one consumer group to another (known as levelisation), or the penalties that Ofgem imposes on the industry.

Methodology

The consumer benefits analysis calculates the total monetary value of all benefits that consumers experience through Ofgem's decisions. The analysis draws on the results of impact assessments (IAs) and the robust analysis that informed each decision.

Our approach strives to quantify impacts as thoroughly as possible and in monetary terms where we can, to ensure that there is consistency in how they are presented. There is a statutory requirement to publish IAs where there are significant impacts from policy changes. IAs provide a structural and transparent framework to understand the estimated impacts of policies and enable comparisons between projects.

However, due to differences in the way benefits are calculated, we make some adjustments to enable comparability between results, e.g., inflation and net present value (NPV) adjustments. As our analysis only covers decisions made using a formal IA, this means it will understate total benefits across Ofgem.

Ofgem's priorities and duties

Ofgem's Multiyear Strategy

In March 2024, Ofgem published its Multiyear Strategy, 'Protect, Build, Change, Deliver', which sets out Ofgem's long-term priorities across all its work for the next five years and beyond.

Our strategic priorities are:

1. Shaping a retail market that works for consumers
2. Enabling infrastructure for Net Zero at pace
3. Establishing an efficient, fair, and flexible energy system
4. Advancing decarbonisation through low carbon energy and social schemes
5. Strengthening Ofgem as an organisation

Ofgem's duties

As set out in the Multiyear Strategy, (the 'Strategy'), Ofgem's principal objective, enshrined in legislation, is to protect the interests of current and future consumers. In 2023, Ofgem published a Consumer Interest Framework which helps to explain what this duty means in practice.

Statutory Requirements - Strategy Policy Statement (SPS)

The former Secretary of State designated a Strategy and Policy Statement (SPS) for energy policy under powers contained in the Energy Act 2013 during the 2024-25 financial year. We have a duty to have regard to the strategic priorities set out in the SPS and help further the policy outcomes it sets out when carrying out our regulatory functions.

The Strategy sets out our strategic ambitions for the years 2024 to 2029 (in line with the period of the SPS) was developed alongside and interprets the SPS by:

- setting strategic direction across our organisational and regulatory responsibilities in order to help further delivery of the policy outcomes in the SPS; and
- setting out the things Ofgem intends to do over the five-year period to implement that Strategy.

The strategic priorities set out in the Strategy broadly align with the strategic objectives set out in the SPS.

In accordance with the Utilities Act 2000, found at Appendix IV, Ofgem is required to produce an annual Forward Work Programme (FWP) each year. Ofgem's 2025-26 Forward Work Programme (published in March 2025) sets out in more detail what we intend to do over that period to implement our Strategy and, as a result, further the policy outcomes contained in the SPS.

This Performance Report gives details of the work Ofgem has delivered over the 2024-25 financial year, including since the SPS was designated, having had regard to the strategic priorities in the SPS.

The three key categories of strategic priorities under the SPS broadly align with the strategic priorities under the Strategy and in carrying out our functions as described in this Performance Report, our assessment is that Ofgem has contributed to the delivery of the policy outcomes set out in the SPS in several ways:

- Enabling Clean Energy and Net Zero Infrastructure:
    - Network regulation and reducing timelines for strategic onshore transmission network infrastructure, through our work on RIIO-3 price controls and the Accelerated Strategic Transmission Investment (ASTI) framework.
- Supporting a strategic, whole system approach to long-term energy planning, including helping to develop the Strategic Spatial Energy Plan (SSEP) methodology, commissioning NESO to develop the first Centralised Strategic Network Plan (CSNP), and progressing work to introduce Regional Energy Strategic Planners (RESP).
- Ensuring Energy Security and Protecting Consumers:

Ensuring market participants are financially robust, including new rules to uphold financial resilience in the sector.

Monitoring regulated entities' compliance and taking enforcement action where necessary, including our case against Drax for the misreporting of biomass, but Ofgem has also progressed casework that relates to the use of PPM and also in the non-domestic supply sector. Further detail on our enforcement and compliance activity can be found in Appendix II.

Restoring consumer confidence in the energy retail market through our Consumer Vulnerability Strategy and non-domestic market review.

- Ensuring the Energy System is Fit for the Future: our work is helping to further a range of policy outcomes in this category under the SPS, including:

Developing competitive, coordinated, and effective flexibility markets through supporting the roll out of market-wide half hourly settlement and smart meters and creating a new market facilitator role to grow local flexibility markets.

The reform of energy code governance, including Ofgem's upcoming Strategic Direction Statement for Energy Code Reform.

Supporting innovation through improved data sharing, Artificial intelligence (AI) guidance for the energy sector, and Ofgem's Strategic Innovation Fund.

Where projects under our MYS or 2024-25 Forward Work Programme which contribute to furthering the policy outcomes in the SPS have been amended or reprioritised, details of our updated plans are set out in our 2025-26 Forward Work Programme.

Ofgem's Growth Duty

In 2024, the government introduced a Growth Duty for regulators which requires Ofgem to have regard to the promotion of sustainable economic growth through its regulatory activities. Ofgem contributes to economic growth through regulation that minimises costs and provides a stable investment environment in the energy sector and beyond. Through the Ofgem Review, government are focusing on Ofgem's mandate and duties, including potential reform to focus delivery on key national priorities, including protecting consumers, Net Zero and growth.

Further, in March 2025 the government published their regulation action plan, which sets out the government's planned approach to regulation. Over the next 12 months, Ofgem will work with government, the National Wealth Fund and GB Energy to support new entrants into the market and maximise economic opportunity. This will include developing KPIs, to assess our contribution to growth across Ofgem's regulatory decision making.

Ofgem's Net Zero Duty

Ofgem has had a Net Zero Duty since late 2023 following the passing of the 2023 Energy Act. The Net Zero Duty updates how Ofgem meet our principal objective to protect the interests of current and future consumers. Ofgem is one of the few regulators globally to have such a mandate and as the regulator of the energy sector, it has a critical role to play.

In determining what the interests of consumers are as a whole, Ofgem must now include their interest in the UK Government meeting its overall Net Zero 2050 target and interim 5 yearly Carbon Budgets (alongside other consumer interests). Previously, the wording of Ofgem's principal objective referred to reducing emissions from 'targeted greenhouse gases' in electricity and gas supply. The updated Net Zero Duty is, in effect, a more ambitious version of what was in place before the 2023 Energy Act – supporting a full transition to Net Zero rather than just reducing emissions from targeted greenhouse gases.

The principal objective and, therefore, the Net Zero Duty, applies to most of Ofgem's functions, and Ofgem must carry out those functions in a manner which it considers will best further the objective to protect existing and future consumer interests. In practice, this means Ofgem has to consider whether the policy and regulatory decisions it makes support the Government's Net Zero plans. This assessment should be undertaken alongside other considerations (e.g., security of supply, Ofgem's Growth Duty etc.).

Ofgem policy teams have been working hard to integrate the Net Zero Duty into their decision-making processes and Ofgem's Board is regularly updated on Net Zero and climate-related policy decisions.

Amongst other workstreams, we have updated our Impact Assessment guidance to better reflect the new Net Zero Duty and changes to the carbon accounting methodology in the UK's Government Green Book. Ofgem's IA is used to weigh up costs and benefits to all significant energy system decisions under its remit. The updated guidance will help to ensure our decision-making supports progress towards Net Zero.

The changes made include:

- Providing information about Ofgem's Growth Duty, Net Zero Duty, and statutory powers in relation to the regulation of carbon dioxide transport and storage
- Changes to how impacts on different consumer groups are measured
- Changes to the way Ofgem documents how its proposals impact on Net Zero pathways
- Links to new external guidance relevant to IAs

Because Ofgem's Net Zero Duty is embedded in our decision-making in this way, most of our work described in the following pages of this report supports progress towards Net Zero. Retail market reform that supports more granular energy consumption data and more flexible tariffs for consumers (that still protect vulnerable consumers) is described under Strategic Priority 1 and is particularly important, as is Ofgem's work to enable infrastructure build that supports Net Zero ambitions (see Strategic Priority 2).

Ofgem also has a dedicated Net Zero Strategy team which covers issues related to climate resilience, the future of gas, the electrification of heat and transport, and the delivery of the Net Zero Duty. This team works across Ofgem to support policy and regulatory teams, reporting regularly to senior decision makers and the Board.

Engaging with consumers and stakeholders

The continued cost of living pressures and Net Zero policy debate has meant that stakeholder engagement remained a crucial part of Ofgem's role throughout 2024-25.

Consumer Voice

Ofgem engages with a wide group of stakeholders, including industry groups and consumer representatives. Our Consumer Voice project supports Ofgem's board to focus on consumers – both domestic and non-domestic – and to better understand their experiences through deep dive sessions with expert external speakers, as well as through consumer interaction. In addition, our CEO and other senior staff participate in regular 1-2-1 calls with consumers. There is also an internal programme to support Ofgem's own staff with seminars and blogs. By making Ofgem's culture more consumer-focused, our aim is to ensure that consumers are considered throughout all of Ofgem's work, leading to more effective policy and better consumer outcomes.

Consumer groups and charities

Ofgem continued to build relationships with consumer groups and charities through our regular engagement channels, and increased senior level engagement. Ofgem's Vulnerability Summit in Autumn 2024 brought together 200 leaders from the utilities sector, consumer groups, charities, trade representatives and government, with the Minister for Energy Consumers participating. For the first time, the summit was held in partnership with Water Services Regulation Authority (Ofwat) to share perspectives across the energy and water sectors. Ofgem also delivered a partnership event for the first time with the Fuel Bank Foundation in Cardiff with 40 attendees to highlight challenges to Ofgem staff of those living with vulnerabilities.

Energy Aware Campaign

Ofgem's consumer facing #EnergyAware campaign continues to evolve with the launch of Energy Aware Roadshow. Aimed at raising energy literacy level as across the UK, the campaign includes a range of activities from bespoke content to events and collaborations, as well as developing **teaching packs** to be used in schools.

To further extend our reach, Ofgem has supported and promoted this consumer-facing campaign through stakeholder presentations, the distribution of campaign materials to stakeholders supporting vulnerable consumers across the UK, and direct consumer engagement at events such as the **Everything Electric show**. At these events, Ofgem colleagues (from policy and communications) provided practical advice on energy efficiency saving measures and available financial grants – reinforcing our commitment to empowering consumers with actionable insights.

Protecting consumers and driving up standards

RTS Switch off

Ahead of the Radio Teleswitch Service (RTS) switch-off, Ofgem set up an industry-led cross-sector taskforce, including an engagement group dedicated to expanding outreach and raising customer awareness. Co-partnering with Smart Energy GB (SEGB), the taskforce has supported a six-month public information campaign fronted by the TV presenter Lorraine Kelly.

Low carbon and social schemes

The low carbon energy and social schemes that Ofgem administers continued to grow. During the year 2024-25, 22 scheme-specific events and forums were organised, as well as 12 dedicated to the new Local Authority Flex portal. Webinars were run for around 1,000 participants on the new Renewable Electricity Register. This was alongside 27 scheme reports and over 215,000 direct mailouts to scheme participants, to update them on the latest developments.

Non-domestic consumers: businesses and non-profit organisations

The 2024-25 period for the non-domestic sector started with the announcement of the Non-Domestic Market Review, the culmination of significant work and a major milestone in Ofgem's efforts to expand and improve its effective coverage of the non-domestic market.

Since that point, Ofgem has continued to engage suppliers, businesses, and business representative groups to provide updates, receive feedback and develop and implement policy. This included the regular Small and Medium User Group and Large User Group forums, and the non-domestic Regulatory Directors Forum. It also includes specific workshops and meetings series on topics such as effective data collection and enhanced guidance on best practice during changes of occupancy / tenancy by small businesses of specific premises.

Significantly, Ofgem has also improved our relationships with Third-Party Intermediaries/ brokers. There are at least 2,000 such organisations active in the non-domestic market, facilitating relationships and contracts between consumers and suppliers. There has been discussion about how best to support this sector – the question is still open, but recent stakeholder initiatives such as a Working Group and wider Forum specifically for brokers is building the relationships we need to understand and communicate well with this sector.

Regular Supplier Engagement

Throughout the last year Ofgem has regularly managed relationships with energy suppliers, both in terms of optimising Business As Usual (BAU) relationships and helping to deliver/ support significant policy messaging around many of the topics covered in this report. E.g. Ofgem has run monthly Regulatory Director calls (including a quarterly in-person session) that has brought together a core group of 40+ large and small supplier colleagues for discussion, information sharing and two-way feedback.

We have also run several dozen ad-hoc sessions both bilaterally and in groups to secure in-depth, tailored engagement on high profile topics such as debt relief and customer service standards.

Infrastructure

Underpinning Ofgem's continued progress in several areas critical to the government's goals on Clean Power 2030 and Net Zero 2050 has been a range of regular, targeted and impactful stakeholder engagement activity. Ofgem has continued to strengthen its interaction with stakeholders on both a bilateral and multilateral basis, through a range of stakeholder engagement, including:

- A greater use of blogs to advance our narrative on connections reform.
- highly interactive, subject-specific webinars on topics as diverse as winter outlook, Long Duration Energy Storage and Ofgem's role in the infrastructure build process.
- Maximising the use of visits and speaker platforms, to both gather valuable feedback and communicate our strategic messaging.

Heat Networks regulation in Great Britain

We are continuing to develop the regulatory framework for heat networks, and engaging with stakeholders is critical to this work. We have used channels such as the Heat Networks External Stakeholder Advisory Group, a sounding board with representatives from key stakeholder groups. We also delivered a significant engagement programme for two consultations, including one jointly with the Department for Energy Security and Net Zero. This involved coordinating attendance at 18 events, with over a thousand attendees in total.

Performance analysis

The performance analysis section of this performance report details how Ofgem has delivered against its 2024-25 Forward Work Programme and its Multiyear Strategy, thereby contributing to the delivery of the policy outcomes set out in the Strategy and Policy Statement designated by the Secretary of State in May 2024.

In line with the objectives of the Ofgem Review and the drive for growth, Ofgem is committed towards improving its transparency and accountability by reporting on a robust set of performance metrics. We are in the process of developing a more robust set of metrics to Ofgem's performance against our Multiyear Strategy and will seek to report against them by next year at the latest.

Strategic priority 1: Shaping a retail market that works for consumers

Strategic Objective 1: Ensure fair prices

Ofgem has a role in helping to ensure fair costs for consumers, including in how costs are allocated. This requires us to use our powers effectively, and to influence the decisions and actions that others take, particularly the Government. Ofgem's role includes tackling the challenges of debt and affordability and reviewing standing charges, and effective price protection as the retail market changes. Fair prices are also a priority when delivering the infrastructure for Net Zero and creating a more efficient and flexible system.

Operate and evolve price protection

Price Cap Updates

Ofgem has met its statutory timings in announcing changes to price cap rates for the year 2024-25. Over the year we generally saw increases to the level of the price cap, due largely to ongoing global factors influencing wholesale gas prices. The level of the price cap from July–September 2024 (announced in May 2024) was £1,568 for a typical customer. The price cap saw further three consecutive increases throughout 2024-25, to £1,717 for the period October–December 2024, £1,738 for January–March 2025 and £1,849 from April–June 2025. More information on the levels of the energy price cap for 2024-25 (and previous years) can be found on our website.

Default Tariff Price Cap policy

The operating cost and debt allowances review has made up a significant part of the price cap policy work. In December 2024, Ofgem published a statutory consultation setting out our proposals on the operating cost and debt allowances review.

Following our analysis and consideration of stakeholder responses, on 23 May 2025, we published our decision concluding the review. We decided to restructure and update the allowances using new supplier data. This change reduces the operating cost and debt allowances by approximately £8 per customer on average. Following this review, we will be prioritising a review of wholesale allowances, with a particular focus on how these can adapt to MHHS.

Standing charges

A standing charge is a fixed, daily cost added to energy bills. In November 2024 Ofgem published a call for input in relation to standing charges and we received over 30,000 responses to this publication.

We followed this with a policy consultation in February 2025 on options for introducing more choice to customers e.g. through a zero standing charge energy price cap variant. This consultation closed at the end of March 2025. Following this consultation, we will set out our next steps in the summer of 2025.

Pricing for pre-payment customers

In February 2024, Ofgem published its final decision on the 'levelisation' of pricing for customers on pre-payment meters. We published a call for input on our proposed scope and evaluation framework to review how this is operating in practice in December 2024, and this closed in February 2025. We recently published an update in which we stated we would be pausing the review until next Winter at the earliest, after considering feedback. Phase 2, which will look at the levelisation of costs for consumers across Standard Credit (SC) and Direct Debit (DD), was paused in August 2024.

Price Cap alternatives (incremental wholesale, BAT and flexibility)

Ofgem issued a discussion paper on future price protection options in March 2024, as well as a published summary of responses nearer the end of the year. This paper set out potential alternatives to the existing price cap and invited stakeholder views on the merits of these and whether any of the price cap's key elements (flat, universal and stringent) should be relaxed or changed to accommodate changes to how the market will operate in future, including more flexible use of energy and the introduction of MHHS.

We followed this up with a series of bilateral meetings with key stakeholders in early 2025. In light of this paper and follow-up work, we are set to agree a future position on price cap reform later this year.

We retained the Ban on Acquisition-only Tariffs (BAT) for a further year via public consultation and to provide greater clarity for the market, set out our intention that it will remain in place indefinitely. Further annual extensions are expected - until longer-term decisions are made on the future design of the retail market (most likely within the coming 1-2 years).

Over the past year, Ofgem has published proposals for zero standing charges tariffs alongside our debt strategy, consulting on these to ensure that we hear from those most affected by energy debt. We have worked with the Government as it brought forward strengthened bill support through the Warm Home Discount and signalled support for Ofgem's proposed debt relief scheme. Together, these workstreams and approaches are helping to ensure fair prices in the retail market and help tackle energy debt and affordability issues.

Strategic Objective 2: Ensure high quality of service

Using Ofgem's regulatory powers to drive up standards and hold the whole sector to account, including publishing more data on supplier performance. This must serve all consumers, from the most vulnerable to heavy industry, as new products and services emerge, and consumer needs evolve.

Improve protections for all consumers, particularly vulnerable customers

Ofgem launched a new Consumer Vulnerability Strategy in April 2025 which was more targeted to focus Ofgem and the energy sector on what matters most for customers in vulnerable situations.

The Consumer Vulnerability Strategy supports Ofgem and industry to drive improved outcomes for consumers. It sets clear and focused outcomes, highlights expectations for energy companies, and commits to transparency on our relevant work. Over the next year we will be focusing on embedding this and monitoring progress on delivery.

Priority Services Register (PSR) and data sharing

At the end of December 2024, the majority of water companies in England and Wales agreed to collectively fund a solution to automate PSR data sharing between themselves and DNOs. This solution will be built and run by Electralink and will mirror the existing D0225 dataflow long established between DNOs and energy suppliers.

Ofgem has a fully functioning PSR data sharing solution in place between energy and water companies, meaning consumers need only tell one company their circumstances once, and this will be shared across all their relevant energy and water companies. This applies to 95% of the market.

Ofgem supported the Department of Business and Trade on the development of a multi-sector PSR, but this work is currently paused.

Involuntary Pre-Payment Meters (PPM)

Enhanced licence requirements have been implemented for involuntary PPM installations. Ofgem has concluded the compliance review of historical installation practices. Suppliers that did not follow the rules when installing prepayment meters to collect debt without household permission will pay £18.6m in compensation and debt write-off to at least 40,000 customers.

Support to customers that are off supply

Following a stakeholder consultation, activity which was completed 31 March 2025, Ofgem plans to activate the dormant licence condition that requires all domestic suppliers to offer an enquiry service 24 hours a day for affected customers. The rule takes effect from 1 August 2025.

Supplier GSOP payment levels update

Effective from 2 January 2025, and activity completed 31 March 2025, Ofgem increased the compensation level suppliers must make to customers when they fail to meet any of the Guaranteed Standards of Performance (GSOP). This increase from £30 to £40 is only intended to account for inflation since the £30 payment level was set in 2015.

Protect the interest of non-domestic consumers

Ofgem continue to engage proactively with stakeholders and support bespoke issues as they emerge e.g., we are currently looking loosely at the reasons for billing complaints, and considering how to lower them. Work that we have delivered already includes:

Non-domestic market review

In 2024 Ofgem published our decision on new and updated rules for energy suppliers following our non-domestic market review.

New licence conditions took effect over summer and winter, with the final licence changes taking effect on 19 December 2024.

The outcomes we expect to see from our changes are fairer treatment for all non-domestic customers, better support, and improved transparency to empower customers.

Improved monitoring

We said that we would embed more consistent monitoring in the non-domestic market in the 2024-25 year. This activity has been completed and Ofgem has issued a new routine request for information from all non-domestic suppliers that will support our comprehensive monitoring of the market.

Cooling-off periods

Ofgem has reassessed the issues surrounding cooling-off periods and did not find evidence to support a need for new cooling-off periods,. However we did identify greater instances of harm when contracts were agreed verbally. We are working with suppliers to urge a move away from accepting verbal contract unless a customer requests this, given that technological advances can remove the need in many cases.

Domestic consumer

Ofgem are creating an improved information campaign to ensure customers are aware of their rights and options. We are also working with suppliers and support organisations to update our best practice guide on debt and disconnection.

Deliver effective and proactive monitoring, supervision, compliance, and enforcement activities.

Ofgem has maintained a breadth of Enforcement casework that covers the range of Ofgem's activities. Notably we concluded a case against Drax for the misreporting of biomass, but Ofgem has also progressed casework that relates to the use of PPM and also in the non-domestic supply sector. Further detail on our enforcement and compliance activity can be found in Appendix II.

Retail compliance

Proactive risk mitigation continues with billing, self-disconnection, and additional support credit compliance reviews in progress. Compliance casework and Supplier Account Management represents much of our ongoing business as usual, with recent case conclusions improving consumer outcomes in PPM final billing, complaint handling and non-domestic billing accuracy.

Wholesale market monitoring and international

Ofgem has progressed our work on centralising datasets and creating new data visualisation and proactive surveillance tools, enabling stronger analysis and better identification of potential market abuse. We have analysed several market conduct alerts, conducted compliance work, and worked towards opening a new enforcement case (relating to TCLC) in April 2025.

Ofgem has continued to coordinate with our European counterpart regulators to ensure cross-border market conduct activity is monitored and acted upon if necessary.

Use data to drive up supplier performance

Ofgem continues to monitor and analyse activities within the markets to understand the impact of our policies on consumer outcomes.

A program of Continuous Improvement (CI) continues, and we are working closely with the newly formed Market Data Improvement Programme to drive further improvements.

Market Intelligence, Consumer Compliance, and Intelligence

Our program of CI with regards to market intelligence is ongoing, alongside workstreams to improve our coordination of data collection through the RFI process.

Market Data Improvement Programme

The newly formed Markets Data Office has launched several services to improve insight into and coordination of data collection activities through the Request For Information (RFI) process.

Formal data governance is being rolled out over the coming months, and work on the strategic data model and data flow mappings is underway.

New In-Year Consumer confidence programme

In September 2024, Ofgem published Consumer Confidence, setting out proposals for driving culture change and improvements in customer service and public trust across the energy sector.

During the energy crisis customer satisfaction fell to its lowest levels and, while we have seen improvements since and a decline in complaints, the sector remains behind others.

The overall picture remains patchy with consumers in vulnerable situations and non-domestic consumers satisfaction levels stalling at lower levels compared to their domestic counterparts.

Since publishing Ofgem's vision, we have worked closely with suppliers, consumer groups, charities, and other stakeholders across the sector to define the outcomes we want the sector to deliver, for both domestic and non-domestic customers.

We are also considering how to build a regulatory framework that improves incentives to deliver those outcomes and ensures Ofgem has the right powers to act where necessary.

We are aiming to consult in the summer on the consumer outcomes framework.

Strategic Objective 3: Enable competition and investability through financial resilience

Establishing a more financially resilient sector helps prevent supplier failure and minimises the risks to consumers if they do fail. At the same time, Ofgem facilitates new supplier new entry and more effective competition to enable the market to deliver better outcomes for consumers.

Financial resilience and controls, SoLR/SAR, Retail Financial Monitoring

Ofgem continue to monitor the financial positions of supply licensees to understand levels of risk in the energy market. In April 2025 Ofgem conducted the SoLR of Rebel Energy Supply Limited, appointing British Gas Trading Limited as SoLR.

Strategic Objective 4: Support new and evolving markets

Regulating new markets, such as heat networks and evolving how Ofgem regulate in response to a fundamentally different market – including considering more substantial reforms to our regulatory framework.

Explore reform of the retail market and respond to future developments.

Ofgem has established a joint working group with DESNZ to complete a time-bound (12 month) programme of work focused on innovation in the future retail market.

Ofgem has been working jointly with DESNZ to develop a regulatory framework for heat networks which is proportionate and in line with Ofgem's duties to protect consumers, including monitoring, enforcement, and consumer protection.

Ofgem has consulted on proposed new consumer protections for heat networks customers, and on our approach to authorisation and regulatory oversight. Ofgem has engaged widely with stakeholders on these consultations, and on the delivery of a new digital platform that will be the entry point for all regulated parties. The regulatory regime will be phased in over time, with Ofgem's role beginning in January 2026.

Strategic priority 2: Enabling infrastructure for Net Zero at pace

Strategic Objective 5: Progress strategic planning

Enabling a decisive shift towards system planning and coordination through new functions including the Strategic Spatial Energy Plan, which will help to coordinate decision making, minimise investor uncertainty, and keep costs down.

Strategic Spatial Energy Plan (SSEP)

The NESO has been commissioned to develop the first-ever SSEP for Great Britain. Ofgem is helping to develop the SSEP methodology, ensuring alignment with regulatory duties, and protecting consumer interests. Ofgem are working closely with NESO and the Government to ensure the SSEP meets its strategic goals and supports the transition to a clean, secure, and affordable energy system.

Centralised Strategic Network Plan (CSNP)

Ofgem has asked NESO to develop the first CSNP expected by December 2027. During 2024-25, Ofgem published the NESO's licence conditions to provide regulatory clarity on obligations and timescales for delivery of the CSNP, outlining Ofgem's role in approving the methodology and the plan itself. We helped to develop the methodology to ensure the network plan can incorporate the generation and demand set out in the SSEP to meet Net Zero in the most efficient manner. Ofgem is also designing the RIIO-3 regulatory framework in a way that CSNP related regulatory decisions support network owners to deliver at pace, whilst protecting consumers.

Transitional Centralised Strategic Network Plan

In advance of the full CSNP, the NESO published the transitional Centralised Strategic Network Plan, called "Beyond 2030" in March 2024, which lays out the transmission network needed to connect the generation and demand expected by 2035. Ofgem carried out a rapid review of this plan which was used as the basis of our decision on its regulatory treatment in December 2024. As most of the projects were underdeveloped, we have funded (TOs) to develop these further and the NESO will deliver an update to its plan by January 26 based on sufficiently mature projects.

Regional Energy Strategic Planners (RESPs)

Following our decision to introduce RESPs in November 2023, this year Ofgem has opened and concluded a consultation exercise on how these would work in practice, closing this in October 2024 with 133 responses received and publishing our decision on the policy framework in early April 2025. The RESPs will enable the coordinated development of the energy system across multiple vectors, provide confidence in system requirements, and enable network infrastructure investment ahead of need.

Strategic Objective 6: Expand electricity networks

Onshore network investment.

Ofgem are accelerating the "project assessment" process and engagement with TOs; LOTI; and small and medium project re-opener processes

Offshore early competition

Ofgem has published the early competition tender regs and the competition model & are in process of identifying suitable first project

Delivering the electricity networks at transmission and distribution level will underpin the transition to Net Zero and be a key driver of economic growth; evolving our regulatory frameworks - including by developing a framework for shared assets - to enable construction at pace and fair cost.

Accelerated Strategic Transmission Investment (ASTI)

Work continues to progress on projects under the ASTI programme. This is a fast-track for major transmission projects that accelerates the funding process by up to two years and supports and enables a key part of the Clean Power 2030 journey. Construction is now underway on five of the initial twenty six ASTI projects; in 2024-25 Ofgem completed a further three Project Assessments including the key Yorkshire Green and Eastern Links 1 & 2, with a further two submissions currently being assessed.

Offshore Transmission Owner 'OFTO' Framework

Ofgem are also continuing to manage the OFTO framework, including consulting on and issuing guidance on asset maintenance, carrying out value-for-money tender exercises, and issuing licenses, e.g, an OFTO licence was granted to EKITD (a consortium of Equitix Investment Management Limited, Kyuden International Corporation and Kyuden T&D Global CO, INC.), the preferred bidder for the Seagreen Project following the invitation to tender launched in January 2023.

The Seagreen Offshore Wind Farm is Scotland's largest, located around 27km from the coast of Angus in the North Sea. Seagreen's 114 turbines (total generating capacity of 1075MW) can provide enough green energy to power more than 1.6 million homes, equivalent to two-thirds of all Scottish homes. They will also displace approximately 900,000 tonnes of carbon dioxide from electricity generated by fossil fuels every year making a significant contribution towards Scotland's Net-Zero ambition by 2045.

Revenues, Incentives, Innovation & Outputs (RIIO)

Ofgem continued to progress the development of the new regulatory arrangements for the electricity networks beyond 2026. The methodology for the new price control, known as RIIO-3 was published in July 2024 and set out the basis for the electricity transmission owners (TOs) to submit their spending plans for the next price control period (April 2026 to March 31). These spending plans were submitted in December 2024, with Ofgem determinations on these plans due later in 2025.

ED3 Framework Consultation

The early development of regulatory arrangements for the local electricity distribution networks also progressed in parallel ahead of the next arrangements including the price control period starting in April 2028 and running to March 2033. Ofgem's ED3 Framework Consultation explored a wide range of design options, with stakeholder responses received and decision expected in the Spring. This decision will reflect carefully on the National Infrastructure Commission (NIC) electricity distribution review published in February 2025, particularly with respect to the strategic investment in network capacity across local grids to enable the decarbonisation of heat, and transport, and support more local, low carbon generation and demand. The framework decision was published in April 2025, and will be followed by the development of the methodology to inform Distribution Network Owner (DNOs) spending plans due in 2026.

Advanced Procurement Mechanism (APM)

In March 2025, Ofgem published our decision to introduce the APM into the electricity transmission price control. This will enable transmission owners to book supply chain capacity earlier than current arrangements, supporting Great Britain's decarbonisation and Clean Power targets while also supporting wider opportunities for supply chain growth.

Offshore Hybrid Asset (OHA)

In November 2024 Ofgem published our final decision for the third window for interconnectors and the first OHA Pilot Scheme. LirIC to Northern Ireland, MaresConnect to the Republic of Ireland and Tarchon to Germany, were granted cap and floor regulatory regimes in principle, and both LionLink to the Netherlands and Nautilus to Belgium have been granted Pilot OHA regulatory regimes in principle.

These projects could add 6GW to the 11.7GW of interconnection capacity already operational or under construction and set us up to share renewable resources and provide additional grid flexibility. In addition, the Pilot Offshore Hybrid Asset schemes will allow us to develop our technical, commercial, and regulatory understanding of these schemes to help us develop the North Sea grid, by combining interconnectors with offshore wind farm connections.

The GreenLink Electricity Interconnector (GreenLink)

GreenLink went operational in January 2025. This is a 504MW high voltage direct current interconnector linked between the south-east coast of the Republic of Ireland (Campile in Great Island substation, County Wexford) and the coast of Wales in the UK (Penfro in Pembrokeshire, Wales 400kV substation). The total length of the cable is 200 km, with 160 km under the sea. This has the potential to power up to 380,000 homes and represents a significant amount of capital investment in Ireland and Wales, creating both jobs as well as knock-on economic benefits.

Strategic Objective 7: Prepare for the future of natural gas

Regulating future spending and the return of past investment on the gas networks, including through our network price controls. To reduce uncertainty for consumers and the sector, there is also a need for a clear decision on the role of hydrogen in home heating at the earliest possible date. Ofgem expect the government will consult on this in summer 2025.

The gas distribution and transmission price controls framework is being delivered on the same timeline as electricity transmission. As well as the methodology for the RIIO-3, Ofgem has now received and assessed all the companies detailed business plans and are on target Draft Determinations in June 2025.

Ofgem are working with government and now NESO to look to ensure security of supply of natural gas and its networks and markets future role to support the energy transition, including transition scenarios and assumptions, the potential to repurpose existing gas network and to engage stakeholders on potential decommissioning scenarios. This year Ofgem has been exploring the strategic role for hydrogen in delivering Net Zero, especially in hard-to-decarbonise end-use sectors and power, in the context of ongoing hydrogen projects.

Strategic Objective 8: Facilitate deployment of low carbon technology

Developing new regulatory frameworks to facilitate investment in low carbon technology, particularly new nuclear, carbon capture and storage, and hydrogen – while minimising consumer costs.

A major milestone was reached in December 2024 with the NEP CCS Cluster Economic Licence awarded, with Ofgem becoming regulator for a brand-new asset class. This means that we are now the economic regulator of the CO2 transport and storage network, whilst continuing to provide advisory support to DESNZ in its continued development of the CCUS programme.

CCUS is the process of capturing CO2 for use or permanent storage deep underground, where it cannot enter the atmosphere. This technology will be used to capture CO2 emissions from sources including power plants, refineries, and cement works, or to remove existing CO2 from the atmosphere. Further details on CCS can be found in Appendix III.

In addition to this Ofgem are developing the regulatory regimes that can drive forward additional nuclear power, and new hydrogen business models, working closely with government.

Long Duration Energy Storage (LDES)

In October 2024, DENSZ asked Ofgem to take responsibility to establish to develop a brand-new cap and floor regime for LDES. Since then, Ofgem has sought views on scheme design via a call for input published in December 2024. We followed this with the publication of a joint technical document with DESNZ in March 2025. This document sets out the details of the LDES cap and floor regime, including the eligibility criteria, assessment process, and timelines for approving projects.

Strategic Objective 9: Network performance and connections

Strengthening how Ofgem hold network companies to account through our price controls, ensuring a high-quality service, e.g. ensuring companies respond quickly when things go wrong. We must go further in reforming the entire connections queue, ensuring that it prioritises the viable, ready-to-connect projects that will help deliver Net Zero and unlock economic growth.

During 2024-25 Ofgem developed and published its approval of the reforms to electricity connections in April 2025, these reforms transition to a 'first ready & needed, first connected' regime to increase the rate of connections. This new system prioritizes projects that are "ready" and "needed," aiming to accelerate new offers by the end of the year, aligned with strategic planning and supporting delivery of Clean Power 2030, with the first connections becoming operational in 2026.

These reforms are radical and bold. They provide network companies with clarity on the network to build, enhancing investor confidence by clearly defining system needs and ensuring timely network construction. This aligns, supports and is an essential part of the Great Britain Clean Power 2030 journey and beyond by accelerating the connection rate for essential projects.

These reforms result from over two years of industry-wide activity, including consultations, code modification working groups, and broader engagement, culminating in proposals submitted to Ofgem by NESO. This collaboration demonstrates the energy sector's commitment to delivering a more efficient connections process to achieve Clean Power by 2030 and Net Zero by 2050.

Ofgem's operation of the RIIO-2 price controls has continued, ensuring consumers are getting value for money from the gas and electricity networks, and that the network companies are delivering for their customers. Ofgem put a renewed emphasis on monitoring of network performance, including publishing sector Annual Reports for the 2023-24 regulatory year.

We also ran the Distribution System Operator incentive for the first time, driving electricity network companies to more efficiently develop and use their network, taking into account flexible alternatives to reinforcement. Using the flexibility built into the price controls, we also ensured the energy networks could invest a further £500m to improve the resilience of the networks, improve emergency preparedness and response, and help support delivery of Net Zero targets.

Ofgem committed to considering a review of the regulatory framework for Independent Gas Transporters (IGTs), Independent Distribution Network Operators (IDNOs) and Independent Transmission Operators (ITOs). At our infrastructure delivery board we decided to initially focus on a review of IGTs to ensure our regulation brings about value and quality service to their approximate one million connected customers. We will keep this area under review, utilising our learnings from the review of IGTs.

Strategic Objective 10: Ensure secure and resilient supplies

Ofgem continues to secure and maintain continuous supplies of energy through the transition to Net Zero, strengthening resilience to financial, climate, and cyber risks. This includes developing a regulatory framework to ensure that costs and benefits of climate resilience actions are accounted for in decisions, e.g through our ED3 framework.

In 2024 -25, Ofgem developed its assessment of the energy sector's progress on climate resilience to date and identified key challenges. Ofgem set out key priorities for addressing these challenges, including enabling clarity on a goal and embedding climate resilience into regulation. This was published in a climate resilience report in April 2025, in response to Department for Environment, Food, and Rural Affairs (DEFRA's) request to report via the fourth round of climate change adaptation reporting of the Climate Change Act 2008.

Over the past year, Ofgem's Energy Systems Management and Security team has worked closely with National Grid and ESO in the run up to the publication of their Winter Outlook Plan 2024-25. Ofgem hosted a public webinar which was attended by more than 300 external stakeholders. This gave us the chance to offer our perspective on the security of supply for the Winter period. These reports are released throughout the year to ensure transparency and are designed to keep the energy industry informed.

The Electricity Security of Supply team continued leading the multi-agency Medium Term Electricity Capacity Adequacy workstream with DESNZ and NESO resulting in a significantly higher level of engagement and problem-solving collaboration in this area and the deployment of Capacity Market changes to support the Clean Power 2030 programme.

Building on the success of this approach, the Gas Security of Supply team initiated a similar multi-agency workstream with these stakeholders plus National Gas to enhance the level of understanding of strategic gas supply and demand issues in the 2020s and 2030s and to establish a forum for identifying, assessing and collaborating on the deployment of mitigating actions.

In response to the increases in threat, Ofgem together with DESNZ, the National Cyber Security Centre (NCSC), and NESO, are developing a joint strategy to further strengthen the Cyber Regulation and resilience of the Great Britain energy system. As part of the strategy, Ofgem has been working with the sector to introduce additional assurance activities within their organisations, which includes in-depth audits, exercising and technical testing. The assurance approach is intended to utilise accredited organisations, as well as established standards, which provides a more sustainable operating model given a growing number of Operators of Essential Services (OES) and provide options to regulate organisations not covered by the Network and Information Systems (NIS) Directive. Finally, Ofgem are working closely with the Department for Science, Innovation and Technology (DSIT) on the new Cyber Security and Resilience Bill.

Strategic priority 3: Establishing an efficient, fair, and flexible energy system

Strategic Objective 11: Ensure the right governance and institutions are in place

Managing major reforms to how the system is governed – particularly NESO – and ensuring this new landscape is coordinated, clear, and effective.

Following a huge amount of preparatory work led by Ofgem, the NESO officially launched on 1 November 2024 which marked a pivotal step towards achieving electricity decarbonisation and comprehensive system planning to support delivery Net Zero.

NESO will have extensive strategic oversight of both the electricity and gas systems, ensuring that Great Britain's energy infrastructure remains secure, resilient, flexible, and future proof.

The creation of NESO involved the nationalisation of the former National Grid Electricity System Operator (ESO), which has been given additional responsibilities, including oversight of the national gas heating grid. This move aims to bring the system operator roles together in one public body, ensuring a 'holistic, whole systems approach' to transforming Britain's energy system.

Reform energy code governance to enable faster, more strategically aligned rule changes across the sector.

Working with the Government, Ofgem has made progress on reforming the governance of industry codes, including consulting on our approach to implementation, the code manager licence and the first preliminary strategic direction statement. Eleven industry codes, individual network codes and five central systems have been designated by the Secretary of State as qualifying for the purposes of Schedule 12 of the Energy Act 2023 but no documents have yet been designated for the purposes of Part 6 of the Energy Act 2023.

Ofgem aim to have the first two code managers in place by mid-2026, and the upcoming consultations and decisions on our final policy proposals will move us into the first implementation phase of the programme.

Strategic Objective 12: Deliver effective and efficient market incentives and signals

Working with Government and the sector to ensure critical decisions, including the Review of Electricity Market Arrangements and our own network charges, minimise system costs and maintain fairness while delivering a strong investment environment.

Ofgem has begun our Energy Cost Allocation and Recovery Review, where we will look at options for a fairer, more efficient, and simpler way of recovering those costs.
As Great Britain's energy system transitions away from fossil fuels towards renewables, it's critical that costs are allocated and recovered fairly. Ofgem are in the early stages of our work; however, we intend to examine areas such as future energy system cost developments and alternative approaches to passing costs to several types of customers. In the summer of 2025, we intend to publish a call for input detailing our initial findings, the proposed approach, scope, and focus of the review.

Further details of our work in this area are available on an external blog.

Strategic Objective 13: Enable consumer-focused flexibility

Enabling the flexibility that will transform how consumers use electricity and deliver Net Zero at a fair cost. This includes driving the rollout of market-wide half hourly settlement and smart meters – and creating a new market facilitator role to grow and develop local flexibility markets.

Smart meters are crucial to consumers' ability to manage and reduce their bills effectively and conveniently. They also contribute to Clean Power 2030 goals by allowing users to use electricity at times of day when the grid is under less pressure. Failure to install smart meters or fix faults when smart meters cease to operate in smart mode is therefore a significant problem.

In March 2025 Ofgem published draft Guaranteed Standards of Performance for consultation, setting clear expectations that suppliers must not delay in offering consumers appointments to install a smart meter, and must investigate and fix meter faults within shorter timeframes, or pay compensation to affected consumers.

Ofgem has continued to pursue compliance action against six major suppliers to investigate reasons why they may have failed to meet installation targets set by Government and why an estimated 10% of smart meters are not currently working in smart mode.

Ofgem has concluded the price controls for the Data Communications Company (DCC) for the regulatory year 2023-24. Over £20m of DCC costs were not found to be economic or efficient, and this sum will be removed from DCC's Allowed Revenue.

Achieving the Net Zero target by 2050 will require radical changes across the energy system. This transformation is already underway, including in how we heat our homes, power our vehicles, and generate electricity but this will require changes across the energy system, which must be smart, flexible, and operate through well-facilitated, accessible, transparent, and coordinated flexibility markets.

As part of the transformation programme Ofgem confirmed Elexon as the Market Facilitator for local energy flexibility in July 2024. The Flex Market Facilitator aims to streamline this process by harmonizing market arrangements, allowing for more flex offers, easing system constraints, and ultimately reducing consumer bills.

Ensure successful rollout of Market-wide Half-hourly settlement (MHHS)

MHHS is a major transformational programme that supports the transition to Net Zero and seeks to incentivise energy suppliers to offer innovative tariffs, including Time of Use tariffs to end consumers. A new delivery timetable was agreed in November 2024, with, the programme being on target to deliver to the new timelines. The central systems are due to be business ready on 22 September 2025 and the suppliers are due to start migrating electricity meter points to the new arrangements from 22 October 2025.

Strategic Objective 14: Make a more digital energy system work for consumers

Unlocking innovation and evolving Ofgem's approach to a rapidly digitalising and data-rich system, including publishing guidance for the sector on AI.

Ofgem published two consultations during 2024-25 to reform energy data to be accessible to the right organisations at the right time in the right format.

Data Sharing Infrastructure

Consultation will enable system data to be accessed securely and timely by the right organization.

Consumer consent

The consultation is adopting the values of open banking to enable the secure and seamless sharing of smart meter data by consumers.

Enabling innovation with Artificial Intelligence (AI) across the energy sector

Following a Call for Input in February 2024, Ofgem launched a formal consultation on our draft guidance on AI use in the GB energy sector in December 2024.

The consultation closed in February 2025, and the final guidance was published in May 2025, shaped by valuable feedback and insights from across the energy sector and wider stakeholders, including technology providers.

As part of the consultation process, Ofgem hosted its first AI Regulation Lab in February 2025, a dynamic forum where energy licensees explored hypothetical AI uses to 'stress-test' the proposed guidance. The AI Reg Lab proved to be a valuable and energising space for collaborative learning and feedback.

Encouraged by the engagement and positive responses from energy sector licensees, Ofgem plan to host more AI Reg Labs, incorporating actual AI uses, to continue to support ethical and innovative AI adoption across the sector.

Ofgem Strategic Innovation Fund (SIF)

SIF is part of the price control system managed by Ofgem and was established in 2021 to drive innovation and transformation in energy networks.

The SIF supports network innovation that contributes to the achievement of Net Zero, while delivering real net benefits to network companies and consumers. Working with other public funders of innovation so that activities appropriately funded by network consumers are coordinated with activities funded by the Government. Energy network companies form partnerships with energy innovators to bid for funding to run transformative innovation projects.

In late Autumn 2024, Ofgem published a consultation on how we could unlock more innovation in the energy retail market. We received responses and engagement from a range of stakeholders.

We already have significant work underway to implement the main enablers of innovation (e.g., rollout of smart meters, settlement reform and improved data access). We intend to publish an update on our work to unlock retail innovation in summer 2025. This includes an update on how we will provide more flexibility in retail rules to allow new entrants or existing companies to try new commercial approaches.

Strategic priority 4: Advancing decarbonisation through low carbon energy and social schemes

Ofgem administers twelve schemes on behalf of the UK government. These schemes are designed to encourage the use of low-carbon energy, advance decarbonisation, and support vulnerable consumers. Together, these schemes were worth more than £12 billion in the financial year 2024-25.

During 2025-26, Ofgem will be delivering a number of specific areas of work aligned to and supporting the government's missions and objectives. These include changes to the Energy Company Obligation (ECO) where Ofgem will consult on and implement administrative changes by publishing new guidance, updating processes and any systems where applicable. Further changes are also planned to the Boiler Upgrade Scheme, (BUS) to make it more widely accessible and add features to continue to make it more attractive to consumers.

Ofgem encourage organisations working on behalf of industry and consumers to engage with us to ensure schemes are developed in a way that delivers for their stakeholders.

A number of schemes are now closed to new applicants or are due to close in 2026, as detailed here. We will work closely with the DESNZ, to ensure these schemes continue to run effectively until they close completely. Ofgem will also be working with and supporting government as it makes decisions on what comes next, as well as engaging with industry and consumer groups on the future of scheme development.

Low carbon energy schemes

Boiler Upgrade Scheme (BUS)

Launched in May 2022, the Scheme supports property owners to install low-carbon heating systems, to support the transition to Net Zero through upfront capital grants, for the installation of heat pumps and biomass boilers in homes and non-domestic buildings. The grant levels currently stand at £7,500 for heat pumps and £5,000 for biomass boilers.

We have seen substantial growth in the scheme year on year. In the last financial year (2024-25), we paid 25,331 grants for low carbon heating solutions worth almost £190m, bringing the total number of grants paid since scheme launch to over £328m.

On 21 November 2024, the government announced that the budget for 2025-26 for the BUS will rise to £295m for the year.

The scheme has been through one round of Statutory Instrument changes, which came into force in May 2024. Since then, DESNZ has announced its intention to introduce a further series of regulatory changes to the BUS scheme to expand its reach and continue to make progress towards supporting Net Zero. Ofgem is working closely with them to design and implement these changes, which could include introducing alternative technologies, multi-technology systems, third-party ownership models, as well as changes to consumer protection mechanisms. Ofgem has continually reviewed and improved its administration processes and digital systems, working closely with users of the scheme to ensure the BUS continues to meet their needs.

Green Gas Support Scheme

The scheme provides financial support to eligible new anaerobic digestion biomethane plants for the amount of 'green gas' injected into the grid. Registered participants will receive quarterly payments over a period of 15 years provided they continue to meet all relevant eligibility criteria.

The scheme is funded through the Green Gas Levy, which places an obligation on all licensed fossil fuel gas suppliers to pay a quarterly levy payment. On 30 August 2024, DESNZ increased the tariff tier rates across all three tiers following their annual tariff review to reflect updated operating cost and revenue assumptions. This is aimed at ensuring that support payments continue to incentivise deployment on the scheme whilst ensuring value for money for the billpayer.

In June 2024 regulations amendment came into effect. Key changes were extension of the scheme, so that it is now open for applications until March 2028 and a change to incentivise use of eligible heat pumps on the scheme.

The Renewables Obligation (RO)

The scheme provides long-term support for the production of renewable electricity. It is now closed to new applicants. Renewable Obligation Certificates or 'ROCs' are issued to operators of accredited renewable generating stations for the electricity they generate which is then sold to electricity suppliers. Electricity suppliers must present a specified number of 'ROCs' in respect of each MWh of electricity supplied to customers. Suppliers that do not meet their obligation are required to pay an equivalent amount into a buy-out fund.

In 2024-25, Ofgem continued administering the scheme by issuing ROCs, monitoring suppliers' progress against their obligations, and developing a new digital system to streamline administration. In August 2024, Ofgem concluded its investigation into Drax Power Limited ("Drax"). The investigation concluded that there was an absence of adequate data governance and controls in place that had contributed to Drax failing to comply with its profiling data obligations under the RO scheme.

As a result, Drax agreed to make a £25m redress payment and to conduct an independent audit of its international supply chain.

The government intends to consult this year on the RO post 2027, when many generating stations reach the end of their support under the scheme. Ofgem has participated in this process by providing advice and expertise to the government on the administrative implications of these potential changes.

Renewable Energy Guarantees of Origin (REGO)

The REGO scheme provides transparency to consumers about the proportion of electricity that suppliers get from renewable sources. This is done by issuing one REGO certificate per megawatt hour (MWh) of eligible renewable electricity to generators. Suppliers present these to validate environmental claims made on their tariffs through the Fuel Mix Disclosure (FMD).

Recently, we have seen an increase in the number of generators participating in the REGO scheme. This is likely to increase as some renewable energy schemes are closed to new applicants.

REGO usage has expanded beyond FMD with REGOs been used for carbon reporting. Some government schemes such as DESNZ Low Carbon Hydrogen Standard and Department for Transport's Renewable Transport Fuel Obligation have shown interest in using the REGO scheme to account for renewable electricity used in the production of hydrogen. Ofgem are working together to ensure this is done in a way that supports scheme integrity.

Smaller-scale renewable and low-carbon electricity generation is supported through the Feed-in Tariffs (FIT) scheme, in which suppliers make payments to participants that install electricity generating installations, such as solar photovoltaic panels. The scheme is closed to new generators. In 2024-25, Ofgem continued its administration of the scheme, including ensuring that suppliers comply with their obligations.

Following the closure of the FIT, the Smart Export Guarantee (SEG) requires some electricity suppliers to pay small-scale SEG generators for low-carbon electricity, which they export back to the National Grid. Ofgem has seen an increase in the number of generators participating in SEG, and there are no current plans to reform the scheme. In 2024-25, Ofgem continued its monitoring and reporting on the scheme.

While the domestic, non-domestic and Northern Ireland Renewable Heat Incentive schemes have now all closed to new entrants, Ofgem will continue to administer the schemes as per the regulations, including issuing associated payments to households, businesses, the public sector, and non-profit organisations, and will ensure compliance with scheme rules.

Social schemes

The Energy Company Obligation 4 (ECO4)

The ECO4 scheme focuses on low income, fuel poor and vulnerable households to improve the least energy efficient homes. It also requires a more complete upgrade of those homes compared to previous ECO schemes, shifting to a fabric first, multiple-measure, and whole house retrofit policy. Through ECO4 the Government aims to encourage the installation of insulation, renewables and district heating connections as well as upgrading inefficient heating systems.

The government consulted on mid-scheme changes to ECO4 in November 2024 and has since published its response, with amended legislation available at The Electricity and Gas (Energy Company Obligation) (Amendment) Order 2025 which is awaiting Parliament to approve and to then come into effect. Ofgem will work with the government over 2025-26 to implement them.

Widespread cases of poor-quality **solid wall insulation were discovered on ECO4**. We are working with government and TrustMark, the scheme's oversight body for technical quality and consumer protection, to ensure urgent remediation of all known issues.

The Great British Insulation Scheme (GBIS)

Like ECO4, GBIS is an energy efficiency scheme that place legal obligations on energy suppliers to deliver energy efficiency and heating measures to homes across Great Britain.

In contrast to ECO4, GBIS focuses on the installation of fewer energy efficiency measures per home, but to a wider pool of homes. While GBIS sets delivery targets to both low income and fuel poor households, it also allows delivery to a broader pool of homes, according to council tax bands.

Like ECO4, government also consulted on mid-scheme changes to GBIS in November 2024 and has since published its response, which includes policy changes to both accelerate and increase GBIS delivery. Ofgem will work with government over the course of 2025-26 to implement these amendments. The Electricity and Gas (Energy Company Obligation) (Amendment) Order 2025 is available here and is awaiting Parliament to approve and to then come into effect.

The Warm Home Discount (WHD)

The WHD offers low-income and vulnerable households a rebate for their electricity or gas account during the colder winter months. Other assistance provided by energy suppliers include industry initiatives, such as entitlement checks, debt assistance, energy and smart meter advice, and energy efficiency measures.

In 2024-25, the penultimate year of the existing iteration of the scheme (Scheme Year 14), the government consulted on expanding the support offered. Under these proposals, an additional 2.7m households are expected to receive support via the removal of the high cost-to-heat threshold, with an increase to spending targets. These additional 2.7m rebates would increase the total GB spending envelope across by around £400m, from around £600m currently to £1bn. Ofgem will update and publish scheme-related guidance to reflect changes due to this expansion once amended legislation comes into effect.

Meanwhile, Ofgem continues to both monitor and report on the progress energy suppliers made towards meeting their obligations across schemes through the Supplier Performance Report. This report also details action taken to support suppliers to ensure they maintain compliance and action taken against those who are non-compliant.

Sustainability Report

Sustainability and internal environmental impact

Ofgem's principal objective is to protect the interests of current and future consumers by supporting the delivery of Net Zero of GB's energy system - alongside other consumer interests. Under Ofgem's newly established statutory Net Zero duty and growth duty, we are working with the Secretary of State to support the Government in achieving the 2050 Net Zero target, and interim targets, as set out in the 2019 amendment to the Climate Change Act (2008).

This section covers Ofgem's own environmental performance across our estate, encompassing our headquarters in London, Glasgow, and Cardiff. Our performance reporting is guided by the Greening Government Commitments (GGCs), with emissions calculations aligning to the latest UK Government Conversion Factors. Our carbon reduction targets are set by the (DEFRA) and refer to our environmental performance in 2017-2018 as a baseline.

The financial year 2024-25 sees the conclusion of the current GGC framework for 2021-2025. Ofgem welcome the new 2025-2030 framework's refreshed approach to emissions targets, planning, and governance. We have not applied for exemptions under the new framework.

Overview of internal governance

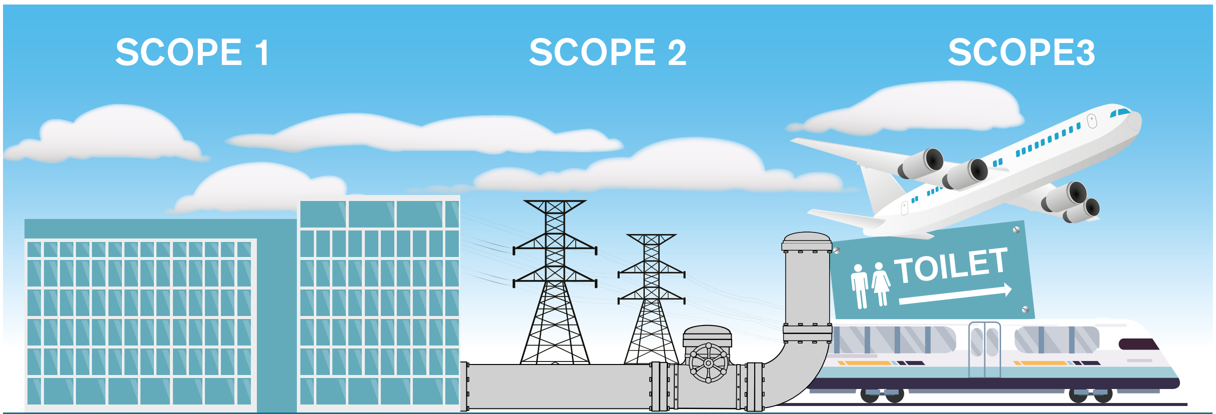
We have strengthened our internal governance around corporate sustainability to consolidate climate action priorities and to support related planning. Oversight is provided by the following groups:

- **Gas and Electricity Markets Authority (GEMA):** Act as the Ofgem Board and promote long, term sustainable success to the consumer. GEMA provide direction to SEC by setting the risk appetite and identifying the principal risks facing the organisation.
- **Senior Executive Committee (SEC):** Provide guidance on Ofgem's sustainability ambitions. SEC are also advised of organisational sustainability progress and appraised of any foreseen risks to meeting future environmental and carbon reduction targets. Ofgem's Chief Operating Officer forms part of the committee and is principally accountable for sustainability action.
- **Audit, Risk, and Assurance Committee (ARAC):** Oversee financial accounts and risk management arrangements. This committee has responsibility for overseeing organisational sustainability strategies.
- **Sustainability Working Group:** Combines input from directors and professionals across operational, regulatory, and delivery & schemes directorates. The group sense checks opportunities for strengthening sustainability governance and includes a director-level sustainability sponsor.
- **Estates team:** Responsible for overseeing operational sustainability in the organisation. The team report to the (DESNZ) and Integrated Corporate Services (ICS) on progress against the GGCs on a quarterly basis. The team also liaise with respective building management teams and service providers to identify carbon saving opportunities across the estate. The team continue to engage with DESNZ and DSIT sustainability forums to benchmark performance, identify best practice, and discuss changes to reporting requirements.
- **Net Zero Strategy team:** Work across Ofgem to support all teams in integrating the Net Zero Duty into their work and promoting wider decarbonization and sustainability efforts. The team regularly report into senior management and the Board. The team are central to driving Ofgem efforts to deliver a reliable Net Zero energy system, which is resilient to the effects of climate change, at lowest possible cost to energy consumers. The team provides decarbonization-and sustainability-specific expertise and direction setting to help deliver better decision making across Ofgem. The team delivers strategic projects to inform Ofgem policy making to support decarbonization and sustainability.

Risk management

The Corporate Risk team provide guidance and support on principal, strategic, and tactical risks that could impact on Ofgem's ability to fulfil its mandate. Adverse climate events pose a risk to energy market regulation, as well as our ability to deliver on infrastructure projects and low-carbon schemes. We continue to align our risk management processes with the Orange Book, and work alongside DESNZ and the Secretary of State to mitigate risks that pose a threat to the delivery of Net Zero. We are working on establishing key risk indicators in the 2025-26 financial year which will enable us to monitor changes to risk exposure.

Metrics and reporting

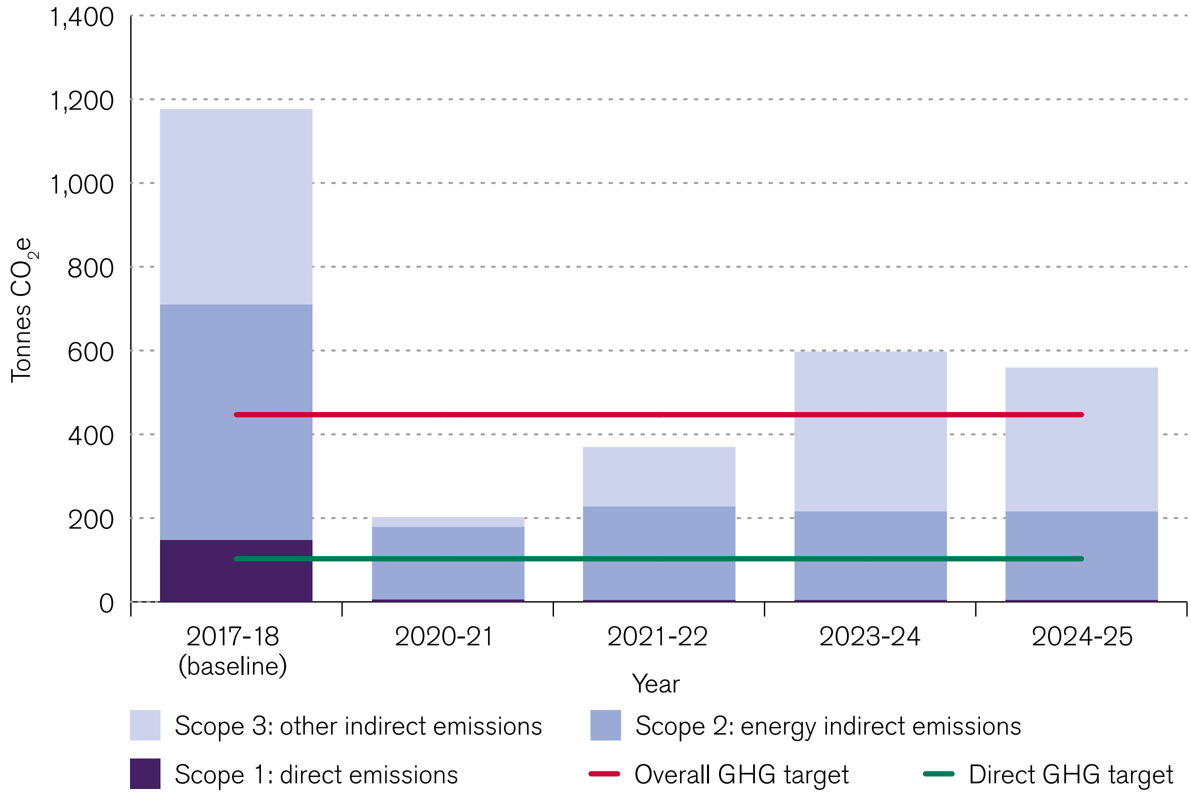


Direct (on-site) emissions	Procured (on-site) emissions	Indirect emissions
Gas (measured in CO2e)	Electricity & district gas heating (measured in CO2e)	Business flights & trains (measured in CO2e) Water use (measured in volume) Waste (measured in volume)

Mitigating climate change: working towards Net Zero by 2050

GGC Target	Progress against baseline year (per FTE)	Progress against last year (per FTE)	Target met?
Reduce overall greenhouse gas emissions by 62%	-83%	-31%	Yes
Reduce direct greenhouse gas emissions by 30%	-98%	-39%	Yes
Reduce emissions from domestic flights by at least 30%	-90%	-44%	Yes

Performance against overall and direct emissions targets by total tonnes tCO_2e



Sustainable Development Goal 13: Take urgent action to combat climate change and its impacts.

Throughout the current GGC reporting period, our workforce has grown vastly and Ofgem's FTE numbers are now nearly triple that of 2018. The graph demonstrates our total emissions, while the table demonstrates our "per FTE" emissions to allow for a contextualised analysis of our sustainability progress.

During 2024-25, we have decreased both our direct and overall greenhouse gas emissions. Our total Scope 1, 2, and 3 emissions are now at 241 kg per FTE, which takes a third off our emissions last year (349 kg per FTE) and an 83% improvement against our baseline year (1440 kg per FTE). This winter, the last remaining gas boiler at our London office was decommissioned and replaced with an air source heat pump.

Domestic flight emissions have decreased to 39 kg per FTE, which equates to around one domestic flight per every 4 staff members. The improvement in air travel figures is in part linked to our revised internal travel policy, which advises colleagues to prioritise low carbon travel options wherever possible. We continue to look at ways in which we can reduce the need to fly, particularly between our three office locations.

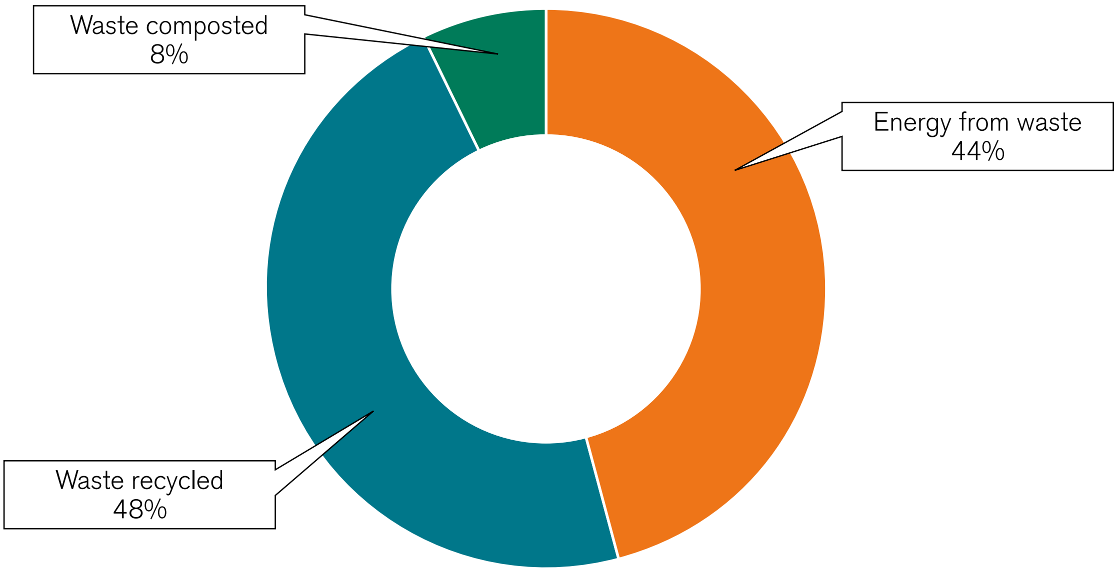
This year, Net Zero training has been introduced to form a key part of our staff onboarding programme. This training is overseen by the Net Zero Strategy team and introduces staff to key energy and decarbonisation topics. Colleagues are empowered to consider how, through their role, they can support Ofgem in delivering a fair and equitable Net Zero transition.

Our Net Zero Strategy team have also launched a new Delivering Decarbonisation series featuring guest speakers and in-depth discussion. The team continue to produce internal blogs, videos, and live teach-ins, providing colleagues with a multifaceted understanding of sustainability.

In 2026, we plan to develop our Net Zero Transition Plan, which will outline our operational decarbonisation ambitions. The steps needed to reach our net zero targets will be aligned to the UK Transition Planning Taskforce principles, with target sprints being informed by our Strategic Asset Management Plan, internal sustainability professionals, the renewed GGCs, and Phase 3 of the TCFD guidance.

Minimising waste and promoting resource efficiency 2024-25

Percentage composition of estate waste in tonnes



GGC Target	Progress against baseline year (per FTE)	Progress against last year 2023-24 (per FTE)	Target met?
Reduce the overall amount of waste generated by 15%	-91%	-8%	Yes
Reduce the amount of waste going to landfill to 5%* of overall waste	No waste to landfill	No waste to landfill	Yes
Increase the proportion of recycled waste to 70%* of overall waste	48%	-4%	No
Reduce paper use by at least 50%	-91%	-3%	Yes

Sustainable Development Goal 12: Ensure sustainable consumption and production patterns.

We have reduced the amount of per-person waste generated in our offices and have met our overall waste reduction target. We have also reduced the need for paper and printing through digitalisation and the use of public cloud services for file and knowledge sharing. Purchased printer and notebook paper is 100% recycled where possible. Though our recycling rates have increased and we generate more recycling than general waste, it has been challenging to meet our 70% recycling target. We continue to liaise with our service providers to understand our waste composition and look into initiatives that could help to reduce contamination rates and facilitate recycling behaviours. As our waste figures are apportioned among all building tenants, a waste audit would be required to understand tenant-specific waste challenges.

We discourage the use of Consumer Single Use Plastics in our kitchen areas through the provision of reusable cutlery and crockery. Beverage items are supplied in bulk to promote resource efficiency and eliminate the need for employees to bring perishable items and additional CSUPs to the office, which can help further reduce wastage. Quantities are adjusted ad-hoc to adapt to seasonal office occupancy.

This year, we purchased 95,637 CSUP items. Where possible, procured paper stationery is made up of Post-Consumer Recycled (PCR) material.

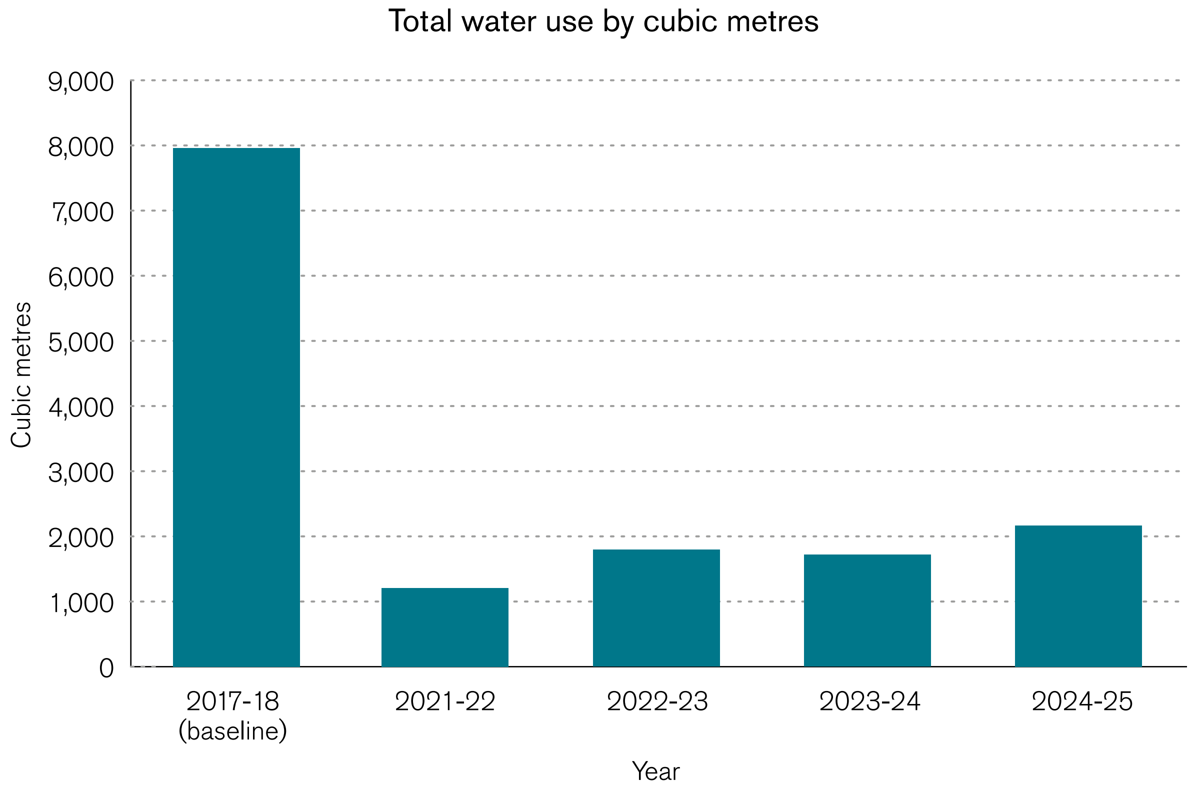
This year, we have partnered with an off-site mail solution provider, reducing the need for printing and posting mail from our offices.

Responsible waste management is championed by our staff sustainability network, and learning opportunities related to resource efficiency and calculating carbon footprints are available.

A building-wide Green Champions Network has also been launched at our Cardiff office with the aim of promoting pro-environmental behaviour practices in the workplace.

We make use of TerraCycle and Oxfam schemes to divert lost property in the office from entering other waste streams.

Reducing our water use



GGC Target	Progress against baseline year (per FTE)	Progress against last year (per FTE)	Target met?
Reduce water consumption by at least 8%	-90%	-14%	Yes

Sustainable Development Goal 6: Ensure availability and sustainable management of water and sanitation for all.

Ofgem's reported water use is based on purchased water apportioned by our estate occupancy. In 2024-25, we have reduced our water usage to under 1 cubic metre per person, continuing to make use of water-efficient appliances in kitchens and bathrooms across our estate.

Procuring sustainable products and services

Ofgem's procurement process sets out to deliver value for money through fair and transparent means. Tendering of new suppliers and contracts is aligned with the Government Buying Standards, and must give a minimum weighting of 10% towards assessing social value creation through the delivery of contracts.

The Procurement Policy Note 002, underpinned by the Social Value Model, further sets out how supplier evaluations can be used to assess the economic, social, and environmental benefits of entering into a contract with Ofgem. Procurement professionals are encouraged to consider how, through the delivery of goods and services, suppliers:

- minimise carbon emissions;
- provide community benefits;
- and drive workforce diversity.

For open market tenders, suppliers are required to undergo bribery, corruption, and modern slavery checks on a mandatory exclusion basis.

Ofgem's Estates procurement prioritises sustainability where possible - we maintain oversight of our suppliers' ESG credentials, adherence to environmental certifications such as ISO14001, and any potential carbon reduction plans they may have in place.

The Government Property Agency (GPA), who manage suppliers for our London and Cardiff offices, have a commitment to sustainable procurement. GPA attribute a social value weighting of at least 15% in the scoring of all commercial procurement tenders. GPA's Strategic Supplier Relationship Management system allows for regular monitoring of ESG KPIs and enables them to identify where ESG interventions may be required for top-tier suppliers. Our London hospitality and catering supplier continues to maintain a campaign focus on plant-based and low carbon food offerings.

Nature recovery and biodiversity

Ofgem's potential to support biodiversity goals and enhance nature recovery is grounded in strategic estates planning, proactive operational delivery, and active employee engagement.

Our strategy

Ofgem's Strategic Asset Management Plan (SAMP) sets out our long-term ambition to base all our operations within Government Hubs under GPA ownership. The GPA's guidance on Biodiversity and Nature Recovery, which sets out opportunities for improving biodiversity in the context of the government office portfolio, will therefore be key in informing Ofgem's own delivery plan for the government's pending nature strategy.

Our estate

Ofgem's office spaces integrate biophilic design principles such as natural imagery and indoor plants, which are known to improve employee health and wellbeing. Our London office has an extensive green roof which is vegetated with sedum acre – a drought-tolerant, pollinator-friendly moss.

Procuring products and services that support nature recovery can further extend our impact on biodiversity. Such is the case with our Glasgow cleaning services provider – who is reducing harsh chemical use in favour of environmentally friendly products – and our beverage supplier, who invest in rainforest conservation, carbon sequestration, and endangered species initiatives.

Our regulatory role

Ofgem has a statutory biodiversity duty. While the remit of this duty varies regionally, we have an overarching responsibility to consider the impact of our regulatory functions on biodiversity losses and gains.

Our people

Employees are encouraged to volunteer in their local community to support causes they care about that align with Ofgem's corporate objectives. On an annual basis, employees can take up to three days of paid volunteer leave. This policy can be utilised to support nature recovery and improve biodiversity across the UK. This year, colleagues have been involved with tree planting, litter picking, and community garden projects.

Adapting to climate change

This year, Ofgem has developed our Climate Resilience Report via the 4th round of climate change adaptation reporting. Over the last eight years, we have delivered on all actions outlined in our previous report. This year's report outlines Ofgem's continued progress on climate resilience in the energy sector and the importance of our collaboration with DESNZ and the newly formed NESO.

Reducing environmental impacts from Information Communication Technology (ICT) and Digital

Ofgem recognises that our role in transforming the energy sector is coupled strongly with digital innovation. At the same time, there is a need to minimise the environmental impact of our digital technologies. The integration of (AI) into our regulatory functions could help us to decarbonise the energy sector at pace, and help the UK government reach its medium and long-term net-zero targets. At the same time, there is a need to minimise the environmental impact of our digital technology use. Our AI Policy Taskforce team is responsible for ensuring that we have the tools and resources needed to adopt AI in a secure, fair, and environmentally sustainable way. Our AI Policy Taskforce has recently published our guidance on ethical AI use in the energy sector, which promotes best practice and life risk management for environmentally sustainable AI use. We are already adopting a similar approach for our own organisation. We are also in the process of launching our Digital Strategy 2025 to 2028, which sets out our commitments to embedding good practice within our own IT operations.

We work in line with the Government's Cloud First policy and run our IT systems on the public cloud. This approach removes the need for extensive on-site infrastructure, allowing us to operate more efficiently and sustainably as an estate. We have also revised our data retention policies and encourage the sharing of collaborative online files to minimise unnecessary hosting of data. We now have oversight of the carbon emissions associated with our cloud computing and are able to monitor these going forward, and report on our progress in line with the Greening government ICT and digital services strategy.

Financial and Non-Financial Indicators of Sustainable Performance

Energy

	2017-18 (baseline)	2021-22	2022-23	2023-24	2024-25
Non-financial indicators (MWh) Total energy consumption	2,397	847	1,189	1,166	1,368
Non-financial indicators (MWh) Gas	797	28	143	158	123
Non-financial indicators (MWh) Electricity	1,600	819	1,046	1,008	1,245
Financial indicators (£000) Total energy costs	241	-	-	296*	347*
Financial indicators (£000) Gas	-	-	-	8*	6*
Financial indicators (£000) Electricity	-	-	-	288*	341*

Water

	2017-18 (baseline)	2021-22	2022-23	2023-24	2024-25
Non-financial indicators (m^3) Water consumption	7,959	1,207	1,795	1,982	2,250
Financial indicators (£000) Water supply costs	33	3	5*	9	26*

Waste

	2017-18 (baseline)	2021-22	2022-23	2023-24	2024-25
Non-financial indicators (tonnes) Total waste	49	19	6	10	13
Non-financial indicators (tonnes) Energy from waste	9	4	3	5	6
Non-financial indicators (tonnes) Recycled	40	15	3	4	6
Non-financial indicators (tonnes) Composted	0	-	-	< 1	1
Non-financial indicators (tonnes) ICT	-	-	-	-	< 1
Financial indicators (£000) Total disposal cost	29	-	-	-	18*

Travel

	2017-18 (baseline)	2021-22	2022-23	2023-24	2024-25
Non-financial indicators (000 km) Total distance travelled	2,610	335	1,607	4,347	3,777
Non-financial indicators (000 km) Domestic rail travel	859	285	1,160	3,385	3,138
Non-financial indicators (000 km) International rail travel	57	2	6	31	20
Non-financial indicators (000 km) Domestic air travel	1,408	35	354	463	328
Non-financial indicators (000 km) Continental air travel	201	> 1	37	68	124
Non-financial indicators (000 km) International rail travel	84	12	50	400	167
Financial indicators (£000) Total expenditure	747	-	-	652	620

Greenhouse gas emissions

	2017-18 (baseline)	2021-22	2022-23	2023-24	2024-25
Non-financial indicators (tonnes CO_2e) Scope 1: direct	147	5	4	12	10
Non-financial indicators (tonnes CO_2e) Scope 2: energy indirect	563	174	2232	226	271
Non-financial indicators (tonnes CO_2e) Scope 3: other indirect	466	23	143	364	267

Paper use

	2017-18 (baseline)	2021-22	2022-23	2023-24	2024-25
Non-financial indicators (reams)	2,090	-	-	402	515

1 Estimated figures in the tables are denoted by "*".
2 Where historical data was not available and a reasonable estimate could not be provided, this is denoted by "-". This includes financial data that our landlords were unable to supply due to the nature of our multi-tenancy agreements.
3 Some of last year's figures have been adjusted following the new availability of data from our Cardiff landlord. 2023-24 energy, water, and waste figures have been restated to include our Cardiff office data, which the landlord made available to us in May 2024. We now receive quarterly apportioned utility reports for our Cardiff office.

Task Force on Climate-related Financial Disclosures (TCFD) Compliance Summary

Ofgem has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector.

We have complied with the TCFD Phase 2 recommendations around:

- Governance: Recommended disclosures (a) describe the board's oversight of climate-related risks and opportunities and (b) describe management's role in assessing and managing climate-related risks and opportunities. An overview of our internal governance processes, including a description of board and management responsibilities in relation to climate risks, has been provided at the beginning of the sustainability report.
- Risk Management: Recommended disclosures (a) Describe the organisation's processes for identifying and assessing climate-related risks, (b) Describe the organisation's processes for managing climate-related risks and (c) describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. Ofgem does not consider climate to be a separate principal risk, but considers climate in its decision making as part of our Net Zero duty, as set out in the performance report. Our risk management framework and risk factors are set out within our Governance Statement (page 52).
- Metrics and Targets: Recommended disclosure (a) disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process, (b) disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks and (c) describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. We have based our metrics and targets on the GGCs and reported on our Scope 1, Scope 2, and Scope 3 GHG emissions as well as other indicators of sustainability performance (from page 36).

We consider the information in our performance and sustainability report, to be compliant with the disclosure requirements. Whilst TCFD strategy disclosures are not required until phase 3 (2025-26), our Multiyear Strategy outlines our climate resilience priorities with performance to date outlined on pages 16 to 29.

Jonathan Brearley
Chief Executive
14 July 2025

Accountability Report

Annual Report and Accounts | 2024-25

Accountability Report

The purpose of the accountability section of the annual report is to meet key accountability requirements to Parliament, who are the primary user of the annual report and accounts, explain Ofgem's corporate governance – similar to the requirements of Companies Act for medium-large groups and companies.

Financial Review

During the year, Ofgem used its budget to support the 2024-25 Forward Work Programme and spent within approved budget limits (referred to as 'control totals'). An overview of Ofgem's costs and income (on a resource budgets basis), measured against approved budgets is presented below:

Activity (admin plus programme)	Total Cost £m	Total Income £m	Net spend £m	Net budget £m	Net underspend £m
Core regulation and supporting activities	158.6	(151.0)	7.6	40.1	32.5
Schemes, excluding Green Gas	63.0	(58.0)	5.0	8.3	3.3
Green Gas	38.7	(10.9)	27.8	44.2	16.4
Subtotal	**260.3**	**(219.9)**	**40.4**	**92.6**	**52.2**
Levelisation	55.7	(55.7)	-	-	-
Total (RDEL)	**318.0**	**(277.6)**	**40.4**	**92.6**	**52.2**

The Statement of Parliamentary Supply (SOPS) and its supporting notes on pages 78 to 85 present a formal summary of Ofgem's performance against approved budgets. These show that Ofgem spent £225.6 million on administration costs to perform its regulatory work and administer environmental schemes. In addition, Green Gas Support Scheme programme costs of £34.7 million resulted in a total expenditure of £260.3 million, (£259.8 million per note 3 of the accounts plus £0.5 million finance expense per SOPS2) offset by resource income of £219.9 million (as stated at SOPS2, excludes £8.1 million of CDEL income total income of £228.0 million per note 4) resulting in net expenditure (outturn) for the year of £40.4 million (2023-24: £6.4 million).

Notional income and expenditure in relation to Levelisation process (Decision on adjusting standing charges for prepayment customers | Ofgem), introduced on 1 April 2024 and classified as tax and spending equates to £55.7million of expenditure and offsetting income. Further detail is included in SOPS2.

The resource outturn represents a £52.2 million underspend (2023-24: £32.0 million underspend) on an approved budget estimate of £92.6 million (2023-24: £38.4 million), mainly due to the value of financial legal provisions (£32.5 million underspend) and Green Gas expenditure (£16.5 million underspend) being lower than estimated:

- Ofgem's decisions may be subject to legal challenge, and, as part of Ofgem's budget-setting process, each year there is an estimation of the potential financial impact of anticipated challenge to current and future decisions. The budget was higher than the outturn this year because: some decisions were not challenged, some decisions were delayed into future financial years, one challenge was successfully defended and on some decisions, the likelihood of successful defence looks sufficiently high.

- Green Gas Support Scheme (GGSS) payments are demand-driven (dependent on registrations and biomethane injections). Any in-year surplus or deficit will be factored into the calculation of the following year's Green Gas Levy (GGL) rate; funds will remain available for GGSS payments and reduce obligated suppliers' future payments.

The Statement of Comprehensive Net Expenditure/(Income) (SOCNE) on page 92 presents Ofgem's income and expenditure on an accruals accounting basis. These are prepared in accordance with the relevant accounting standards adopted in the Government Financial Reporting Manual. The figures presented in the SOCNE differ from the SOPS because the accounting treatment for some items such as the valuation of assets and financial instruments is different from the way these items are treated in government budgeting. SOPS note 2 reconciles the budgetary outturn shown in the SOPS to the net operating expenditure of £33.0 million shown in the SOCNE.

Ofgem's main source of income is licence fees collected from consumers through energy bills. Any surplus (over recovery of fees, where spend is less than budget) is repaid to the consumers. There is a £3.3 million surplus from the 2024-25 licence fee charged to the sector (2023-24: £4.3 million surplus) and this will be returned.

Over the last four years, the cost of Ofgem's work on regulation of energy markets has increased as a result of our work to strengthen protection of energy consumers through the energy crisis. In addition, supporting the development of energy infrastructure including new connections to the grid and increased grid capacity as we work towards Net Zero means there is an upwards trend in the cost of regulating energy networks. The performance report covers Ofgem's new responsibilities in more detail and trends over the last 3 years can be found in section 1.7 of Ofgem 2025-26 Main Estimate Memorandum.

The majority (62%) of Ofgem's costs are staff costs. Total operating expenditure £259.8 million (2023-24: £189.3 million) represents a £70.5 million increase (37%) which includes:

- £32.1 million increase in movement in provisions largely in relation to green gas support scheme;
- £31.5 million increase in staff costs, as a result of headcount growth to support Ofgem's new duties and increased regulatory measures introduced following the energy crisis, and to deliver new renewable energy schemes;
- £5.2 million increase in other expenditure, largely in relation to scheme payments
- £1.7 million increase in non cash expenditure, primarily amortisation in relation to intangible assets

Capital spend mainly consisted of IT equipment (£2.3 million, note 5), leases (£1.8 million, SOPS3) and the development of bespoke software to support Ofgem administered schemes (note 6 and SOPS2). Net spend was £4.1 million compared to a net budget of £4.8 million.

Corporate Governance Report

Directors' Report

There are no company directorships or other significant interests held by members of Ofgem's Board which may conflict with their management responsibilities.

A register of interests for Ofgem's Board and Senior Executive Committee members is published on our website.

No personal data related incidents were formally reported to the Information Commissioner's Office (ICO) during the year.

The Ofgem Board

Role of the Board

The Gas and Electricity Markets Authority (GEMA) is Ofgem's Board. It is made up of non-executive members, including a non-executive Chair, and one executive member in the Chief Executive. Senior Executive Committee members attend Board meetings, and other Ofgem staff attend for specific items, as required. Details of the members of the Ofgem Board are provided on the Ofgem website [Our structure and leadership | Ofgem].

The Board's powers and duties derive from statute. Legislation speaks of Ofgem as 'the Authority', and when it refers to the Authority it means the Chair and the other members of the Ofgem Board. This means that whenever legislation gives Ofgem a particular power, it is the Board of Ofgem who must exercise that power, unless there is a valid delegation in place.

GEMA appointments

The Secretary of State for the Department of Energy Security and Net Zero appoints the non- executive members of the Authority after consulting the Chair. The executive members of the Authority are appointed by the Secretary of State in line with the Civil Service Management Code.

During 2024-25, there have been no changes to membership of GEMA. On 1 February 2025, the Secretary of State for the Department of Energy Security and Net Zero extended Jonathan Brearley's appointment as a member of GEMA until 31 January 2030. The Secretary of State also extended the terms of two non-executive members – Myriam Madden to 31 March 2025 Barry Panayi to 16 March 2027.

Division of responsibilities

The Board has reserved certain decisions for itself. These are set out in a schedule to the Board's Rules of Procedure and are known as the 'Reserved Functions'.

Decisions relating to any of these Reserved Functions must be decided by the Board, unless the Board specifically delegates that decision to an employee of Ofgem, or to one of the Committees of the Board.

A delegation by the Board may be subject to any conditions. Any additional Board delegation is recorded in the Board's minutes. The only exception to this is the making of a Statutory Instrument, which – by law – the Board cannot delegate. All functions of the Board which are not Reserved Functions, delegated to a Committee of the Board, or delegated by HM Treasury to the Accounting Officer, are referred to as 'General Functions' and have been delegated to members of staff.

The Board's Rules of Procedure, including its Reserved Matters, are published on the Ofgem website.

Board Committees

The Board has established a number of committees to support its work. These are: the Audit and Risk Assurance Committee, chaired by Myriam Madden (until 31 March 2025), the People and Remuneration Committee, chaired by Warren Buckley, the RIIO-3 and ED3 Committee, chaired by Graham Mather, and the Enforcement Decision Panel, chaired by David Ashbourne.

Further information about the responsibilities and work of GEMA's Committees is provided in a later section of this report.

Board meetings

The Board meets approximately ten times a year for formal meetings. In addition, ad hoc meetings and decisions by correspondence are used when urgent matters arise between meetings.

In its meetings, the Board typically considers a range of matters. This normally includes updates from the Chief Executive, updates from the Chairs of its Committees on any recent meetings, discussions on Ofgem's strategy and the wider landscape, organisational matters, and decisions on specific matters that have not been delegated including in relation to certain regulatory issues.

In the last year, a non-exhaustive list of the matters the Board has considered include the following:

- Providing steers or taking a number of significant regulatory decisions in line with our Consumer Interest Framework, including e.g.:
  - policy related decisions for the RIIO-3 Gas Transmission, Electricity Transmission and Gas distribution price controls, and the framework for the Electricity Distribution (ED3) price review
  - policy options to reform standing charges
  - strategy and options related to debt allowances, fair prices, standards and resilience across the retail market
  - the framework for regulation of the National Energy System Operator for Great Britain,
  - emerging areas of flexibility regulation, and
  - electricity connections reform.
- Reviewing Ofgem's strategic risks and risk appetite statement
- Approving Ofgem's Forward Work Programme
- Monitoring delivery progress against Forward Work Programme commitments

In addition, and normally preceding each formal meeting, the Board has a less formal briefing session. This provides the Board with an opportunity to discuss emerging issues, to have briefings on particular aspects of Ofgem's work, and to hear from stakeholders on topical issues.

This year the Board was pleased to welcome a number of stakeholders to its meetings, including for example, representatives from the Climate Change Committee, Federation of Small Businesses, Energy Intensive User Group, and Nesta.

The Board minutes and agendas are published on the Ofgem website.

Board attendance

The Chair and other members play a full part in Board business. They attended Board meetings and Committee meetings as follows:

Members	Gas and Electricity Markets Authority	Audit and Risk Assurance Committee	People and Remuneration Committee	RIIO-3 & ED-3 Committee
Alena Kozakova	10/10		3/3	2/2
Barry Panayi	10/10			
Graham Mather	10/10	4/4		2/2
John Crackett	1/1	1/1		
Jonathan Brearley (CEO)	10/10	4/5	4/4	1/2
Jonathan Kini	10/10		3/4	
Mark McAllister (Chair)	10/10	5/5	4/4	2/2
Myriam Madden	9/10	5/5		
Tony Curzon-Price	9/10	4/5		
Warren Buckley	10/10		4/4	

Notes:
In June 2024, GEMA appointed a technical advisor to the Board, Nick Winser, who attended Board meetings to provide advice to the Chair and Board in relation to technical aspects of the energy system and regulated networks. The Secretary of State appointed Nick Winser as a member of GEMA from 1 April 2025 for a period of one year.
In addition to the regular schedule of meetings listed above, the Board met on a number of occasions at short notice to address urgent and strategic issues.

Board and Governance Evaluation

The effectiveness of the Board is reviewed annually. It is good practice in corporate governance to undertake an externally facilitated Board Effectiveness Review at least once every three years. Following a competitive procurement process in 2024-25, Campbell Tickell was appointed to undertake a Board Effectiveness Review.

Campbell Tickell's report is published on Ofgem's website. Ofgem is tracking its response to the review's recommendations.

Identifying and managing conflicts of interests

Ofgem has a conflicts of interest policy and further guidance to staff is also available on the Ofgem staff intranet. The policy is reviewed annually.

Under the policy, all staff are required to notify us of any potential conflicts when they join the organisation and annual declarations thereafter, or where there has been a change in circumstances which could lead to potential conflicts.

The policy applies to all staff, whether they are permanent, casual, fixed-term, agency or contractor.

Any potential conflicts are assessed by the Business Assurance team, who consider whether a conflict exists – and if there is one, what to do about it, and a timescale for action. The policy also states that disciplinary action will be taken against any member of staff who is found not to have complied with these arrangements.

A register of interests for our Board members is published on the Ofgem website.

When staff leave the organisation, we have a process in place to consider whether an application under the Business Appointments Rules is required before they accept a new appointment outside the Civil Service. This is to ensure that when a former member of staff takes up an outside appointment or employment there should be no cause for justified public concern, criticism or misinterpretation.

Business Appointment Rules

Ofgem takes a structured approach to ensuring compliance with post-employment requirements. When an employee decides to leave the organisation, an assessment is carried out by their line manager in collaboration with HR professionals to ensure that the core civil service values of integrity, honesty, impartiality and objectivity are upheld when staff leave the organisation. This assessment considers a range of factors, including the individual's involvement in policy development, access to sensitive or privileged information, and any official interactions with their prospective employer. If relevant risks or concerns are identified, the departing employee is required to complete a formal Business Appointment Rules (BAR) declaration. This process informs appropriate actions, which are agreed in consultation with management and supported by HR.

Related statistics for 2024-25 include;

a) number of exits from the Senior Civil Service (SCS) (2) required BAR forms (there were 3 other SCS leavers but they did not need to be considered for a BAR).

b) number of BARs applications submitted to the department over the year (by grade - SCS2, SCS1, and delegated grades) (15)

c) number of BARs applications approved by the department over the year (by grade - SCS2, SCS1, and delegated grades) (15)

d) number of BARs applications where conditions were set by the department over the year (by grade - SCS2, SCS1, and delegated grades) (15)

e) number of applications that were found to be unsuitable for the applicant to take up by the department over the year (by grade - SCS2, SCS1, and delegated grades) (0)

f) number of breaches of the rules in the preceding year. (0)

In compliance with Business Appointment Rules (BARs), the department is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments is published on gov.uk (Business appointment rules advice | Ofgem).

The Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is comprised of non-executive members of GEMA. ARAC was chaired by Myriam Madden during 2024-25. Additional members of the committee during this period were Mark McAllister, Tony Curzon Price, John Crackett (until May 2024), and Graham Mather (until December 2024). At GEMA's meeting in March 2025, Jonathan Kini was appointed to the role of ARAC Chair from 1 April 2025. The ARAC has four substantive meetings a year, as well as a dedicated meeting to review the annual report and accounts in draft. The Chief Executive, Chief Operating Officer, General Counsel, Director of Finance, Performance and Planning, Deputy Director of Finance, Procurement and Risk, and Head of Business Assurance and Risk are invited to attend Committee meetings, as are other staff as required.

Representatives of Ofgem's External Auditors, the National Audit Office, and representatives of Ofgem's Internal Auditors, Forvis Mazars, are also invited to attend all meetings of the ARAC. As is good practice, the non-executive members of the Committee generally have a private session with the auditors at the end of each meeting. In addition, both the Internal and

External Auditors have regular discussions and direct access to the Chair of the ARAC.

Purpose and responsibilities

The ARAC has terms of reference, which are reviewed each year and published on the Ofgem website. Its key responsibilities are to advise the Accounting Officer and Board in relation to the effectiveness of Ofgem's internal controls, risk management and governance.

It will examine the manner in which Ofgem ensures and monitors the adequacy of the financial control systems and recommend any necessary improvements.

The ARAC advises the Board and makes recommendations in relation to the annual programme of audit reviews covering key financial and control processes, taking into account the current risks facing Ofgem. This includes advising on the accounting policies, the accounts, including the process for reviewing the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors.

Activities during the year

During the year, the ARAC's main areas of activity were:

- Monitoring the progress of Internal Audit plan for 2024-25, and the continued challenge to Ofgem to enhance and embed outcomes from the programme of internal audit.
- Reviewing Internal Audit reports, and other assurance reports commissioned by management, and management responses on topics, including for example: project management, contract management, recruitment, retail compliance, and enforcement.
- Reviewing the draft Internal Audit plan for 2025-26.
- Continuing to challenge Ofgem to enhance, embed and review progress against its improvements to risk management framework.
- Undertaking thematic risk deep dives.
- Reviewing and advising on Ofgem's risk appetite.
- Review of the Ofgem Annual Report & Accounts 2023-24 document and oversight of the planning for the 2024-25 document.
- Consideration of the NAO audit plan and audit completion report.

Reporting

A summary of ARAC proceedings is shared with the Board at subsequent meetings, and the Chair of the Committee is provided with an opportunity to update the Board on any matters they wish to raise.

The People and Remuneration Committee

The People and Remuneration Committee (PRC) is comprised of non-executive members of GEMA. During 2024-25 PRC was chaired by Warren Buckley. Additional members of the committee during this period were Mark McAllister, Jonathan Kini, and Alena Kozakova (until December 2024)

The Chief Executive, Chief Operating Officer, Chief People Officer, and Director of Communications and Engagement are also invited to attend the PRC, as are other staff as required.

Purpose and responsibilities

The PRC terms of reference are reviewed annually published on the Ofgem website.

The key responsibilities of the PRC are to advise the Board and Chief Executive in relation to Senior Civil Service remuneration, and strategic approaches to and policies on people-related issues that impact Ofgem's performance and success.

PRC routinely reviews Ofgem's Workforce Strategy and how this is being embedded.

Activities during the year

During the year, the PRC's main areas of activity were:

- Approving the Ofgem executive team's remuneration and annual objectives
- Reviewing the performance of the Ofgem executive team
- Approving the workforce strategy
- Approving applications made under the Business Appointment Rules, by SCS2 or SCS3 staff, or any other application from a Senior Civil Servant

- Reviewing Ofgem's Board size structure and composition
- Undertaking thematic deep dives on people issues and reviewing people-related policies, including related to diversity and inclusion, flexible resourcing and anti-bullying and harassment
- This year PRC welcomed some of Ofgem's staff networks to its meetings, which have included the Public and Commercial Services Union representatives and the Enable, Embrace, and LGBT+ employee networks.

Reporting

A summary of PRC proceedings is shared with the Board at its subsequent meeting, and the Chair of the Committee is provided with an opportunity to update the Board on any matters they wish to raise.

The RIIO-3 & ED3 Committee

In November 2024, GEMA established a new committee to support the Board's decision-making in relation to RIIO-3 and ED3 network price control programmes. The committee is advisory only, and comprises both non-executive and executive members. The committee met for the first time in February 2025 and is chaired by Graham Mather. Mark McAllister, Alena Kozakova, and Jonathan Brearley are also members of the committee. Staff are invited to attend the RIIO-3 & ED3 committee as required.

Purpose and responsibility

The RIIO-3 & ED3 committee terms of reference were approved by GEMA in December 2024 and are published on our website. The purpose of the committee is to provide guidance and steer to the RIIO-3 and ED3 programmes, and advise GEMA before it makes decisions.

Activities during the year

The committee met twice during 2024-25 and topics covered included consideration of RIIO-3 business plan submissions, and reviewing proposals for the ED3 framework.

Reporting

A summary of RIIO-3 & ED3 committee proceedings is shared with the Board at its subsequent meeting, and the Chair of the Committee is provided with an opportunity to update the Board on any matters they wish to raise.

Enforcement Decision Panel

The Enforcement Decision Panel (EDP) is chaired by David Ashbourne. The Panel's members and its secretariat are employees of Ofgem who are independent from the case team. The EDP meet on a case-by-case basis, in order to make decisions on case specific matters. They also meet quarterly to discuss a range of policy and enforcement issues and to discuss lessons learned from closed cases.

EDP members also form Settlement Committees, with a member of Ofgem staff at Senior Civil Service level, to decide on cases suitable for formal settlement.

Purpose and responsibility

The EDP has been in place since June 2014 to take enforcement decisions on the Board's behalf. It was established to take decisions in enforcement cases by dedicated specialists so that there is a visible separation between the investigation and decision-making functions.

The terms of reference of the EDP and Settlement Committee are published on the Ofgem website.

The key responsibilities of the EDP are to take decisions on behalf of GEMA as to whether there has been a breach of licensee obligations, competition laws, REMIT regulations, or Network and Information Systems (NIS) regulations and whether a penalty or redress package should be imposed and if so what level of penalty or redress.

The key responsibility of the Settlement Committee is to make authorisation decisions on behalf of GEMA. These enable case teams to follow the settlement procedure.

Activities during the year

This year the EDP has met quarterly to discuss a range of policy and enforcement issues and lessons learned from closed cases. The EDP also received updates relating to Ofgem's strategy and policy direction. Mark McAllister has attended to provide members with an update on the strategic priorities and risk appetite from GEMA. Senior Ofgem staff have also attended to provide updates on the case pipeline and priorities.

Topics covered in the reporting period included a demonstration of the new penalty calibration tool developed by the team, specific cyber case training, the contested case guidelines, the Audit of the Enforcement Team.

Reporting

The EDP chair must provide an annual report to the Board, providing a commentary on cases considered in the previous year. This report is for internal use only.

The Senior Executive Committee (SEC) Role and responsibilities

The SEC and four Portfolio Boards (Markets, Infrastructure, Delivery and Schemes, and Chief Operating Officer Portfolio board) support the Chief Executive in the running of the organisation. These committees and boards are not formal Committees of the Board.

The SEC is chaired by the Chief Executive. Alongside its meetings, which took place at least monthly during 2024-25, SEC also has an informal weekly meeting and ad hoc meetings as required. Members of the SEC are listed on the Ofgem website. Other Ofgem staff are invited to attend the SEC meetings as required.

SEC provides a management forum for constructive and collective ownership of Ofgem's overall performance and delivery. It primarily provides guidance, oversight and strategic direction and advises the Chief Executive on specific matters set out in its terms of reference and the Management Controls. The Portfolio Boards are chaired by the relevant Director General or Director to that portfolio, meeting at least monthly and providing regular updates to SEC on decisions taken. Membership is at SCS 1 and 2 level depending on the structure of the group.

The Portfolio Boards are management forums for constructive and collective ownership of the areas for which the chair is responsible, including oversight of performance and delivery, group strategy development, risk management and assurance. Key issues which fall within the Portfolio Boards remit are discussed allowing for cross group understanding of the impact on the groups work.

Activities during the year

SEC discusses both regulatory issues and organisational matters.

During the year, SEC's main areas of activity were advising the Chief Executive in respect of:

- Consideration of management responses to, and monitor progress in implementing recommendations from, Internal Audit and other assurance reports.
- Reviewing and implementing Ofgem's principal risks and the mitigation actions.
- Financial planning, management and delivery assurance against Forward Work Programme commitments.
- Consideration of significant people-related issues, including the organisation's diversity and inclusion strategy and policies.
- Reviewing significant or crosscutting policy or regulatory proposals, or significant matters relating to Ofgem's delivery of environmental and social schemes.
- Reviewing relevant management papers to be submitted to the Board or one of the Board's sub-committees.

Reporting

The CEO provides a monthly report to the Board, summarising high-profile and topical issues facing the organisation, including the activities of SEC and the Directorate Portfolio Boards as appropriate. Quarterly, the CEO reports on delivery against Ofgem's multi-year strategy priorities.

Ofgem's presence in Scotland

Ofgem continues to play a vital role in Scotland's energy landscape, with nearly half of our staff now based there and a growing number of Senior Civil Servant roles located in Glasgow. Our Scottish colleagues contribute a wide range of skills and lead on key policy development.

We have tailored our work to Scotland's unique energy needs — such as its vast renewables potential and the need for grid upgrades — while addressing challenges like fuel poverty and the Radio Teleswitch Service (RTS) switch-off. Our strong relationships with the Scottish Government and consumer groups like Consumer Scotland and Citizens Advice Scotland ensure we stay connected to live issues.

Ofgem's Chair Mark McAllister has actively engaged with stakeholders across Scotland. His visits included the groundbreaking of the Eastern Green Link 2 cable, the Coire Glas hydro project, and Flexitricity's HQ in Edinburgh. He also visited SGN's hydrogen test site in Fife and met with housing associations in Aberdeen to discuss the RTS transition. These visits help identify both risks and opportunities in real time.

Ofgem has led major reforms benefiting Scotland, including:

- **Grid connection reform:** The April 2025 approval of TMO4+ prioritises ready-to-go clean energy projects, unlocking £40 billion annually in investment.
- **Clean energy investment:** Since July 2024, £43.7 billion has been invested in clean energy, with many projects based in Scotland.
- **Undersea interconnectors:** Five new links will connect Scottish renewables to the UK grid, boosting energy security.

We have also pushed suppliers to accelerate RTS meter replacements and launched a national campaign to protect affected consumers, especially in the Highlands and Islands.

Ofgem's offshore transmission work continues to support Scotland's offshore wind ambitions. Our latest £2 billion tender round will help connect key projects in the North Sea and Moray Firth to the grid.

At the May 2025 All-Energy Conference in Glasgow, Ofgem participated in five sessions on energy transition, grid reform, and digital innovation, engaging with over 8,000 stakeholders.

We maintain close coordination with the Scottish Government through structured forums, discussing key issues like price controls and regional energy planning. Looking ahead, we will continue collaborating on the Strategic Spatial Energy Plan to deliver clean, secure, and affordable energy across Great Britain.

Ofgem's presence in Wales

Ofgem's role in Wales has grown significantly, with our Cardiff office expanding from just four staff in 2021, to 140 in 2025. Welsh colleagues continue to contribute a wide range of skills and lead on key policy development.

We have deepened engagement with stakeholders including Citizens Advice Cymru, Warm Wales, and One Planet Cardiff. In February, Ofgem hosted the Time for a Fairer Future event with the Fuel Bank Foundation, highlighting the lived experiences of those in fuel crisis and informing future policy.

Senior colleagues visited key energy sites such as Dinorwig Power Plant and One Planet Cardiff's heat network, which will soon be regulated by Ofgem. These visits help us understand local innovation and infrastructure challenges first-hand.

We have maintained strong dialogue with the Welsh Government and Senedd members, participating in the Cross-Party Group on Fuel Poverty and presenting at National Energy Action (NEA) forums. The October Price Cap webinar provided clarity on a topic of high public interest.

Ofgem's Director General for Markets, Tim Jarvis, met with NEA Cymru to discuss market reform, reflecting our commitment to engaging stakeholders of all sizes.

Major reforms like the April 2025 implementation of TMO4+ are unlocking £40 billion annually in private investment, accelerating clean energy projects across Wales. Ofgem is also supporting the Welsh Government's push for community-beneficial renewables, with 7.8 GW of projects accelerated — many in rural and coastal Wales.

A landmark development is the Clean Energy Llynfi Project, where four microreactors are planned for South Wales. This marks the first new UK nuclear site since 1978 not located near an existing facility, with the first reactor expected by 2027.

Ofgem's RTS campaign continues in Wales, with around 10,000 meters still to be replaced. We've worked closely with local media and communities to raise awareness.

We are also collaborating with the Welsh Government on strategic spatial energy planning and participating in its Independent Advisory Group to shape future electricity infrastructure. These efforts ensure Welsh priorities are embedded in Great Britain's energy transition.

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed Ofgem to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Ofgem and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- Prepare the accounts on a going concern basis; and
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable, and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

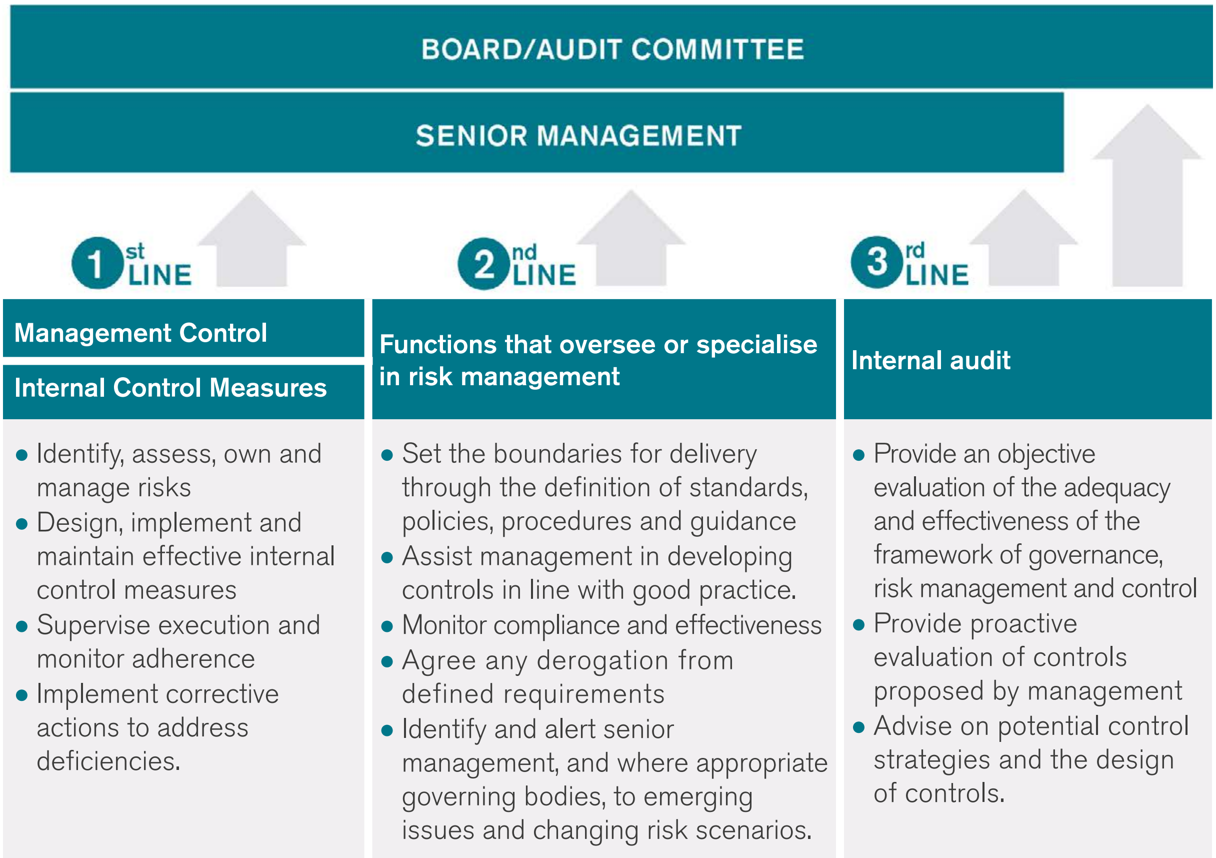
HM Treasury has appointed the Chief Executive as Accounting Officer of Ofgem. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances, for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Ofgem's assets, are set out in Managing Public Money published by the HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information, and to establish that Ofgem's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement

The Governance Statement sets out Ofgem's internal control arrangements, which align to HM Treasury and Cabinet Office guidance. The composition and organisation of the governance structures, and how they support the achievement of the department's priority outcomes, are set out in the section above headed "Corporate Governance Report" while financial, audit, risk and assurance matters are covered below.

Ofgem's approach follows the three lines of defence model recommended by HM Treasury for all HM Government departments. Directors and Directors General are responsible for ensuring effective internal control across first line activities and this is supported, monitored and challenged by corporate oversight within directorates and Ofgem's central support functions. The approach is illustrated below.



Business Assurance, Risk Management and Internal Control in 2024-25

Management considers risks in a simple and practical way, ensuring that they are effectively identified and managed. The approach also defines clear roles, responsibilities and support mechanisms for risk management.

The risk and assurance frameworks help identify key strengths and challenges within Ofgem and build a culture of accountability through deliberate effort and commitment. It prompts leaders to set tone from the top to embed an engaged and accountable corporate culture at all levels.

Integrated assurance plan

During the year, we enhanced the maturity of our second line oversight of significant risks by introducing an integrated assurance plan. This plan sets out the sources of assurance required for each Principal Risk and a range of corporate internal control themes. As part of this we conducted several reviews over the effectiveness of our governance and assurance processes.

- **People & Culture Controls:** Reviews of internal controls over the principal risk related to People & Culture confirmed substantial assurance that these risks are effectively managed.
- **Compliance with corporate policies:** A governance review in one directorate identified minor non-compliances with corporate policies, resulting in recommendations for improved compliance and enhanced training.
- **Data Incident Governance:** Reviews of data incident governance found adequate policies and training in place, although minor breaches could have been prevented with more timely action.
- **Expenses, Travel, and Procurement Card Spending:** Enhanced spot checks on expenses, travel, and procurement card spending revealed no material departures but highlighted opportunities to strengthen controls due to organisational growth.
- **Technology Risk Oversight:** A dedicated review group, including board representation, was established to ensure robust oversight of technology risks.
- **Declaration of interests:** The oversight over potential conflicts of interest was strengthened in 2023-24 by the introduction of an annual declaration, which has delivered a more comprehensive and consistent picture of any potential conflicts for 2024-25. This will be further supported in 2025-26 as new training and guidance materials are rolled out.

Government Functional Standards

Government departments and arm's length bodies must comply with the mandatory requirements of the Cabinet Office functional standards. An Internal Audit review of Ofgem's controls to manage compliance with a sample of the standards didn't identify any non-compliance but recommended that the role of internal corporate oversight in securing assurance on this should be strengthened. This work is being built into the 2025-26 assurance plan.

During 2024-25, the Government Internal Audit Agency reviewed compliance with the fraud functional standard in relation to renewable energy schemes, noting improvements in five key areas. Recommendations from the review will be reflected in a strengthened fraud strategy for Ofgem overall during 2025-26.

His Majesty's Treasury Orange Book principles – Comply or Explain

In 2024, Ofgem updated its risk management policy and was given a 'moderate' rating from auditors as part of their recent risk framework audit.

Ofgem's risk management practices fully comply with all 5 of the Principles of the Orange Book.

Principle A: risk management shall be an essential part of governance and leadership and fundamental to how Ofgem is directed, managed and controlled at all levels

Ofgem fully complies with 'Principle A'.

Ofgem has a clear framework and good practice in place for reviewing, challenging and escalating both the principal risks and strategic risks and issues to SEC and to GEMA.

The ARAC conduct regularly deep dives into the principal and areas for improvement or that are contentious.

This approach promotes the Ofgem's transparent policy of 'no surprises, no blame' culture where professionally managed risk taking is encouraged.

Areas identified for continuous improvement are to embed Ofgem's culture at all levels within Ofgem and to assess the effectiveness of the risk management system on a more regularly basis. This will make sure that all staff new and experienced feel confident in raising risks and will also allow for improvements to the framework to be identified earlier.

Principle B: risk management shall be an integral part of all organisational activities to support decision making in achieving objectives

Ofgem fully complies with 'Principle B'.

Ofgem has a fully embedded project risk management approach being used to oversee the delivery of the tier 1 projects and, by association, the wider Ofgem portfolio. This project risk approach supports the management of the principal risks generally, but particularly the risk around changes in technology.

Principle C: risk management shall be collaborative and informed by the best available information and expertise

Ofgem fully complies with 'Principle C'.

Risk is considered regularly by the GEMA, ARAC, SEC, and at Delivery Boards. Each of these regularly receives risk reports and have dedicated time set aside for risk discussions.

For example, during a principal risk deep dive, the principal risk owner (SEC member) is constructively challenged.

An opportunity for improvement is to further develop the risk reporting platform to allow easier access to good quality data and more focused challenges, especially the effectiveness of mitigating actions and understanding interdependencies between risks better.

Principle D: risk management processes shall be structured to include:

- *the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level*
- *risk identification and assessment to determine and prioritise how the risks should be managed*
- *the design and operation of integrated, insightful and informative risk monitoring*
- *timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities*

Ofgem fully complies with 'Principle D'.

GEMA set the appetite levels and themes for all risks across the organisation. This supports risk owners to be able to implement the appropriate risk mitigating actions, and decide when the risk should be escalated if these actions do not keep or bring the risk back into appetite.

The Ofgem risk framework makes clear who is responsible for what level of risk across the governance structure and the frequency of when risks need to be reviewed.

The frequency of risk reporting is aligned to the general level of risk. ARAC receives a quarterly risk report on Principal risks, and all other risks outside appetite. SEC reviews Principal Risks quarterly including dive deeps and delivery boards receive monthly risk reports, which may include any project risks escalated from Project Delivery Boards. This ensures that the right level of risk data is reviewed at the appropriate time and supports Ofgem to prioritise how decisions are made across all levels.

Principle E: risk management shall be continually improved through learning and experience

Ofgem fully complies with 'Principle E'.

Ofgem has a multi-year 'risk maturity action plan' that enables Ofgem to continuously improve its risk management maturity, as the level of risk management training and expertise varies across the grades and roles within Ofgem.

There is a clear commitment for improving and training is available – e.g. the accredited and non-accredited risk courses available to staff through civil service learning, and internal risk workshops e.g., to improve understanding of risk appetite and tolerance and how they are used within Ofgem.

Our risk framework has been reviewed during 2024-25, in line with one of the objectives of this principle.

Risk overview

Ofgem's risk framework provides a pragmatic and straightforward approach to capturing risk across the organisation. The framework is focused on ensuring Ofgem comprehensively identifies and addresses risks that could impede our strategic goals and operational efficiency.

Throughout the year, we have routinely updated the risk register to reflect our evolving duties and further developed our risk framework, to ensure it fully supports the organisation in capturing and mitigating risk.

Key aims of Ofgem's risk framework:

- **Protect Resources:** Safeguard public funds and departmental assets under Ofgem's stewardship, ensuring their prudent and effective use.
- **Inform Decision-Making:** Utilise the Risk Register to guide the execution of Ofgem's policies, objectives, and strategic directives.
- **Clarify Risk Principles:** Clearly articulate Ofgem's approach to risk management, fostering an environment of transparency and understanding.
- **Cultivate Risk Awareness:** Encourage a culture that recognises the value of appropriate and managed risk-taking as a catalyst for innovation and progress.
- **Integrate Risk Management:** Seamlessly incorporate risk management practices into Ofgem's business processes, laying the foundation for robust corporate governance.

By enhancing the risk framework, Ofgem can better anticipate challenges, protect its interests, and continue to serve the public effectively. Following HM Treasury guidance, we can confirm that we comply with the 5 Principles of risk management, as per the Orange Book.

This year we introduced a number of additional measures to further embed robust risk management across Ofgem, and have detailed the most significant improvements below:

- **Linking connected risks:** Our risk software allows us to link connected risks and issues. This allows us to link Strategic risks or issues to our Principal risks, to provide risk owner with greater oversight of these risks and issues and ensure that our risks and issues remain aligned not matter what level these are being managed at.
- **Risk Training videos:** Using our integrated software, we have developed a series of risk training videos, called Risk Bites. These are for all levels of users of our risk software, to give quick, easy access to online training sessions, to ensure best use of the software.
- **Control Testing of Principal Risks:** A programme has been developed to review and test all the controls linked to our Principal risks. This programme will continue to be developed, leading to the review of controls.
- **Extending the use of AI to generate Risk Descriptions:** The Government Internal Audit Agency (GIAA), has developed a closed source AI application, based on their own history of audit reports. This 'Risk Engine' is being used to help 1st and 2nd line risk teams to develop risk descriptions, based on business objectives.
- **Supported Horizon Scanning:** We have developed a parallel process to record risks coming from the current strategic horizon scanning process. We have also supported an initiative to record risks to the wider energy market, separately from those presently recorded against Ofgem.

The board reviewed our risk appetite and agreed changes to it during the year. We continued to apply our risk appetite to individual risks and report to the executive any risks outside of appetite, to ensure appropriate oversight of these risks.

Detailed below is an overview of Ofgem's most significant risks and the key actions that have been undertaken to control and mitigate these:

Principal Risks

Consumer Protection

Failure to identify and take regulatory action to protect consumers in areas of fair pricing, debt and consumer vulnerability leading to loss of trust in the retail energy market and consumer harm.

Controls/Mitigant

- Co-ordinating across relevant portfolios to ensure joined up and consistent decision making relating to vulnerable consumers.
- Identifying Policy options around consumer standards, prepayment meter smart meters, additional support credit, load limiting and debt pathways.

- Sharing data and Priority Services Register between Department for Work and Pensions and other government departments around vulnerable consumers.
- Periodically engaging with network companies, encouraging them to do more under their current incentives to support vulnerable customers.
- Retail compliance and market compliance reviews are conducted to ensure suppliers are compliant with relevant rules protecting consumers in debt and helping to identify gaps.
- Engaging with suppliers and Energy UK, consumer groups and charities to fully understand issues affecting vulnerable customers, promote their concerns to HM government and explore what more can be done by industry to support customers at risk from rising prices.

Resilience of the energy sector

Failure to implement and enforce sufficient regulatory safeguards and standards to incentivise a resilient energy market and ensure security of supply to consumers.

Controls/Mitigant

- Protect consumers through our joint Competent Authority role with DESNZ by driving an increase in the cyber and security resilience measures across regulated operators of essential services. This includes a programme of 'Network and Information Systems' regulation inspections, to assess the level of cyber resilience across the sector, as well as the use of guidance and proactive industry engagement, with a view to maintaining and improving standards.
- Developing a joint strategy to strengthen cyber resilience of the GB energy system in collaboration with DESNZ, the National Cyber Security Centre and NESO.
- We worked closely with National Grid and ESO in the run up to the publication of their Winter Outlook Plan 2024 to 2025 and hosted a public seminar which was attended by more than 300 stakeholders.

Financial Resilience

Consumers could face elevated costs because (i) there are more financial failures than is consistent with our risk tolerance; (ii) because financial failures that do occur result in costs higher than what we deem acceptable; or (iii) because an absence of investability leads to a lack of investment.

Controls/ Mitigant

- Regular horizon scanning and external risks evaluation took place.
- There is close collaboration with DESNZ and stakeholders around Special Administration Regime contingencies planning.
- We have an embedded process for supplier stress testing and regular monitoring of capital and liquidity. Should they be required, there are detailed plans in place for both the Supplier of Last Resort process and Special Administration Regime. This includes an increased oversight of market and data, to better understand impacts and inform HM Government to influence their response.
- We continue to develop tailored compliance processes to address financial distress.
- Delivery of the ring fence review (summer 2026) and continuation of low-level financial resilience monitoring of RIIO network companies.

Environmental and social scheme delivery

Failure to deliver social and environmental schemes efficiently, effectively and compliantly leads to lack of uptake of the schemes, fraud, loss of reputation and government trust.

Controls/Mitigant

- Strategy for schemes is agreed with funding bodies and aligned to Ofgem's wider strategy to ensure alignment in our objectives and goals. There is regular engagement with funding bodies and performance KPIs in place to support early identification of potential issues.
- Regular cycle of budget review and approval conducted with funders, with strong governance over any change requests.

- Tailored, robust training is provided to ensure our staff have the capability to deliver our schemes effectively, and there are detailed standard operating procedures in place and reviewed regularly.
- Mature and well-embedded risk and assurance framework in place for schemes. This includes clear risk governance and escalation, regular risk discussions deep dive workshops conducted on Strategic risks and issues, and an internal assurance programme of work in place that focusses on key risk areas with regular deep dives. There are also a quarterly cycle of horizon scanning to regularly identify threats and opportunities early and help resilience.
- For projects, changes and new schemes there is governance through a programme management office, dedicated legal support in place to assist in delicate legislative matters and detailed Feasibility Studies completed as part of new scheme delivery decisions, which enable us to be confident in administrating the schemes effectively.

Infrastructure Investment

Failure to enable time critical investment in industry infrastructure to meet future system needs, prioritise and accelerate necessary infrastructure investment and build, leading to delays in the delivery target of Net Zero.

Controls/Mitigant

- We are working with NESO to develop the Strategic Spatial Energy Plan methodology, ensuring alignment with regulatory duties, and protecting consumer interests.
- Consultation on the introduction of Regional Energy Strategic Planners, to enable the coordinated development of the energy system across multiple vectors, provide confidence in system requirements and enable network infrastructure investment ahead of need.
- Published the methodology for the new price control, RIIO-3, in July 2024 which will provide robust, predictable regulation whilst also being adaptable for uncertain decisions and circumstances for the electricity networks beyond 2026.
- Consultation on the ED3 Framework, which explored a wide range of design options and which will set our regulatory arrangements for the local electricity distribution networks ahead of the next price control period starting in April 2028.
- Continued to progress projects under the Accelerated Strategic Transmission Investment programme, which is a fast-track for major transmission projects that accelerates the funding process by up to two years and a vital part of our journey to Net Zero.
- Published the decision to introduce the Advanced Procurement Mechanism into the electricity transmission price control. This will enable transmission owners to book supply chain capacity earlier than current arrangements, supporting delivery of GB decarbonisation and clean power targets while also supporting wider opportunities for supply chain growth.

People and Culture

Failure to recruit and retain talent with the appropriate skills, background diversity and attitude, leading to Ofgem being unable to deliver our ongoing forward work plan.

Controls/Mitigant

Launched the workforce strategy – focusing people deliverables against our Strategic Priorities and implementation of this has resulted in the following actions:

- We changed our approach to staff recruitment, recruiting by profession, with a proactive recruitment model and bulk recruitment activity to support higher numbers of required new starters to allow us to effectively fill the high number of vacancies created to support the delivery of our forward work plan and additional duties.
- Increased social media engagement, including in relation to professions, so that Ofgem is seen as an employer of choice.
- Organisational prioritisation to identify areas of work that will stop – allowing the redeployment of colleagues to key areas of priority.

- Refreshed the further education programme to continue to build capability within professions.
- Continued to deliver the staff wellbeing programme that was set up in 2023-24.

Changes in Technologies

Failure of our regulatory frameworks to be set up, keep track of or capitalise on the opportunities of changes in technologies and innovation in infrastructure assets or the digitalisation or market structures.

Controls/Mitigant

- Refining Artificial Intelligence (AI) guidance for the energy sector, reflecting responses received from a December 2024 consultation on the draft.
- Developing a joint strategy to strengthen cyber resilience of the GB energy system in collaboration with DESNZ, the National Cyber Security Centre and NESO.
- Through our joint Competent Authority role with DESNZ, Ofgem continues to protect consumers by driving an increase in the cyber and security resilience measures across regulated operators of essential services. This includes a programme of 'Network and Information Systems' regulation inspections, to assess the level of cyber resilience across the sector, as well as the use of guidance and proactive industry engagement, with a view to maintaining and improving standards.
- Consultation on Data Sharing Infrastructure to facilitate the secure sharing of sensitive data within the energy sector, which is crucial for system operation and market facilitation.
- Working collaboratively with DESNZ to improve Asset Visibility since the publication of the Energy Data Taskforce. The DESNZ-commissioned Automatic Asset Registration program is building an evidence base for whether a 'Central Asset Register' is needed for small-scale electricity assets.
- Consultation on a new consumer consent solution.

Energy Market Performance

Infrastructure companies' performance failures and/ or excessive profits will result in the public losing confidence in Ofgem's regulation of energy infrastructure resulting in reputational damage.

Controls/Mitigant

- Network companies held to account for timely delivery through Accelerated Strategic Transmission Investment programme.
- NCSC, Ofgem, DESNZ tripartite established to agree roles and responsibilities and develop a coordinated strategy.
- Annual monitoring in place via regulatory reporting.

Internal Audit Assurance Opinion

Our Internal Auditor, Forvis Mazars LLP, completed an agreed schedule of reviews throughout the year. These were identified through risk-based Internal Audit planning and interviews with Ofgem management and the Audit and Risk Assurance Committee.

On the basis of their audit work, Forvis Mazars' opinion on the framework of governance, risk management and control is Moderate in its overall adequacy and effectiveness.

While the annual internal audit opinion remains unchanged from the previous year, it is important to note that no Limited assurance opinions were issued in 2024-25 compared to three in 2023-24, indicating a positive trend. A 'Substantial' assurance opinion was provided for two internal audits; RIIO-3 Project and Recruitment. The rest of the opinions for internal audits in the year were Moderate.

Certain weaknesses and exceptions were highlighted by internal audit. No 'High' priority findings have been raised, however a total of 20 'Medium' priority findings have been raised. These matters have been discussed with management, to whom the internal auditors have made several recommendations. All of these have been, or are in the process of being addressed.

Common findings identified during the 2024-25 audits were:

- Resource constraints and planning – noted in four reports, and a common theme reported across the public sector more broadly
- Manual processes and systems limitations – reliance on manual processes and system functionality limitations were noted in two reports
- Inconsistent risk management – noted in three reports that there were some inconsistencies in how the risk framework was implemented

Previously identified common findings, where improvement was identified and supported the two "substantial" rated audits were:

- Training and induction programmes – regular training in place for new staff to relevant teams and inductions for new joiners
- Comprehensive documentation - key documentation is in place including guidance documentation and procedures.
- Clear governance structures in place

In December 2024, an External Quality Assessment (EQA) was conducted for Forvis Mazars. This confirmed that Forvis Mazars "generally conform" with professional standards. This rating is the highest rating that can be achieved.

Quality Assurance of analytical models

Ofgem continued to subject the department's analytical work to quality assurance. This involves supporting policy teams to develop and review their analytical work, including business critical models, other models, evaluation, cost-benefit analysis, and impact assessments. Ofgem's quality assurance procedures follow the guidance issued by HM Treasury in their 2013 review. This continues to ensure Ofgem's analytical work is accurate, robust, and produced to the highest standards.

Internal whistleblowing cases in Ofgem

Ofgem's internal whistleblowing policy is a process for staff to raise any whistleblowing concerns and supports our culture of employees feeling confident to speak up about issues of concern in a safe and supportive environment. Our policy aligns with the recommendations and good practice published by the Civil Service and Protect. Two issues were raised under this policy during the year.

Complaints to the Parliamentary Ombudsman

There were 43 primary investigation cases accepted by the Parliamentary and Health Service Ombudsman during 2024-25, with no cases remaining open from the previous year. No cases were upheld in part or in full. 29 cases were not upheld. 14 primary investigation cases are still ongoing in 2025.

Independent reviews

As noted in the Performance Report, a review of Ofgem by DESNZ was announced in December 2024, with findings expected to be published during 2025-26.

A Board Effectiveness review was carried out during 2024-25. Further details are included in the directors' report on page 42.

Conclusion

There is a high level of confidence from the principal risk owners that there is good governance and a series of internal and external activities to give good assurance and monitoring over Ofgem's key risk areas.

Assurance over compliance with corporate polices and processes was mainly assessed as "moderate" during the year, but that doesn't fully reflect the improvements made against a challenging context of competing priorities. Some areas of Ofgem that had previously been assessed as being less mature on risk management have strengthened their approach and improved maturity during 2024-25 so that there is greater consistency. Although there is potential for greater efficiency, some of which are in scope for planned investment in Ofgem's corporate systems, the overall control environment continues to be effective.

The internal control system has been in place for the year under review and up to the date of approval of the annual report and accounts.

I have considered the evidence that supports this Governance statement, including from the department's governance structures and the independent advice provided by the ARAC and Internal Audit. Overall, I am satisfied that the department has effectively managed risks and strengthened assurance during 2024-25 and I conclude that Ofgem has satisfactory governance and risk management systems in place.

Jonathan Brearley
Chief Executive
14 July 2025

Remuneration and Staff Report

Remuneration report

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit through fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

Remuneration Policy

The remuneration of all employees is set out in their contracts and is subject to annual review in line with awards agreed by Cabinet Office and, for senior civil servants, as recommended by the Senior Salaries Review Body. Apart from the Chair our senior employees are permanent members of staff. None of them have a notice period longer than six months.

Each permanent member of staff of the Senior Leadership Team is eligible to participate in a bonus scheme that is in line with Cabinet Office guidelines. The bonus is based on the individual's performance. Bonus payments are non-consolidated and non-pensionable.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior management (i.e., Board members) of the department.

Single total figure of remuneration (audited)

	Salary (£000) 2024-2025	Salary (£000) 2023-2024	Bonus Payments (£000) 2024-2025	Bonus Payments (£000) 2023-2024	Benefits in kind (to nearest £00) 2024-2025	Benefits in kind (to nearest £00) 2023-2024	Pension Benefits (to nearest £000) 2024-2025*	Pension Benefits (to nearest £000) 2023-2024*	Total (£000) 2024-2025	Total (£000) 2023-2024
Members of the Senior Executive Committee – SEC (Note 1)										
Jonathan Brearley	205-210	200-205	5-10	5-10	-	-	94,000	116,000	310-315	320-325
Melinda Johnson	190-195	115-120	0-5	0-5	-	-	149,000	60,000	340-345	175-180
Tim Jarvis	145-150	80-85	5-10	0-5	-	-	138,000	70,000	290-295	150-155
Akshay Kaul	150-155	140-145	5-10	5-10	-	-	59,000	55,000	215-220	200-205
Neil Lawrence	155-160	150-155	0-5	5-10	-	-	61,000	58,000	215-220	215-220
Neil Kenward	135-140	120-125	10-15	10-15	-	-	151,000	72,000	300-305	200-205
Priya Brahmbhatt-Patel	135-140	120-125	10-15	5-10	-	-	143,000	70,000	290-295	195-200
Sinead Murray	140-145	130-135	10-15	10-15	-	-	95,000	56,000	245-250	195-200
Members of the Executive Committee - ExCo (Note 2)										
Cathryn Scott	-	50-55	-	-	-	-	-	76,000	-	130-135
Eleanor Warbuton	-	30-35	-	-	-	-	-	27,000	-	60-65
Peter Bingham	-	45-50	-	-	-	-	-	18,000	-	65-70
Philippa Pickford	-	25-30	-	-	-	-	-	79,000	-	105-110
Rebecca Barnett	-	45-50	-	5-10	-	-	-	15,000	-	65-70
Richard Smith	-	55-60	-	-	-	-	-	31,000	-	85-90
Stuart Okin	-	35-40	-	0-5	-	-	-	20,000	-	60-65

	Salary (£000) 2024-2025	Salary (£000) 2023-2024	Bonus Payments (£000) 2024-2025	Bonus Payments (£000) 2023-2024	Benefits in kind (to nearest £00) 2024-2025	Benefits in kind (to nearest £00) 2023-2024	Pension Benefits (to nearest £000) 2024-2025*	Pension Benefits (to nearest £000) 2023-2024*	Total (£000) 2024-2025	Total (£000) 2023-2024
Non executive members of the Authority (Note 3)										
Mark McAllister (Chair)	170-175	65-70	-	-	-	-	-	-	170-175	65-70
Martin Cave (former Chair)	-	95-100	-	-	-	-	-	-	-	95-100

*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Note 1: Melinda Johnson was appointed as Chief Operating Officer from 7 August 2023 with a full year equivalent salary in 2023-24 of £180,000-£185,000. Tim Jarvis was appointed as Director General, Markets from 4 September 2023, with a full year equivalent salary in 2023-24 of £135,000-£140,000.

Note 2: During 2023-24, a new governance structure was implemented. The Executive Committee (ExCo) was in place until the end of August 2023 and replaced by the Senior Executive Committee (SEC) from 1 September 2023. The listed directors' remuneration and pension benefits shown in the table is reported only for the periods where they were serving on the ExCo, i.e. 1st April 2023 – 30 August 2023, with the exception of Stuart Okin who became a member of ExCo on 1st June 2023 and Phillippa Pickford who left on 16th July 2023. All former Exco members remain in post (with the exception of Richard Smith who left on 1st November 2023 and Rebecca Barnet who left on 14th July 2024) but did not serve on a board during 2024-25. Further details on the boards is provided within the Directors' Report.

Note 3: During 2023-24, there was a change of Chair Martin Cave was Chair until 15 November 2023, with a full year equivalent salary of £160,000-£165,000. Mark McAllister joined as Chair on 6 November 2023, with a full year equivalent salary in 2023-24 of £170,000-£175,000.

Remuneration of other non-executive members of the Authority

	Honorarium 2024-2025	Allowance 2024-2025	Honorarium 2023-24	Allowance 2023-24
Lynne Embleton	-	-	£13,333	£3,250
John Crackett	£1,720	£0	£20,000	£0
Myriam Madden	£20,000	£3,000	£20,000	£3,000
Barry Panayi	£20,000	£0	£20,000	£0
Warren Buckley	£20,000	£3,000	£8,055	£448
Tony Curzon Price	£20,000	£0	£8,055	£0
Jonathan Kini	£20,000	£0	£8,055	£0
Alena Kozakova	£20,000	£0	£8,055	£0
Graham Mather	£20,000	£0	£8,055	£0

Lynne Embleton ended her term on 30 November 2023, the annualised equivalent figures were £20,000 honorarium and £3,000 allowance.

John Crackett ended his term on 01 May 2024, the annualised equivalent figure is £20,000 honorarium. There was no allowance.

Nick Winser served as an advisor to the Board from 6 June 2024 to 31 March 2025 and was paid £16,388 (annualised equivalent of £20,000).

Remuneration of members of the Enforcement Decision Panel (EDP)

	2024-2025 (£000)	2023-2024 (£000)
Megan Forbes	0-5	10-15
Peter Hinchliffe	10-15	30-35
Dr Ulrike Hotopp	5-10	5-10
Ali Nikpay	0-5	0-5
Dr Philip Marsden	-	0-5
Andrew Ellam	0-5	0-5
Juliet Lazarus	5-10	0-5
David Ashbourne	15-20	0-5

Dr Philip Marsden ended his term in May 2023. Juliet Lazarus joined the panel in January 2024 and David Ashbourne joined the panel in February 2024.

The Enforcement Decision Panel (EDP) operates with authority delegated from the Authority; therefore, members of the EDP are appointed as Ofgem employees.

The Members of the EDP will be appointed for terms ranging between 3 and 5 years. The total time commitment is expected to be in the region of up to 25 days per year, depending on the number of contested cases. Members are remunerated based on hours worked (but earning at least £1,000 per year). As employees, EDP members automatically join the civil service Alpha pension scheme (with the option to opt out). There are no minimum earnings requirements to be a member of the Alpha pension scheme.

In addition to remuneration shown in the table above, to the nearest £'000, Megan Forbes received pension benefits of £nil (2023-24: £4,000), Juliet Lazarus received pension benefits of £2,000 (2023-24: £1,000), and David Ashbourne received pension benefits of £6,000 (2023-24: £nil).

Salary

"Salary" includes gross salary; overtime; private office allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and as recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument.

Bonuses (audited)

Bonuses are based on performance levels attained and made as part of the appraisal process.

Bonuses relate to the performance in the year in which they become payable to the individual. The end of year performance bonuses paid in 2024-25 relate to performance in 2023-24, and the comparative bonuses paid in 2023-24 relate to the performance in 2022-23.

In 2024-25, there were 1,663 staff (2023-24: 1,233 staff) who received a bonus. The average bonus payment was £1,169 (2023-24: £1,157), and the total amount paid in bonuses equalled £1,944,292 (2023-24: £1,426,913). One individual received the largest total bonus payment of £10,590 (2023-24: two individuals received the largest bonus of £10,500).

Pay multiples (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce. The banded full year equivalent remuneration of the highest-paid director in the financial year 2024-25 was £215,000-£220,000 (2023-24: £205,000-£210,000); this represents a 2.47% salary % change (£202.5k to £207.5k) and 0.00% bonus % change (£7.5k to £7.5k). The below table shows the ratios of the mid-point of the banded remuneration of the highest- paid director, to the pay and benefits figures of the employees whose pay and benefits are on the 25th, 50th and 75th percentiles of Ofgem employees.

	25th Percentile (Lower Quartile) Pay Ratio	50th Percentile (Median) Pay Ratio	75th Percentile (Upper Quartile) Pay Ratio
2024-25	6.14:1	4.39:1	3.40:1
2023-24 (restated)	6.35:1	4.59:1	3.50:1

2023-24 figures have been restated as they related to base salary only and not total remuneration.

Pay ratios have reduced compared to 2023-24. This can be attributed to the overall increase in pay and benefits for the Ofgem's employees taken as whole being higher than the remuneration increase of the highest paid director.

The 2024-25 total pay and benefits, and the salary component of total pay and benefits, of the employees on the 25th, 50th and 75th percentiles are shown below:

	25th Percentile (Lower Quartile) £	50th Percentile (Median) £	75th Percentile (Upper Quartile) £
Total pay and benefits 2024-25	35,036	49,015	63,318
Total pay and benefits 2023-24 (restated)	33,054	45,702	59,999
Salary component of total pay and benefits 2024-25	34,350	47,895	61,446
Salary component of total pay and benefits 2023-24 (restated)	32,498	45,077	59,999

In 2024-25, there was an increase from 2023-24 in the full year equivalent salary and allowances of the highest-paid director. The average percentage change from 2023-24 in the salary and allowances of Ofgem employees taken as a whole was an increase of 6.98%, and in performance pay and bonuses payable, an increase of 24.32%.

In 2024-25, none (2023-24: none) of Ofgem's employees received remuneration in excess of the highest-paid director.

Employee remuneration ranged from £20,000 to £215,000 (2023-24: £20,000 to £210,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Pension benefits (audited)

	Accrued pension at pension age as at 31/3/25 and related lump sum (£000)	Real increase in pension and related lump sum at pension age (£000)	CETV at 31/3/25 (£000)	CETV at 31/3/24* (£000)	Real increase in CETV (£000)
Jonathan Brearley Chief Executive	55-60 plus a lump sum of 130-135	5-7.5 plus a lump sum of 0-2.5	1,207	1,082	66
Akshay Kaul	25-30	2.5-5	378	303	38
Melinda Johnson	65-70	7.5-10	1,393	1,191	140
Neil Kenward	45-50 plus a lump sum of 110-115	5-7.5 plus a lump sum of 12.5-15	987	814	133
Neil Lawrence	10-15	2.5-5	195	133	38
Priya Brahmbhatt-Patel	45-50	7.5-10	822	676	110
Sinead Murray	50-55 plus a lump sum of 75-80	5-7.5 plus a lump sum of 5-7.5	990	859	77
Tim Jarvis	60-65	5-7.5	1,238	1,061	127

*The pension benefits of any members affected by the public service pensions remedy which were reported in 2022-23 based on alpha membership for the period between 1 April 2015 and 31 March 2022 have been reported since 2023-24 based on PCSPS membership for the same period.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff report

Average number of people employed (audited)

The average number of whole-time equivalent people employed during the year was:

	Permanently employed staff 2024-25	Others 2024-25	Total 2024-25	Total 2023-24
Regulatory	872	28	900	724
Delivery & Schemes	716	54	770	671
Corporate and Central Services	522	84	606	490
Total	**2,110**	**166**	**2,276**	**1,885**

2023-24 split has been restated between regulatory and corporate and central services to align to the operating segments reported in note 2 of the accounts.

There was an average of 98 (2023-24: 69) whole-time equivalent people in the SCS grade during the year. Of these, 72 (2023-24: 55) were in pay band 1, 22 (2023-24: 11) in pay band 2, and 4 (2023-24: 3) in pay band 3.

Staff costs (audited)

Staff costs comprise:

	Permanently employed staff 2024-25 (£000)	Others 2024-25 (£000)	Total 2024-25 (£000)	Total 2023-24 (£000)
Wages and salaries	103,767	15,795	119,562	96,631
Social security costs	11,726	630	12,356	10,157
Other pension costs	27,995	1,363	29,358	23,212
Other staff costs	177	-	177	33
Apprenticeship Levy (tax expense)	539	-	539	437
Total	**144,204**	**17,788**	**161,992**	**130,470**

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

The accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal pension age is 60 for members of classic, premium, and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members (the "McCloud judgment").

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The Public Service Pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023.

The accrued pension benefits, Cash Equivalent Transfer Value and single total figure of remuneration reported for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the PCSPS for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the PCSPS for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022

The Scheme continues to consider the potential impact of the High Court & Court of Appeal judgments in the Virgin Media (VM) litigation. The VM litigation relates to amendments made to private sector and not public service schemes and as a result it does not expressly deal with whether s 37 confirmations are required for relevant amendments made to public service schemes.

Public service scheme amendments during the relevant period would have been made by legislation (i.e by primary legislation or regulations). The general position in public law is that legislation remains valid law until it is revoked or repealed by subsequent legislation or in the case of regulations specifically declared void by a court. The Scheme therefore continues to administer benefits and recognise liabilities in accordance with the relevant scheme regulations currently in force.

For 2024-25, employers' contributions of £29,563,560 were payable to the PCSPS (2023-24: £22,940,594) of pensionable earnings.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Master trust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). Employers' contributions of £383,603 (2023-24: £270,140) were paid to one or more of the panel of three appointed stakeholder pension providers.

The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% £15,348 (2023-24: £11,255) of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Contributions due to the partnership pension providers at the balance sheet date were £52,780 (2023-24: £34,783). Contributions prepaid at that date were nil (2023-24: nil).

Zero persons (2023-24: zero persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to nil (2023-24: nil).

Consultancy expenditure

Our expenditure on consultancy services in 2024-25 was £15.7 million, per note 3 of the accounts (2023-24: £18.8 million; 2022-23: £29.6 million). In line with the Chancellor's expectations we have introduced controls to ensure that money is only spent where it has been challenged and assessed as essential. We attempt to minimise our reliance on external support by running targeted recruitment campaigns for the skills required to deliver our strategy. We continue to use professional service support to obtain access to specialists who provide professional or legal advice in relation to the delivery of our portfolio of work, as well as those that provide specialist delivery support where it is not economical to maintain this expertise in-house.

Off-payroll appointees

Highly paid off-payroll worker engagements as at 31 March 2025, earning £245 (note 1) per day or greater:

	Number
No. of existing engagements as of 31 March 2025	-
Of which, no. that existed:	
less than one year	-
for between one and two years	-
for between two and three years	-
for between three and four years	-
for four or more years	-

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2025, earning £245 per day or greater:

	Number
No. of temporary off-payroll (note 2) workers engaged during the year ended 31 March 2025	-
Of which:	
Not subject to off-payroll legislation	-
Subject to off-payroll legislation and determined as in-scope of IR35	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	-
No. of engagements reassesses for compliance or assurance purposes during the year	-
Of which: No. of engagements that saw a change to IR35 status following review	-

For any off-payroll engagement of board members, and/or senior officials with significant financial responsibility, between 1 April 2024 and 31 March 2025:

	Number
No. of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year	-
Total no. of individuals on payroll and off-payroll that have been deemed 'board members and/or senior officials with significant financial responsibility', during the financial year	2

Note 1: The £245 threshold is set to approximate the minimum point of the pay scale for a Senior Civil Servant.

Note 2: A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation, and the entity must undertake an assessment to determine whether that worker is in-scope of Intermediaries legislation (IR35) or out- of-scope for tax purposes.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on

1 April 2017. These regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

Relevant union officials

Total number of employees who were relevant union officials between 1 April 2024 and 31 March 2025:

	Number
Employees who were relevant union officials during the relevant period	21
Full-time equivalent employee number	20.73

Percentage of time spent on facility time

For employees who were relevant union officials employed between 1 April 2024 and 31 March 2025, percentage of their working hours spent on facility time:

	Number
0%	2
1-50%	19
51-99%	0
100%	0

Percentage of pay bill spent on facility time

For employees who were relevant union officials employed between 1 April 2024 and 31 March 2025, percentage of pay bill spent on facility time:

	£/%
Total cost of facility time	£45,148
Total pay bill	£162 million
Percentage of the total pay bill spent on facility time	0.03%

Paid trade union activities

For employees who were relevant union officials employed between 1 April 2024 and 31 March 2025, percentage of time spent on paid trade union activities.

Time spent on paid trade union activities as a percentage of total paid facility time hours was nil.

Reporting of civil service and other compensation schemes – exit packages (audited)

Exit package cost band	Number of compulsory redundancies 2024-25	Number of other departures agreed 2024-25	Total number of exit packages by cost band 2024-25	Number of compulsory redundancies 2023-24	Number of other departures agreed 2023-24	Total number of exit packages by cost band 2023-24
<£10,000	-	-	-	-	-	-
£10,000-£25,000	-	-	-	-	-	-
£25,000-£50,000	-	-	-	-	-	-
£50,000-£100,000	-	4	4	-	2	2
£100,000-£150,000	-	-	-	-	-	-
£150,000-£200,000	-	-	-	-	-	-
£200,000-£250,000	-	-	-	-	-	-
Total number of exit packages	-	4	4	-	2	2
Total cost £000	-	323	323	-	133	133

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. The table above shows the total cost of exit packages agreed and accounted for in 2024-25 (2023-24 comparative figures are also given).

Where the department has agreed early retirements, the additional costs are met by the department, not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and not included in the table.

Staff composition

The table below shows staff composition as at 31 March 2025:

Staff composition (as of 31 March 2025)	Total women	Percentage	Total men	Percentage
All employees	1,032	46%	1,205	54%
SCS Payband 1	34	47%	38	53%
SCS Payband 2	12	55%	10	45%
SCS Payband 3	1	25%	3	75%

Employee involvement

Employee Engagement Index (EEI) is a measure used to ensure that employees are committed to their organisation's goals and values, and are motivated to contribute to organisational success. The Civil Service People Survey uses five questions to measure employee engagement, and combine all responses (positive, neutral and negative) into a summary index score, to tell departments where they sit on a scale of very disengaged (0%) through to very engaged (100%).

Our overall engagement score is 62%, which is compared to 59% in 2023. The Civil Service benchmark for 2024 is 64%.

A breakdown of Ofgem's result against the five areas is as follows:

Key People Policies

Ofgem has reviewed and updated policies on Whistleblowing, secondments and loans, working abroad and career breaks. We have also developed guidance on sexual harassment in line with legislative changes. We have introduced new policies on menopause support and domestic abuse and developed guidance on supporting our people with miscarriage and fertility.

From a reward and benefits perspective, we have introduced a policy which allows staff to buy and sell annual leave provision.

Culture Transformation at Ofgem

Ofgem is undergoing significant internal and external changes, aligning with the government's Plan for Change, which aims to modernise the Civil Service, improve efficiency, and enhance leadership standards. These reforms provide an opportunity for Ofgem to reassess its role and evolve its workplace culture to better meet future challenges.

To support this transformation, Ofgem has engaged extensively with colleagues through interviews and surveys, shaping a vision for a more dynamic and collaborative work environment.

A three-year Culture Implementation Plan is being developed, ensuring alignment with broader workforce strategies and civil service reforms. This plan has been presented to senior committees for review and approval, reinforcing Ofgem's commitment to fostering a positive and adaptable workplace culture.

Recruitment

A 'Substantial' assurance opinion was provided for the internal audit of Ofgem's recruitment processes this year.

Diversity and inclusion

In Ofgem's dual role as an employer and a regulator, we are committed to meeting our legal obligations and promoting equality and diversity among our workforce, in the way we work and in the industry we regulate.

We promote equality and diversity at work: in recruitment, employment, training and career development. No one should suffer discrimination because of age, disability, gender reassignment, pregnancy or maternity, race, religion or belief, sex or sexual orientation. We do not tolerate discrimination, bullying or harassment.

Our score for inclusion and fair treatment in the 2024 staff engagement survey was 85%, an increase of 1% compared to 2023. In 2022-23, we refreshed our Equity, Diversity and Inclusion Strategy, and one of the key priorities of this has been a focus on building a diverse and inclusive workforce, and an inclusive culture.

Since the launch of the strategy, we have developed a robust data dashboard to report on our workforce representation by protected characteristics and the socio-economic background of our staff improved data declaration rates via an internal campaign. We continue to make good progress against our aspirational targets and reached a 50:50 gender balance at senior levels of the workforce, and we continue to focus on increasing representation of ethnic minority and disabled staff via specific action plans for race and disability.

We are in the second year of our social mobility action plan. We have undertaken social mobility outreach work with Tower Hamlets and Glasgow Councils and City, University of London. We have continued working with the Ministry of Justice in their cross-government Catapult Mentoring programme, providing mentors and mentorship to existing civil servants from a low socio-economic background. We have also collaborated with the Civil Service Social Mobility Network, contributing to the creation of the 'Thriving in the Workplace Guidance'.

We launched an Optimal Working Passport app to improve and automate the process for requesting reasonable adjustments – the first of its kind across the Civil Service. We developed policy and guidance on understanding Neurodiversity, to raise awareness and help support neurodiverse colleagues.

In addition, Ofgem has continued to support our diversity and inclusion staff led networks covering age, disability and carers, ethnicity and race, LGBT+, mental health, Muslim faith and women. In this reporting period we have launched two new networks on Jewish faith and social mobility.

As at 31 March 2025:

- 9% (2023-24: 9%) of staff were known to have a disability
- 46% (2023-24: 46%) of staff were women
- 43% (2023-24: 43%) of staff in managerial grades (Level 3 to SCS3) were women
- 48% (2023-24: 47%) of Senior Civil Service members in Ofgem were women
- 31% (2023-24: 29%) of staff were known to be of ethnic minority origin

- 17% (2023-24: 18%) of staff in managerial grades (Level 3 to SCS3) are from an ethnic minority background.

Our policy statement on equal opportunity is available to all employees.

Ofgem's gender pay gap data can be found at: [Gender pay gap reports for Ofgem – Gender pay gap service (gender-pay-gap. service.gov.uk)](gender-pay-gap.service.gov.uk).

Diversity and inclusion formed a key aspect of our external engagement with the wider energy sector this year. In June 2024, we proudly partnered with Energy UK, Energy Networks Association and the Energy Institute, to host the fourth annual Diversity, Equality and Inclusion conference.

The 'Tackling Inclusion and Diversity in Energy' (TIDE) group was established in 2022. Ofgem launched the group with Energy-UK and the ENA at the 2022 EDI Conference, as a cross-industry group to improve Equity, Diversity, and Inclusion across the energy sector. It is now run in partnership by Ofgem, Energy-UK, The Energy Networks Association, and the Energy Institute. Its priorities are engaging with leaders, data and insight, and sharing best practice.

TIDE launched a company health check to baseline maturity on equity, diversity and inclusion across the energy sector as well as hosting a webinar series. Its online Hub acts as a one-stop shop for Equity, Diversity, and Inclusion matters across the energy sector.

Promoting health and safety at work

Ofgem continues to manage health and safety and has taken steps this year to develop and document its health and safety management systems.

The year's actions include appointing a Health and Safety Manager, establishing a Health, Safety & Wellbeing Committee, and producing health and safety procedures and guidance to support managers and staff.

This ongoing work has raised the health and safety profile within the organisation. In addition staff Wellbeing was added to the health and safety remit at the end of the year, recognising the shared cross-cutting themes including mental health, work-related stress and musculoskeletal health.

Trade union relationships

The recognised Trade Unions within Ofgem are PCS and FDA. Joint Negotiation Committee (JNC) meetings are held monthly, with ad-hoc meetings added when necessary to discuss an urgent or specific topic. A HR policy sub-group has also been established including Trade Union representatives re, to agree new or significant changes to HR policies. We have constructive relationships with both Trade Unions. All efforts are made to promote and maintain the best possible working relationship between Ofgem and the Trade Unions.

Days lost because of absence

In 2024-25, Ofgem lost an average of 5.2 days a year per employee (2023-24: 4.3 days) to absence. This compares favourably with the Civil Service rate of 7.8 days a year per employee (as at 31 March 2024).

Staff turnover

In 2024-25, staff turnover was 12.9% (2023-24:16.3%). This compares to a Civil Service average of 7.5% (as at 31 March 2024). Our high turnover is in part due to the competitive market for talent in the energy sector and also due to pay disparity when compared with other regulators and parts of government. We launched our Workforce Strategy in 2024 and accompanying action plan which has helped address turnover and we have seen a reduction since last year. Our aim is to reduce our turnover further to 10% or lower.

Jonathan Brearley
Chief Executive
14 July 2025

Parliamentary Accountability and Audit Report

Annual Report and Accounts | 2024-25

Parliamentary Accountability and Audit report

Statement of Outturn against Parliamentary Supply (SOPS)

Summary of resource and capital outturn 2024-25

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the department to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly match to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (Note 1); a reconciliation of outturn to net operating expenditure/(income) in the SoCNE, to tie the SOPS to the financial statements (Note 2); a reconciliation of outturn to net cash requirement (Note 3); and, an analysis of income payable to the Consolidated Fund (Note 4).

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Accountability Report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

Summary tables – mirrors part 1 of the Estimates

Summary table 2024-25, all figures presented in £000's

Type of Spend	SOPS note	Outturn Voted	Outturn Non-Voted	Outturn Total	Estimate Voted	Estimate Non-Voted	Estimate Total	Outturn vs Estimate, saving Voted	Outturn vs Estimate, saving Total	Prior Year Outturn Total 2023-24
Departmental Expenditure Limit – Resource	1.1	40,340	-	40,340	92,566	-	92,566	52,226	52,226	6,351
Departmental Expenditure Limit – Capital	1.2	4,087	-	4,087	4,800	-	4,800	713	713	1,176
Total Budget Expenditure		**44,427**	**-**	**44,427**	**97,366**	**-**	**97,366**	**52,939**	**52,939**	**7,527**
Non-Budget Expenditure		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Budget and Non-Budget		**44,427**	**-**	**44,427**	**97,366**	**-**	**97,366**	**52,939**	**52,939**	**7,527**

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Net cash requirement 2024-25, all figures presented in £000's

Type of spend	SOPS note	Outturn	Estimate	Outturn vs Estimate, saving	Prior Year Outturn Total 2023-24
Net cash requirement	3	(4,392)	70,395	74,787	(15,161)

Administration costs 2024-25, all figures presented in £000's

Type of spend	SOPS note	Outturn	Estimate	Outturn vs Estimate, saving	Prior Year Outturn Total 2023-24
Administration costs	1.1	12,583	48,356	35,773	9,098

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

The Department has Prior Period Adjustments (PPAs) resulting from recognition of imputed tax and spend in relation to the Supplier of Last Resort (SoLR) levy.

It is proper for the department to seek Parliamentary authority for PPAs arising from the decision by the Office of National Statistics to change the classification of SoLR levy decisions. PPAs have been included within voted Supply in Ofgem's Estimate.

Decisions for "true up" adjustments to previous SoLR levy claim decisions are treated as PPAs.

- A net of £19 million of "true up" claims were approved in December 2024. This consisted of £2.4m of further claims allowed (consented amount) and £21.6m of previous claims requiring to be repaid (recovery amount).

- A net of £16 million of "true up" claims were approved in December 2023. This consisted of £41 million of further claims allowed, and £25 million of previous claims requiring to be repaid.

The imputed tax and spend related to these "true up" claims have been reported as a PPA to the 2022-23 budgets (with a net impact of nil, shown as a token £1,000 to enable Parliament to vote the PPA). This has no impact on the financial statements, it is purely a budgetary (Outturn) adjustment.

Notes to the Statement of Outturn against Parliamentary Supply, 2024-25 (£000's)

SOPS1. Outturn detail, by Estimate Line

SOPS1.1 Analysis of resource outturn by Estimate Line

	Resource Outturn							Estimate				
Type of Spend (Resource)	Administration Gross	Administration Income	Administration Net total	Programme Gross	Programme Income	Programme Net total	Total	Total	Virements	Total including virements	Outturn vs Estimate, saving	Prior Year Outturn Total 2023-24
Spending in Departmental Expenditure Limits (DEL)												
Voted expenditure												
A Gas and Electricity Markets Authority: administration	158,561	(150,986)	7,575	-	-	-	7,575	40,075	-	40,075	32,500	6,505
B Ofgem Delivery & Schemes: administration	63,045	(58,037)	5,008	-	-	-	5,008	8,281	-	8,281	3,273	2,593
C Ofgem Green Gas: administration	3,931	(3,931)	-	34,730	(6,973)	27,757	27,757	44,210	-	44,210	16,453	(2,747)
D Levelisation: Programme	-	-	-	57,700	(57,700)	-	-	-		-	-	-
Total resource	**225,537**	**(212,954)**	**12,583**	**92,430**	**(64,673)**	**27,757**	**40,340**	**92,566**	**-**	**92,566**	**52,226**	**6,351**

SOPS1.2 Analysis of capital outturn by Estimate Line

Type of Spend (Capital)	Outturn Gross	Outturn Income	Outturn Net total	Estimate Total	Estimate Virements	Estimate Total including virements	Outturn vs Estimate, saving	Prior Year Outturn Total 2323-24
Spending in Departmental Expenditure Limits (DEL)								
Voted expenditure								
A Gas and Electricity Markets Authority: administration	4,087	-	4,087	4,800	-	4,800	713	1,176
B Ofgem Delivery & Schemes: administration	8,062	(8,062)	-	-	-	-	-	-
C Ofgem Green Gas: administration	-	-	-	-	-	-	-	-
Total capital	**12,149**	**(8,062)**	**4,087**	**4,800**	**-**	**4,800**	**713**	**1,176**

SOPS2 Reconciliation of outturn to net operating income

Item	Reference	Outturn Total £000	Prior Year Outturn Total, 2023-24 £000
Total Resource Outturn	SOPS1.1	**40,340**	**6,351**
Add: Capital income from DESNZ	SOPS1.2	(8,062)	(9,163)
Less: Lease interest expense	7.3	(504)	(531)
Add: Interest income	SoCNE	1,244	1,159
Net Operating Expenditure/(Income) in Statement of Comprehensive Net Expenditure/(Income)	SoCNE	**33,018**	**(2,184)**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure/(income), linking the SOPS to the financial statements.

Capital income is budgeted as capital DEL but accounted for as income on the face of the SoCNE and therefore is a reconciling item between total resource outturn and net operating expenditure/(income).

Interest income is budgeted as resource DEL but is included as finance income on the face of the SoCNE and therefore is also a reconciling item between total resource outturn and net operating expenditure/(income).

The following have been classified as a form of imputed tax and spend. Under IFRS, these do not meet the recognition criteria to be income and expenditure for Ofgem:

- In February 2024, Ofgem made the decision to adjust standing charges between prepayment meter and Direct Debit customers (levelisation). This reduced standing charges for prepayment meter customers and increased them for Direct Debit customers under the energy price cap. This was implemented from April 2024 and the value of the net transfers between suppliers (made via an industry body) is recognised in Ofgem budgets.
- Supplier of Last Resort (SoLR) levy was classified during 2022-23 by the Office for National Statistics. SoLR levy claims (approved by Ofgem after date of the classification decision) are recognised in budgets in the year which the decision relates to.

As there are no economic inflows or outflows to Ofgem and so these are not recognised in Ofgem's Statement of Comprehensive Net Income or the associated notes.

SOPS3 Reconciliation of net resource outturn to net cash requirement

Item	Reference	Outturn total £000	Estimate £000	Outturn vs Estimate, saving/(excess) £000
Total Resource outturn	SOPS1.1	40,340	92,566	52,226
Total Capital outturn	SOPS1.2	4,087	4,800	713
Adjustments to remove non-cash items: Depreciation and impairment	3	(7,913)	(13,809)	(5,896)
Adjustments to remove non-cash items: New provisions and adjustments to previous provisions	3	(40,237)	(40,000)	237
Adjustments to remove non-cash items: IFRS 16 additions and disposals	7.1	(1,837)	-	1,837
Adjustments to remove non-cash items: Other non-cash items		(547)	(150)	397
Adjustments to reflect movements in working balances: Increase/(decrease) in receivables	10	1,434	-	(1,434)
Adjustments to reflect movements in working balances: Increase/(decrease) in payables	11	(2,195)	26,988	29,183
Adjustments to reflect movements in working balances: Use of provisions	12	126	-	(126)
Adjustments to reflect movements in working balances: Capital element of payments in respect of leases	7.4	2,350	-	(2,350)
Net cash requirement		**(4,392)**	**70,395**	**74,787**

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

The outturn represents a £74.8 million saving against the estimate of £70.4 million, mainly due to the value of financial legal provisions (£32.5m underspend) and Green Gas expenditure (£16.5m underspend) being lower than estimated.

SOPS4 Analysis of income to the Consolidated Fund

SOPS4.1 Analysis of income payable to the Consolidated Fund

This note to analyse income payable to the Consolidated Fund is not required as £nil (2023-24: £nil) non-budget income has arisen during the year.

SOPS4.2 Consolidated Fund Income

Consolidated Fund income shown in SOPS 4.1 above does not include any amounts collected by the department where it was acting as agent for the Consolidated Fund rather than as principal.

The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from the financial statements) were:

Item	Outturn Total	Prior Year Outturn Total, 2023-24
Fines and penalties - current year	-	5,411
Fines and penalties - prior years*	-	27
Amount payable to the consolidated fund	**-**	**5,438**
Balance held at the start of the year	27	70
Payments into the Consolidated Fund	(27)	(5,481)
Balance held on trust at the end of the year	**-**	**27**

* £27,003 was received during 2023-24 in relation to a penalty imposed during 2019-20. The original penalty was for £200,000, but the organisation went into liquidation and only a portion of the penalty value was received. £27,003 was paid to the Consolidated Fund during 2024-25.

Parliamentary Accountability Disclosures (audited)

Regularity of expenditure

Expenditure of Ofgem was applied for the purposes intended by Parliament.

Ofgem has nothing to report in respect of the following:

- Special payments;
- Losses;
- Fees and charges disclosures;
- Remote contingent liabilities; and
- Long term expenditure trends.

Jonathan Brearley
Chief Executive
14 July 2025

The certificate and report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Office of Gas and Electricity Markets (Ofgem) for the year ended 31 March 2025 under the Government Resources and Accounts Act 2000.

The financial statements comprise Ofgem's:

- Statement of Financial Position as at 31 March 2025;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of Ofgem's affairs as at 31 March 2025 and its net operating cost for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2025 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2024. I am independent of Ofgem in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Ofgem's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Ofgem's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for Ofgem is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of Ofgem and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by Ofgem or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Ofgem from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing Ofgem's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Ofgem will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of Ofgem's accounting policies, key performance indicators and performance incentives.
- inquired of management, Ofgem's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Ofgem's policies and procedures on:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Ofgem's controls relating to Ofgem's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;
- inquired of management, Ofgem's head of internal audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations;

- they had knowledge of any actual, suspected, or alleged fraud,

- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Ofgem for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of Ofgem's framework of authority and other legal and regulatory frameworks in which Ofgem operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Ofgem. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2024 and relevant employment law and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

15 July 2025

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Resource Accounts

Annual Report and Accounts | 2024-25

Statement of Comprehensive Net Expenditure/(Income) for the year ended 31 March 2025

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2024-25 £000	2023-24 £000
Operating income	4	(226,745)	(191,532)
Total operating income		**(226,745)**	**(191,532)**
Staff costs	3	161,992	130,470
Other operating expenditure	3	97,771	58,878
Total operating expenditure		**259,763**	**189,348**
Net operating expenditure/(income)	2	**33,018**	**(2,184)**
Finance income	4	(1,244)	(1,159)
Finance expense	7.3	504	531
Net expenditure/(income) for the year		**32,278**	**(2,812)**
Comprehensive net expenditure/(income) for the year		**32,278**	**(2,812)**

Statement of Financial Position as at 31 March 2025

This statement presents the financial position of the department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note	2024-25 £000		2023-24 £000	
Non-current assets: Property, plant and equipment	5	3,839		3,074	
Non-current assets: Right of use assets	7.1	14,469		14,553	
Non-current assets: Intangible assets	6	20,351		16,798	
Total non-current assets			**38,659**		**34,425**
Current assets: Trade and other receivables	10	23,557		22,123	
Current assets: Cash and cash equivalents	9	17,546		37,161	
Total current assets			**41,103**		**59,284**
Total assets			**79,762**		**93,709**
Current liabilities: Trade and other payables	11	(47,955)		(65,375)	
Current liabilities: Lease liabilities	7.2	(2,077)		(1,909)	
Current liabilities: Provisions	12	(48,214)		(8,097)	
Total current liabilities			**(98,246)**		**(75,381)**
Total assets less current liabilities			**(18,484)**		**18,328**
Non-current liabilities: Lease liabilities	7.2	(12,827)		(13,046)	
Non-current liabilities: Provisions	12	(1,642)		(1,608)	
Total non-current liabilities			**(14,469)**		**(14,654)**
Total assets less total liabilities			**(32,953)**		**3,674**
Taxpayers' equity: General fund		(32,953)		3,674	
Total equity			**(32,953)**		**3,674**

Jonathan Brearley
Chief Executive
14 July 2025

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2025

This statement shows the movement in the year on the different reserves held by the department, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

	Note	General fund £000
Balance at 31 March 2023		**15,881**
Auditors' remuneration	3	149
Comprehensive net income for the year	SoCNE	2,812
Net Parliamentary Funding – deemed		-
Net Parliamentary Funding – drawn down		22,000
Supply payable adjustment	11	(37,161)
Other reserve movements		(7)
Balance at 31 March 2024		**3,674**
Auditors' remuneration	3	155
Comprehensive net income for the year	SoCNE	(32,278)
Net Parliamentary Funding – deemed		-
Net Parliamentary Funding – drawn down		13,154
Supply payable adjustment	11	(17,546)
Other reserve movements		(112)
Balance at 31 March 2025		**(32,953)**

Statement of Cash Flows for the year ended 31 March 2025

The Statement of Cash Flows shows the changes in cash and cash equivalents of the department during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the department's future public service delivery.

	Note	2024-25 £000	2023-24 £000
Cash flows from operating activities: Net operating (expenditure)/income	SoCNE	(33,018)	2,184
Cash flows from operating activities: Adjustments for non-cash transactions	SoPS3, SoCNE	48,193	13,962
Cash flows from operating activities: (Increase)/decrease in trade and other receivables	10	(1,434)	7,749
Cash flows from operating activities: Decrease in trade and other payables	11	(19,046)	(29,423)
Cash flows from operating activities: less movements in payables relating to items not passing through the SoCNE	11	19,615	35,672
Cash flows from operating activities: Use of provisions	12	(126)	(3,255)
Net cash inflow from operating activities		**14,184**	**26,889**
Cash flows from investing activities: Purchase of property, plant and equipment	5	(624)	(1,821)
Cash flows from investing activities: Purchase of intangible assets	6	(8,062)	(9,163)
Cash flows from investing activities: Finance income	SoCNE	1,244	1,159
Net cash outflow from investing activities		**(7,442)**	**(9,825)**
Cash flows from financing activities: From the Consolidated Fund (Supply) – current year	SoCiTE	13,154	22,000
Cash flows from financing activities: Capital element of payments in respect of leases	7.4	(2,350)	(1,903)
Cash flows from financing activities: Advances from the Contingencies Fund		42,000	30,000
Cash flows from financing activities: Payments to the Contingencies Fund		(42,000)	(30,000)
Net financing		**10,804**	**20,097**

	Note	2024-25 £000	2023-24 £000
Net increase in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund		**17,546**	**37,161**
Payments of amounts due to the Consolidated Fund	SoCiTE	(37,161)	(72,833)
Net decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	9	**(19,615)**	**(35,672)**
Cash and cash equivalents at the beginning of the period	9	37,161	72,833
Cash and cash equivalents at the end of the period	9	**17,546**	**37,161**

Notes to the departmental resource accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. Where the FReM permits a choice of accounting policy, Ofgem has selected the accounting policy which is judged to be most appropriate to the particular circumstances for the purpose of giving a true and fair view. The particular policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

As well as the primary statements prepared under IFRS, the FReM requires the department to prepare one additional primary statement. The Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes show outturn against estimate in terms of the net resource requirement and the net cash requirement, and are included in the Parliamentary Accountability and Audit Report section starting on page 77.

1.1 Accounting convention

These accounts have been prepared on a going concern basis under the historical cost convention. The accounts are presented to the nearest £'000.

Going concern

In common with other government departments, the future financing of our liabilities is to be met by future grants of supply and the application of future income, both to be approved annually by Parliament. Approval for amounts required for 2025-26 has already been given and there is no reason to believe that future approvals will not be granted. We expect to continue to deliver services into the future. We have therefore considered it appropriate to adopt a going-concern basis for the preparation of these financial statements.

1.2 Operating income

Operating income is income that relates directly to Ofgem's operating activities. It principally comprises licence fees, and fees and charges for services provided on a full-cost basis.

- Licence fees – In each financial year, Ofgem is required to balance its expenditure with its income. Ofgem is required to raise income from the sector it regulates such that it covers the costs to be incurred by Ofgem in regulating that sector. Therefore, Legislation provides the enforceability on both parties to enable Ofgem to recover its costs from third parties. The performance obligations relate to the underlying work to be undertaken by Ofgem as regulator of the Gas & Electricity Market, and as set out in the published Forward Work Programme. Revenue is recognised in the year the performance obligation (cost) is incurred.
- Income from DESNZ and Scheme funded recharges – Under service level agreements/ contracts with the Department for Energy Security and Net Zero and other government bodies, Ofgem administers energy and environmental schemes on their behalf. These services are provided on a full-cost basis. Income is recognised on an accruals basis as the performance obligations outlined within the service level agreements/ contracts are satisfied over time. Administration costs funded directly by DESNZ, rather than by the scheme itself or by other governments, is separated out in Note 4 and explained in Note 14.
- Green Gas Levy – The Green Gas Levy places obligations on licensed gas suppliers, including a requirement to make quarterly levy payments, in order to fund the Green Gas Support Scheme, a government environmental scheme that provides financial incentives for new anaerobic digestion biomethane plants to increase the proportion of green gas in the gas grid. There are no obligations to transfer goods or services to those who pay the levy (it

is treated as a type of taxation), because those funds will be used to pay for Green Gas Support Scheme payments and running costs. The FReM adapts IFRS 15 to require that taxation revenue received which is wholly non-refundable and leads to no obligations should be recognised when: an equivalent to a taxable event has occurred; the revenue can be measured reliably; and it is probable that the assisted economic benefits from the taxable event will flow to the collecting entity. These criteria are considered to be met for the Green Gas Levy when the meter point data is provided by gas suppliers to Ofgem.

- Other income – Other income is accounted for on an accruals basis.

1.3 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme (CSOPS). These are described in the Remuneration and Staff Report. Both schemes are non-contributory and unfunded.

Departments, agencies and other bodies covered by both schemes meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. Liability for payment of future benefits is a charge on the schemes. There is a separate scheme statement for the PCSPS and the CSOPS as a whole.

1.4 Early departure costs

Ofgem are required to meet the additional cost of benefits beyond the normal PCSPS and CSOPS benefits for employees who retire early. The full cost is provided for when the early retirement programme has been announced and is binding.

1.5 Property, plant, equipment and depreciation

Property, plant and equipment are held at depreciated historical cost as a proxy for current value value in existing use, as this realistically reflects consumption of the asset. Revaluations would not cause a material difference.

Depreciation is provided at rates calculated to write off property, plant and equipment by equal instalments over their estimated useful lives, after allowance for residual value. Asset lives are within the following ranges:

Leasehold improvements	Life of the lease
Office equipment, furniture and fittings	Four years
IT equipment	Three years

The minimum level for the capitalisation of property, plant and equipment is £2,000. IT equipment and furniture, where individual assets may cost less than £2,000, are capitalised on a grouped basis.

1.6 Intangible assets and amortisation

Intangible assets relating to bespoke software developed by Ofgem for use in the running of various schemes, are recognised at historic cost and amortised over their useful lives. Management have reassessed the useful lives of the intangible assets. Previously the useful lives were estimated as the life of the scheme or four years, whichever was lower. It is however deemed more appropriate for the useful lives to be estimated annually as the lower of five years or the expected remaining duration the software will be used for the particular scheme. This change in accounting estimate has been applied prospectively as at 1 April 2024. The decrease in the yearly actual and expected amortisation expense (included in Other Operating Expenditure) in relation to assets in use at the end of the reporting period is as follows.

	2024-25	2025-26	2026-27	2027-28	2028-29
Decrease in amortisation (£000)	1,759	2,013	1,992	1,972	1,135

Whilst being developed, the assets are classified as assets under construction and are not amortised until they are commissioned. Development costs that are directly attributable to the design and testing of the bespoke software are capitalised when they meet the criteria specified in IAS 38 Intangible Assets (as adapted by the FReM). Expenditure which does not meet the criteria is expensed as incurred.

1.7 Leases

IFRS 16 Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset meets the IFRS 16 criteria to be classified as of "low value". Ofgem has determined low value to be in line with the capitalisation threshold for property, plant and equipment of £2,000.

For both leases of 12 months or less duration and leases of low value assets, the lease payments are recognised as an expense on a straight line basis over the lease term.

IFRS 16 requires that assets and liabilities are recognised initially at the discounted value of the minimum lease payments over the applicable lease term. Ofgem applied HM Treasury's discount rate of 0.95% as the incremental borrowing rate when calculating the discounted value on initial application of IFRS 16 on 1 April 2022. Where future lease payments are changed due to a change in an index or rate or rent review, the existing lease liabilities are remeasured using an unchanged discount rate. A revised discount rate is used for existing leases which are appropriately modified such as a partial termination. Where existing leases are modified it is determined whether the arrangement constitutes a separate lease. There were no lease modifications or new leases during 2024-25, however in 2023-24 Ofgem applied HM Treasury's discount rate of 3.51% for lease modifications and new leases which occurred between 1 April 2023 and 31 December 2023.

Right of use assets are subsequently measured using the cost measurement model in IFRS 16 as an appropriate proxy for current value in existing use or fair value. This is because the leases have terms to update lease payments to market rates. Further, the right of use assets have shorter useful lives than their respective underlying assets.

After initial recognition, right of use assets are depreciated on a straight-line basis over the expected lease term and interest is recognised on the liabilities. Both costs are recognised in the Statement of Comprehensive Net Expenditure/(Income). Lease payments are offset against the outstanding lease liabilities. Irrecoverable VAT is expensed in the period to which it relates and therefore not included in the measurement of the lease liabilities and consequently the value of the right of use assets.

Ofgem's material leases relate to property rentals for office space.

1.8 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprises of cash at bank and in hand. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash only.

1.9 Provisions

Where Ofgem has a legal or constructive obligation to meet certain costs, Ofgem will make a provision based on a management estimate of the value, probability and timing of future payments. Although there is a higher degree of estimation uncertainty associated with legal provisions, management will make their best estimate based on information available.

Where the time-value of money is material, the provision is discounted to its present value using the government's standard discount rate (currently a nominal rate of 5.15% for post-employment benefit liabilities, a nominal rate of 4.03% for short term general provisions and a nominal rate of 4.07% for medium term general provisions). Each year the financing charges in the Statement of Comprehensive Net Expenditure/(Income) include the adjustments to amortise one year's discount and restate liabilities to current price levels.

1.10 Value added tax

Amounts are shown net of value added tax (VAT), except:

- irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure/(Income) and included under the heading relevant to the type of expenditure
- irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset.

The amount due to/from HM Revenue and Customs for VAT is included in payables/receivables within the Statement of Financial Position.

1.11 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction.

1.12 Financial risks

Ofgem has no significant exposure to liquidity, interest rate or currency risks. Due to the nature of its activities and the way in which Ofgem is financed, it is not exposed to the degree of financial risk faced by business entities.

1.13 Contingent assets and liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, certain statutory and non-statutory contingent liabilities are reported for parliamentary reporting and accountability purposes. This occurs where management deem the likelihood of a transfer of economic benefit as remote, but where the liabilities have been reported to parliament in accordance with the requirements of Managing Public Money.

A contingent asset is a potential asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Ofgem. A contingent asset is disclosed where an inflow of economic benefits is probable.

1.14 Assets belonging to third parties

Assets belonging to third parties as disclosed in Note 15 (such as money held in relation to the Renewables Obligation and Feed-In Tariff schemes) are not recognised in the Statement of Financial Position since Ofgem have no beneficial interest in them.

1.15 Adoption of new and revised accounting standards

- **IFRS 17**

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts and is to be included in the FReM for mandatory implementation from 2025-26. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this Standard.

IFRS 17 requires insurance contracts, including reinsurance contracts, to be recognised on the Statement of Financial Position as the total of the fulfilment cashflows and the contractual service margin (CSM).

The fulfilment cashflows consist of the present value of future cash flows calculated using best estimate assumptions with an explicit risk adjustment for non-financial risk.

The risk adjustment is released to the Statement of Comprehensive Net Expenditure/(Income) as risk expires. The CSM is the unearned profit on insurance contracts and is released to the Statement of Comprehensive Net Expenditure/(Income) over the insurance contract period as insurance services are provided. Where an insurance contract is onerous, it will have no CSM and the onerous element of the insurance contract will be recognised immediately in the Statement of Comprehensive Net Expenditure/(Income).

The financial impact of applying IFRS 17 is not yet known but it is not expected to be material for the department.

- **Non-investment asset valuations**

In December 2023 HM Treasury released an exposure draft on potential changes to make to valuing and accounting for non-investment assets (e.g. property, plant and equipment, intangible assets).

An adaptation to IAS 16 will be introduced to withdraw the requirement to revalue an asset where its fair value materially differs from its carrying value.

The option to measure intangible assets using the revaluation model is withdrawn. The carrying values of intangible assets at 31 March 2025 will be considered the historical cost at 1 April 2025.

- **Other**

The 2025-26 FReM will include new guidance on accounting for social benefits. The 2025-26 FReM will define social benefits as 'current transfers received by households (including individuals) intended to provide for the needs that arise from certain events or circumstances, for example, sickness, unemployment, retirement, housing, education, or family circumstances. This is not expected to have any impact on the department.

IFRS 18 Presentation and Disclosure in Financial Statements, and IFRS 19 Subsidiaries without Public Accountability Disclosures standards are expected to be adopted by the private sector effective from accounting periods beginning on or after 1 January 2027, however the impact on and the implementation date for the public sector is still to be confirmed.

1.16 Critical accounting judgements and estimation uncertainty

- **Provisions**

Provisions rely on the application of professional judgement, historical experience and other factors expected to influence future events. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised. Further information is disclosed in Notes 1.9 and 12.

- **Useful lives of non-current assets**

There is uncertainty in relation to estimated useful lives of non-current assets; these are reviewed as at the reporting date and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence or legal or other limits on their use.

- **Lease terms**

Under IFRS 16, Ofgem assesses the likelihood of exercising break clauses or extension options within lease terms. This estimate determines the length of the lease term impacting the lease liabilities and right of use assets. Such assessments are reviewed if there is a significant event or significant change of circumstances.

2. Statement of operating expenditure/(income) by operating segment

2024-25

	Regulatory Activities £000	Delivery & Schemes* £000	Corporate Services £000	Total £000
Gross expenditure	86,049	101,705	72,009	259,763
Income	(86,049)	(77,003)	(63,693)	(226,745)
Net operating expenditure	**-**	**24,702**	**8,316**	**33,018**

2023-24

	Regulatory Activities £000	Delivery & Schemes* £000	Corporate Services £000	Total £000
Gross expenditure	71,491	58,561	59,296	189,348
Income	(68,195)	(66,718)	(56,619)	(191,532)
Net operating expenditure/(income)	**3,296**	**(8,157)**	**2,677**	**(2,184)**

Segmental reporting is undertaken on an activity basis, in line with monthly reporting to decision makers within the organisation.

* This operating segment also includes Green Gas.

3. Expenditure

	Note	2024-25 £000	2023-24 £000
Staff costs*: Wages and salaries**		119,562	96,631
Staff costs*: Social security costs		12,356	10,157
Staff costs*: Other pension costs		29,358	23,212
Staff costs*: Apprenticeship Levy		539	437
Other staff costs		177	33
		161,992	**130,470**
Non-cash items: Auditors' remuneration and expenses***		155	149
Non-cash items: Depreciation – property, plant and equipment	5	1,483	1,312
Non-cash items: Depreciation – right of use assets	7	1,921	1,824
Non-cash items: Amortisation – intangible assets	6	4,509	2,564
Non-cash items: Holiday pay accrual adjustment		337	957
		8,405	**6,806**
Other expenditure: Consultancy		15,753	18,828
Other expenditure: Office and IT supplies and services		10,198	8,126
Other expenditure: Professional services		8,398	7,418
Other expenditure: Scheme payments		6,951	1,118
Other expenditure: Accommodation costs		2,922	2,687
Other expenditure: Recruitment and training		2,070	2,492
Other expenditure: Travel and subsistence		1,703	1,780
Other expenditure: Staff related costs		547	424
Other expenditure: Rental under operating leases (Buildings)		-	40
Other expenditure		587	1,029
		49,129	**43,942**
Provisions: Movement in provisions****	12	40,237	8,130
		259,763	**189,348**

* Further analysis of staff costs is located in the Remuneration and Staff Report on page 68
** This is net of the £4.984 million (£6.063 million in 2023-24) capitalised as part of the total additions to intangible assets under construction in note 6.
*** There was no auditor remuneration for non-audit work.
**** This figure excludes £0.040 million (£0.087 million in 2023-24) provided in the year for dilapidations which has been capitalised in the right of use assets in Note 7, in line with IFRS 16

4. Income

	2024-25 Income £000	2024-25 Full costs £000	2024-25 Surplus £000	2023-24 Income £000	2023-24 Full costs £000	2023-24 Surplus £000
Licence fees	138,441	138,441	-	114,668	114,668	-
Other*	88,304	121,322	(33,018)	76,864	74,680	2,184
Total Operating	**226,745**	**259,763**	**(33,018)**	**191,532**	**189,348**	**2,184**
Finance income/ expense	1,244	504	740	1,159	531	628
Total Net	**227,989**	**260,267**	**(32,278)**	**192,691**	**189,879**	**2,812**

* Other income includes:	Note	2024-25 £000	2023-24 £000
Offshore Transmission Tender Recharge		3,427	3,163
Department for Energy Security and Net Zero	14	61,420	50,703
Scheme-funded recharges		10,800	9,230
Green Gas Levy		9,660	11,212
Recovery of Regulatory programme costs		2,282	1,957
Miscellaneous**		715	599
		88,304	**76,864**

**Miscellaneous income includes licence application fees, legal cost recoveries and other minor items.

5. Property, plant and equipment

	Furniture £000	Office equipment £000	IT £000	Leasehold improvements £000	Total £000
Cost or valuation At 1 April 2024	231	283	6,345	3,310	10,169
Cost or valuation Additions	-	9	2,233	8	2,250
Cost or valuation Disposals	(15)	(18)	(479)	(53)	(565)
Cost or valuation At 31 March 2025	**216**	**274**	**8,099**	**3,265**	**11,854**
Depreciation At 1 April 2024	226	228	4,079	2,562	7,095
Depreciation Charged in year	1	36	1,212	234	1,483
Depreciation On disposals	(15)	(16)	(479)	(53)	(563)
Depreciation At 31 March 2025	**212**	**248**	**4,812**	**2,743**	**8,015**
Carrying amount at 31 March 2025	**4**	**26**	**3,287**	**522**	**3,839**
Carrying amount at 31 March 2024	5	55	2,266	748	3,074

	Furniture £000	Office equipment £000	IT £000	Leasehold improvements £000	Total £000
Cost or valuation At 1 April 2023	231	270	4,967	3,288	8,756
Cost or valuation Additions	-	13	1,786	22	1,821
Cost or valuation Disposals	-	-	(408)	-	(408)
Cost or valuation At 31 March 2024	**231**	**283**	**6,345**	**3,310**	**10,169**
Depreciation At 1 April 2023	220	163	3,478	2,330	6,191
Depreciation Charged in year	6	65	1,009	232	1,312
Depreciation On disposals	-	-	(408)	-	(408)

	Furniture £000	Office equipment £000	IT £000	Leasehold improvements £000	Total £000
Depreciation At 31 March 2024	**226**	**228**	**4,079**	**2,562**	**7,095**
Carrying amount at 31 March 2024	**5**	**55**	**2,266**	**748**	**3,074**
Carrying amount at 31 March 2023	11	107	1,489	958	2,565

All property, plant and equipment is owned by Ofgem.

6. Intangible assets

Intangible assets are internally generated bespoke computer software assets for use in the running of various Ofgem schemes. They are initially classified as assets under construction and are not amortised until they are available for use.

	Computer software £000	Assets under construction £000	Total £000
Cost At 1 April 2024	12,335	8,318	20,653
Cost Additions	-	8,062	8,062
Cost Re-classifications	8,386	(8,386)	-
Cost At 31 March 2025	**20,721**	**7,994**	**28,715**
Amortisation At 1 April 2024	3,855	-	3,855
Amortisation Charged in year	4,509	-	4,509
Amortisation At 31 March 2025	**8,364**	**-**	**8,364**
Carrying amount at 31 March 2025	**12,357**	**7,994**	**20,351**
Carrying amount at 31 March 2024	8,480	8,318	16,798

	Computer software £000	Assets under construction £000	Total £000
Cost At 1 April 2023	8,222	3,268	11,490
Cost Additions	-	9,163	9,163
Cost Re-classifications	4,113	(4,113)	-
Cost At 31 March 2024	**12,335**	**8,318**	**20,653**
Amortisation At 1 April 2023	1,291	-	1,291
Amortisation Charged in year	2,564	-	2,564
Amortisation At 31 March 2024	**3,855**	**-**	**3,855**
Carrying amount at 31 March 2024	**8,480**	**8,318**	**16,798**
Carrying amount at 31 March 2023	6,931	3,268	10,199

7. Leases

7.1 Right of use assets

Ofgem's lease contracts comprise leases of operational buildings.

	Buildings £000
Cost At 1 April 2024	18,332
Cost Additions	1,837
Cost At 31 March 2025	**20,169**
Depreciation At 1 April 2024	3,779
Depreciation Charged in year	1,921
Depreciation At 31 March 2025	**5,700**
Carrying amount at 31 March 2025	**14,469**
Carrying amount at 31 March 2024	14,553

	Buildings £000
Cost At 1 April 2023	18,986
Cost Additions	2,401
Cost Disposals	(3,055)
Cost At 31 March 2024	**18,332**
Depreciation At 1 April 2023	1,964
Depreciation Charged in year	1,824
Depreciation On disposals	(9)
Depreciation At 31 March 2024	**3,779**
Carrying amount at 31 March 2024	**14,553**
Carrying amount at 31 March 2023	17,022

7.2 Lease liabilities

Analysis of expected timing of discounted cash flows:	Buildings 2024-25 £000	Buildings 2023-24 £000
Not later than one year	2,077	1,909
Later than one year and not later than five years	8,118	7,108
Later than five years	4,709	5,938
Balance at 31 March	**14,904**	**14,955**

7.3 Amounts recognised in the Statement of Comprehensive Net Expenditure/(Income)

	2024-25 £000	2023-24 £000
Depreciation	1,921	1,824
Interest expense	504	531
Non-recoverable VAT	63	32
Total charged to the Statement of Comprehensive Net Expenditure/(Income)	**2,488**	**2,387**

7.4 Amounts recognised in the Statement of Cash Flows

	2024-25 £000	2023-24 £000
Repayment of principal on leases	2,350	1,903
Total cash outflow for leases	**2,350**	**1,903**

8. Financial instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore usually exposed to little credit, liquidity or market risk.

The securities and letters of credit described in Note 15 are held to manage risk in the Offshore tender auction process and Green Gas Levy which Ofgem undertakes on behalf of government. Ofgem has no risk exposure to the securities it holds in relation to this process.

9. Cash and cash equivalents

	2024-25 £000	2023-24 £000
Balance at 1 April	37,161	72,833
Net change in cash balances	(19,615)	(35,672)
Balance at 31 March	**17,546**	**37,161**
The following balances at 31 March are held at:		
Government Banking Service	17,546	37,161
Balance at 31 March	**17,546**	**37,161**

In addition to the cash and cash equivalents disclosed above, Ofgem holds third party assets of cash and letters of credit relating to offshore tender developer securities, the Renewables Obligation, the Feed-in Tariffs funds, the Renewable Heat Incentive, the Green Gas Support schemes and the Boiler Upgrade Scheme. These are described in Note 15.

10. Trade receivables and other current assets

	2024-25 £000	2023-24 £000
Amounts falling due within one year:		
Accrued income	12,595	15,342
Trade receivables	8,156	4,046
VAT receivable	-	547
Prepayments	2,778	2,172
Other receivables	28	16
Balance at 31 March	**23,557**	**22,123**

Other receivables represent staff loans outstanding, such as those relating to the cycle to work scheme.

Contingent assets are also recognised in relation to income from another government department, disclosed in note 17

11. Trade payables and other current liabilities

	2024-25 £000	2023-24 £000
Amounts falling due within one year:		
Excess cash payable to the Consolidated Fund	17,546	37,161
Deferred licence fees	3,348	4,319
Other deferred income	74	158
Accruals	15,533	13,729
Other payables	4,248	4,186
Taxation and social security	6,331	5,405
VAT payable	119	-
Trade payables	756	417
Balance at 31 March	**47,955**	**65,375**

Ofgem encourages staff to use their full holiday entitlement for each year. However, staff can carry over up to ten days of untaken leave into the next year. Amounts untaken as at 31 March are accrued within "other payables".

12. Provisions for liabilities and charges

	Early retirement £000	Voluntary exit £000	Dilapidations £000	Legal £000	Green Gas Support Scheme £000	Other £000	Total £000
Balance at 31 March 2024	62	336	1,560	2,800	4,917	30	9,705
Provided in the year	-	400	40	9,600	32,380	59	42,479
Provisions not required written back	-	(118)	-	(2,100)	-	-	(2,218)
Provisions utilised in the year	(22)	(104)	-	-	-	-	(126)
Impact of discounting	11	-	5	-	-	-	16
Balance at 31 March 2025	**51**	**514**	**1,605**	**10,300**	**37,297**	**89**	**49,856**

	Early retirement £000	Voluntary exit £000	Dilapidations £000	Legal £000	Green Gas Support Scheme £000	Other £000	Total £000
Balance at 31 March 2023	78	-	1,810	2,825	-	30	4,743
Provided in the year	-	336	87	3,406	4,917	-	8,746
Provisions not required written back	-	-	(341)	(196)	-	-	(537)
Provisions utilised in the year	(20)	-	-	(3,235)	-	-	(3,255)
Impact of discounting	4	-	4	-	-	-	8
Balance at 31 March 2024	**62**	**336**	**1,560**	**2,800**	**4,917**	**30**	**9,705**

Analysis of expected timing of discounted cash flows as at 31 March 2025	Early retirement £000	Voluntary exit £000	Dilapidations £000	Legal £000	Green Gas Support Scheme £000	Other £000	Total £000
Not later than one year	14	514	-	10,300	37,297	89	48,214
Later than one year and not later than five years	28	-	338	-	-	-	366
Later than five years	9	-	1,267	-	-	-	1,276
Balance at 31 March 2025	**51**	**514**	**1,605**	**10,300**	**37,297**	**89**	**49,856**

Analysis of expected timing of discounted cash flows as at 31 March 2024	Early retirement £000	Voluntary exit £000	Dilapidations £000	Legal £000	Green Gas Support Scheme £000	Other £000	Total £000
Not later than one year	14	336	-	2,800	4,917	30	8,097
Later than one year and not later than five years	38	-	338	-	-	-	376
Later than five years	10	-	1,222	-	-	-	1,232
Balance at 31 March 2024	**62**	**336**	**1,560**	**2,800**	**4,917**	**30**	**9,705**

Early retirement
The department meets the additional costs of benefits beyond the normal PCSPS benefits for employees, who worked in the Leicester office of Ofgem, by paying the required amounts monthly to the PCSPS.

Voluntary exit
Severance provisions relate to voluntary exits which have been discussed with the impacted member of staff prior to 31 March 2025 but are not expected to happen until 2025-26.

Dilapidations
Dilapidations provisions are an anticipation of the future cost to return the department's leased properties to their condition as at the commencement of the lease.

Legal
A number of legal risks arose as a result of Ofgem's decisions taken during 2024-25. The provision value has been estimated based on the assessment by legal professionals of both the likelihood of challenge and potential success of a challenge. The cost estimate considers factors such as the level of complexity, estimated resource involved in responding to a challenge and potential third party costs.

Green Gas Support Scheme
The Green Gas Support Scheme (GGSS) makes payments to registered participants. There is a three stage application process before participants can be registered. The provision recognises applicants who are at the final stages of the process, are likely to be registered onto the scheme in the future, and where it is probable that future payments would be backdated to cover up to 31 March 2025. The provision value is based on estimated outputs and estimated eligibility date.

Other provisions
Other provisions include outstanding costs relating to a historic shortfall in pension contributions for some members of staff and former staff as well as tax penalties.

13. Contingent liabilities disclosed under IAS 37

From time to time we will be subject to legal challenge and judicial review of decisions made in the normal course of our business as regulator of the gas and electricity markets. Legal judgements could give rise to liabilities for legal costs but these cannot be quantified as the outcome of proceedings would be unknown. There is therefore considerable uncertainty about the nature and extent of any subsequent liability.

We are not aware of any contingent liabilities requiring disclosure under IAS 37.

14. Related party transactions

During the year, we transferred £17.860 million to the Department for Business & Trade (DBT) for advocacy services. A further £1.073 million has been accrued as at 31 March 2025 for metrology services and will be transferred to DBT during 2025-26. These funds are collected by Ofgem through the licence fee, on behalf of DBT. In 2023-24, £16.081 million was transferred to DBT for advocacy services and £0.998 million for metrology services.

We administer environmental programmes on behalf of the Department for Energy Security and Net Zero (DESNZ). Total income from DESNZ recognised in year amounted to £61.420 million, of which £5.896 million was accrued at 31 March 2025 (£50.703 million income in 2023-24 with £9.118 million accrued at 31 March 2024).

We administer the Northern Ireland Renewable Heat Incentive on behalf of the Department for the Economy (DfE), and administer the Northern Ireland Renewables Obligation on behalf of the Northern Ireland Authority for Utility Regulation (NIAUR). £1.018 million of income was recognised in year from DfE, of which £0.238 million was accrued at 31 March 2025 (£0.855 million income in 2023-24 with £0.173 million accrued at 31 March 2024). Income of £2.277 million was recognised in year from NIAUR, of which £0.117 million was accrued at 31 March 2025 (£1.800 million income in 2023-24 with £0.072 million accrued at 31 March 2024). This income is included within the Scheme Funded Recharges figure in Note 4.

In addition, we have had a small number of transactions with other government departments and central government bodies.

The board member, Graham Mather, is the President and a director, of the European Policy Forum Limited. Ofgem belongs to the Infrastructure Forum, which is part of this organisation. Ofgem paid a membership fee of £7,500 to the European Policy Forum Limited in relation to 2024-25 (2023-24: £7,500).

In addition, Tony Curzon Price was engaged through an agency for advisory work prior to his appointment as a Non-executive director in November 2023. The agency arrangement was in place from September 2022 to October 2023 and was at arm's length. No transactions occurred during 2024-25. During 2023-24, Ofgem paid £58,968 including VAT to the agency for Tony Curzon Price's advisory services.

An Ofgem employee became a director of FIGURE Forum CIC in August 2023. Ofgem spent £15,260 with FIGURE Forum CIC for 2023-24 between November 2023 and March 2024. There was no spend through FIGURE Forum CIC in 2024-25.

None of the other Authority members, key managerial staff or other related parties has undertaken any material transactions with Ofgem during the year except for remuneration which is included from page 62.

15. Third-party assets

Offshore Tender Developer Securities

Along with the government, we have established the competitive offshore transmission regulatory regime to appoint an Offshore Transmission owner through competitive tendering.

We are responsible for managing the competitive tender process through which offshore transmission licences are granted.

Granting licences to operate new offshore transmission assets via a competitive tender process means that generators are partnered with the most efficient and competitive players in the market. This should result in lower costs and higher standards of service for generators and, ultimately, consumers.

Part of Ofgem's risk management strategy for the competitive tender process is to hold securities for the purposes of recovering costs in the event of an incomplete tender process. These securities are in the form of a letter of credit or cash. At 31 March 2025 Ofgem held £8.450 million in letters of credit and £nil in cash (31 March 2024: £8.250 million in letters of credit, £nil in cash).

Renewables Obligation

The Renewables Obligation (RO) is one of the main support mechanisms for large-scale renewable electricity projects in the UK, and the scheme is administered by Ofgem. The scheme closed to applicants in 2017. More about the Renewables Obligation can be found at https://www.ofgem.gov.uk/environmental-programmes/ro/about-ro

Several bank accounts are used to administer the scheme:

- Buyout funds – Suppliers can meet their renewables obligation by paying into the buyout fund. The proceeds of the buy-out fund are paid back pro-rata to those suppliers who discharged their obligation in full.
- Late payments – Any payments received after 31 August will be late payments. These are subject to an annualised daily interest penalty (5% + Bank of England base rate).
- Mutualisation – Where there is an overall shortfall in the obligation amount, suppliers are required to make payment towards mutualisation. The mutualisation funds are redistributed to suppliers who discharged their obligation in full.

Bank balances held in relation to RO at 31 March 2025 totalled £3.628 million (31 March 2024: £40.477 million). Income of £7.505 million was recognised in 2024-25 in relation to RO schemes (£6.575 million income in 2023-24). This income is included within the Scheme Funded Recharges figure in Note 4.

Feed-in Tariff levelisation funds

The Feed-in Tariff (FIT) scheme is a government programme introduced on 1 April 2010 designed to promote the uptake of small-scale renewable and low-carbon electricity generation technologies.

Ofgem administers the scheme on behalf of the Department for Energy Security and Net Zero (DESNZ), who is responsible for the FIT scheme policy and legislation, while Licensed Electricity Suppliers (FIT Licensees) operate the front-facing aspect of the scheme. If a householder, community or business has an eligible installation, they are paid a tariff for the electricity they generate and a tariff for the electricity they export back to the grid by their FIT Licensee.

The levelisation process operated by Ofgem redistributes the cost of the scheme amongst all Licensed Electricity.

Suppliers, based on their share of the GB Electricity Market and any FIT Payments they have made to accredited installations. This is a quarterly process, with an annual reconciliation process that is completed by September each year. The balance in the levelisation fund is typically a small value at the end of each financial year.

Bank balances held in relation to FIT at 31 March 2025 totalled £0.285 million (31 March 2024: £0.916 million).

Domestic and non-domestic renewable heat incentive (RHI)

The Domestic RHI is a government financial incentive to encourage a switch to renewable heating systems. It’s a way to help the UK reduce carbon emissions and is for households both off and on the gas grid.

The Non-Domestic RHI is a government environmental programme that provides financial incentives to increase the uptake of renewable heat by businesses, the public sector and non-profit organisations.

Ofgem administers both schemes on behalf of DESNZ in Great Britain, and administers Non-Domestic RHI in Northern Ireland on behalf of DfE. Bank balances held in relation to the schemes at 31 March 2025 were: Domestic RHI: £2.703 million; Non-domestic RHI Great Britain: £0.600 million; Non-domestic RHI Northern Ireland: £0.710 million (31 March 2024: £3.787 million; £0.106 million; £0.114 million).

Green Gas Support Scheme

The Green Gas Support Scheme (GGSS) is a government environmental scheme that provides financial incentives for new anaerobic digestion biomethane plants to increase the proportion of green gas in the gas grid. The scheme opened to participants on 30 November 2021 and is open to applications until 31 March 2028. Registered participants are paid quarterly payments over a period of 15 years, which are based on the amount of eligible biomethane that a participant injects into the gas grid.

Under the Green Gas Support Scheme Regulations 2021, the Green Gas Levy (GGL) places obligations on licensed gas suppliers, including a requirement to make quarterly levy payments to Ofgem in order to fund the GGSS. Licensed gas suppliers must also provide credit cover, either in the form of cash or by lodging a valid letter of credit, to help ensure funds are collected in a timely manner and to reduce the likelihood of mutualisation events being required. Credit cover must be provided for a minimum duration of a quarter and the following four weeks. Once in place, suppliers' credit cover may be drawn down on by Ofgem in instances where a supplier fails to pay whole or part of a levy or mutualisation payment by the relevant due date. As at 31 March 2025, Ofgem held £1.425 million in cash credit cover and £3.500 million in letters of credit (31 March 2024: £1.915 million in cash credit cover, £1.950 million in letters of credit).

The GGSS, and associated GGL, policy is set by DESNZ but the scheme is administered by Ofgem.

Boiler Upgrade Scheme

The Boiler Upgrade Scheme (BUS) is a government environmental scheme which supports the decarbonisation of heat in buildings. It provides upfront capital grants to support the installation of heat pumps and biomass boilers in homes and non-domestic buildings in England and Wales. The scheme opened in 2022 and on 30 March 2023 the government announced that the scheme will be extended for three years until 2028. Ofgem is the scheme administrator, whilst DESNZ is responsible for the scheme policy and legislation set out in the Boiler Upgrade Scheme (England and Wales) Regulations 2022. The bank balance held in relation to the scheme at 31 March 2025 was £11.068 million (31 March 2024: £17.258 million).

16. Financial penalties

The Gas and Electricity Markets Authority is responsible for taking enforcement action, including imposing financial penalties, in respect of the energy companies it regulates. These amounts are collected by us for payment into the Consolidated Fund. A summary of investigations and enforcement action for the year is included at Appendix II.

	2024-25 £000	**2023-24 £000**
Penalties imposed	-	5,411
	-	**5,411**

Penalties imposed during 2024-25 were £nil (2023-24: £5,411,153).

17. Contingent Assets

At 31 March 2025, should the payment against one of the legal provisions listed at note 12 materialise, it is probable that another government department will reimburse Ofgem in full.

This receipt is contingent on conditions being met that will trigger the payment; the recoverable value is quantified in line with the provision costs at £9.0m (31 March 2024: £nil).

18. Events after the reporting period

The Accounting Officer duly authorised the issue of these financial statements on the date of the Comptroller and Auditor General's audit certificate. The financial statements do not reflect events after this date.

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Appendices

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Appendix I

Key Performance Indicators

Industry Regulatory and Stakeholder Processes

Metric (KPIs)	Details of what is being measured	Annual targets for 2024-25	Actual
Offshore transmission processing	Licence granted from commencement of Section 8A consultations	-	47 days
Offshore transmission processing	Preferred Bidder selection of the 'Invitation to Tender' submission (excluding 'Best' and 'Final' Offers)	-	103 days
Licence applications	Decisions on licence applications made within the specific time period	100%	100%
Customer contacts	Time taken for first response to customer contacts	80% within 10 working days	99.46%
Whistle blowers	Time taken for first response to whistleblowers (External)	100% - 1 working day to receive initial engagement	100%

Environmental and Social Scheme KPIs

Scheme performance indicators are published regularly in the Environment and Social Schemes section of Ofgem's website. A summary of some of the metrics is provided below, listing the scheme, the metric and whether the target has been met or exceeded for 2024-25.

Scheme	Responding to enquiries within 10 working days (target = 80%)	Maintaining system availability during business hours (target = 99%)	Making payments within agreed number of working days (target = 90% for NDRHI/95% for other schemes)
Domestic Renewable Heat Incentive (DRHI)	Yes	Below Target in November 2024 (98.15%)	Yes
Non-domestic Renewable Heat Incentive (NDRHI)	Yes	Below Target in May 2024 (98.94%), November 2024 (98.15%) & December 2024 (80.56%)	Yes
Renewable Obligation (RO)	Yes	Below Target in November 2024 (98.15%)	Below Target in July 2024 (89.2%)

Scheme	Responding to enquiries within 10 working days (target = 80%)	Maintaining system availability during business hours (target = 99%)	Making payments within agreed number of working days (target = 90% for NDRHI/95% for other schemes)
Feed in Tariffs (FIT)	Yes	Below Target in June 2024 (97.78%) & November 2024 (98.15%)	Yes
Energy Company Obligation (ECO)	Yes	Below Target in June 2024 (97.78%) & November 2024 (98.15%)	-
Great British Insulation Scheme (GBIS)	Yes	Below Target in November 2024 (94.71%)	-
Warm Home Discount (WHD)	Yes	-	-
Boiler Upgrade Scheme (BUS)	Yes	Below Target in November 2024 (98.15%)	Yes
Green Gas Support Scheme	Yes	Below Target in November 2024 (98.15%)	Yes

Fraud and error in schemes

Ofgem has a risk-based approach to countering fraud on the environmental and social schemes it administers. Ofgem has a dedicated Counter Fraud team to detect, prevent and deter fraud on the schemes and where fraud is found we take it seriously. The most effective way to reduce fraud on the schemes is prevention so Ofgem works closely with the policy writers to assess fraud risks and apply robust controls to make it even tougher for fraudsters to go undetected.

To detect fraud more effectively, the Counter Fraud team monitor risks and trends and use data analytics, allowing the team to target resource into high-risk areas, and to identify emerging areas of concern as early as possible. We supplement this with a rigorous sampling approach via our audit work to help identify wrongdoing at an early stage. This creates a strong deterrent for other fraudsters in the areas where we are seeing most fraud at that time, and to prevent emerging issues becoming future high-risk areas.

We monitor trends in non-compliance and the level of fraud and error in participant schemes through our audit programmes. The value of error stated represents the estimated impact of both fraud and error.

- The value of payments made in error during 2024-2025 under the Boiler Upgrade Scheme is estimated at £4.6m (2.42% of total payments) within a confidence interval of £1.8 to £7.4 million. 2023-2024 restated: £1.9 million (2.14% of total payments) within a 95% confidence interval of £0.7m to £3.1m. There was an increase in the error value from £1.9m actual error in 2023-24 to £4.6m estimated error for 2024-25. This is due to a number of factors including the increase in the grant value itself, the identification of a new issue with installers redeeming the voucher prior to the installation being fully completed and a significant fraud case.

- The value of payments made in error during 2024-25 under the GB Renewable Heat Incentive Schemes is estimated at £9.98 million (0.9% of total payments) within a 95% confidence interval of £6.5 million to £13.0 million (2023-24: £3.2 million (0.3% of total payments) within a 95% confidence interval of £2.1 million to £4.3 million). The error rate is calculated from detected and prevented values established in each accounting year. 24-25 evidenced 3 times the detected value compared to the previous year.

Appendix II

Investigations and Enforcement Action 2024-25

Details of our cases are available on our website in accordance with our policy as set out in our Enforcement Guidelines. We will usually publish brief details of the facts and nature of the investigations on our website, although policy is different for cases relating to the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and Network and Information Systems (NIS).

Below are details of redress that Ofgem has secured through alternative action or compliance work. This gives a company a chance to swiftly put things right for consumers without us exercising our statutory enforcement powers.

Company	Issue	Decision	Date of decision
Scottish Power Energy Retail Limited ("SP")	SP self-reported to Ofgem that between 2015 and 2023 it mistakenly overcharged 1,699 direct debit customers a higher rate which should only apply to those who pay by standard credit (on receipt of bill). This means SP overcharged customers across 11 price cap periods (the price cap came into effect on 1 January 2019).	Alternative action, no formal finding of breach. Overall, SP paid £1,500,000. SP refunded £250,000 and paid a further £250,000 in goodwill to affected customers. Additionally, SP agreed to pay £1,000,000 into Ofgem's Energy Industry Voluntary Redress Fund.	April 2024
Southern Electric Power Distribution plc ("SEPD")	Ofgem investigated SEPD's vulnerable customer processes, with particular regard to the priority services register, treating customers fairly, and availability of resources.	Alternative action, no formal finding of breach. SEPD made voluntary donations totalling £150,000 to local charities.	May 2024
Beatrice Offshore Windfarm Limited ("BOWL")	Following a period of compliance engagement with Ofgem, BOWL accepted that they had charged excessive prices to reduce its generation output when this was required to keep the electricity grid balanced, thereby pushing up costs for consumers.	Alternative action, no formal finding of breach. BOWL agreed to pay £33,140,000 into Ofgem's Energy Industry Voluntary Redress Fund.	May 2024

Company	Issue	Decision	Date of decision
E.ON Next ("E.ON")	E.ON self-reported it had not been complying with its requirement to display the Cheapest Tariff Message for their Economy 7 customers.	Alternative action, no formal finding of breach. Overall, E.ON paid £2,148,312. E.ON applied £2,064,172 in goodwill payments and backdated savings to affected customers. Additionally, E.ON agreed to pay £84,140 into Ofgem's Energy Industry Voluntary Redress Fund.	June 2024
Utilita Energy Limited ("Utilita")	Utilita self-reported that over 17,000 electricity and gas smart SMETS 1 prepayment meter customers were overcharged between 2018-2022 due to a technical error. Utilita also self-reported issues in renumerating customers affected by smart meter connection issues.	Alternative action, no formal finding of breach. Overall, Utilita paid £1,598,172. Utilita refunded £437,708 and paid further compensation of £922,355 to affected customers. Additionally, Utilita agreed to pay £238,109 into Ofgem's Energy Industry Voluntary Redress Fund.	June 2024
E.ON	E.ON self-reported that between November 2021 and April 2023, 12,369 customers were impacted by the non-payment of compensation for failing to offer an appointment within a reasonable time.	Alternative action, no formal finding of breach. Overall, E.ON paid £958,740. E.ON paid £742,140 in Guaranteed Standards of Performance payments and £189,770 in compensation to affected customers. Additionally, E.ON agreed to pay £26,830 into Ofgem's Energy Industry Voluntary Redress Fund.	July 2024

Company	Issue	Decision	Date of decision
Drax Power Limited ("Drax")	Ofgem investigated whether Drax was in breach of annual profiling reporting requirements relating to the Renewables Obligation scheme ("RO") and other related matters. The investigation focused on the data governance and controls Drax had in place to inform its reporting of profiling data to Ofgem in order to comply with its obligations under the Renewables Obligation Order 2015 (“ROO”).	Alternative action, no formal finding of breach. Drax agreed to pay £25,000,000 into Ofgem's Energy Industry Voluntary Redress Fund.	August 2024
OVO Energy Limited ("OVO")	Following compliance engagement with Ofgem, OVO acknowledged that its ability to serve customers when dealing with consumer complaints was compromised. 1,935 OVO customers were affected by failings in how OVO handled customer complaints.	Alternative action, no formal finding of breach. Overall, OVO paid £2,378,512. OVO paid £378,512 in compensation directly to affected customers. Additionally, OVO agreed to pay £2,000,000 into Ofgem's Energy Industry Voluntary Redress Fund.	September 2024
OVO	Following compliance engagement with Ofgem, Ofgem found that OVO had erroneously overcharged 2,372 Relevant Customers with Restricted Meter Infrastructure by charging multiple standing charges, that in aggregate with unit rates, exceeded the price cap for varying periods of time between January 2019 and April 2024.	Alternative action, no formal finding of breach. Overall, OVO paid £882,134.78. OVO paid £602,066.05 in refunds and £280,068.73 in goodwill payments to affected customers.	October 2024

Company	Issue	Decision	Date of decision
Opus Energy Limited ("Opus")	Opus self-reported to Ofgem that it had overcharged 87,825 non-domestic customer accounts due to a technical fault in its billing system.	Alternative action, no formal finding of breach. Overall, Opus paid redress of £7,077,077. Opus refunded £3,914,531 to customers and paid a further £2,901,613 in goodwill. Additionally, Opus agreed to pay £260,933 into Ofgem's Energy Industry Voluntary Redress Fund.	November 2024
E.ON	Between February 2021 and September 2023, E.ON failed to send final bills to prepayment meter customers within 6 weeks of the supplier transfer or termination of the Domestic Supply Contract (i.e., after they left the supply of E.ON).	Alternative action, no formal finding of breach. Overall, E.ON paid £14,500,000. E.ON refunded £4,700,000 and paid a further £6,600,000 in Guaranteed Standards of Performance payments to affected customers. Additionally, E.ON agreed to pay £3,200,000 into Ofgem's Energy Industry Voluntary Redress Fund.	November 2024
Maxen Power Supply Limited ("Maxen")	Ofgem identified issues with Maxen's customer service procedures relating to complaints handling and change of tenancy, its operational capability and its requirement to take all reasonable steps to ensure its deemed contracts were not unduly onerous.	Alternative action, no formal finding of breach. Maxen agreed to pay £1,650,000 into Ofgem's Energy Industry Voluntary Redress Fund.	December 2024
So Energy Trading Limited ("So Energy")	Following compliance engagement with Ofgem, Ofgem found that So Energy had erroneously overcharged 1,558 Relevant Customers with Restricted Meter Infrastructure by charging multiple standing charges, that in aggregate with unit rates, exceeded the price cap for varying periods of time between January 2019 and April 2024.	Alternative action, no formal finding of breach. Overall, So Energy paid £324,327. So Energy paid £266,041 in refunds and £58,286 in goodwill payments to affected customers.	February 2025

Company	Issue	Decision	Date of decision
Utility Warehouse ("UW")	Following compliance engagement with Ofgem, Ofgem found that UW had erroneously overcharged 8,272 Relevant Customers with Restricted Meter Infrastructure by charging multiple standing charges, that in aggregate with unit rates, exceeded the price cap for varying periods of time between January 2019 and April 2024.	Alternative action, no formal finding of breach. Overall, UW paid £2,497,058.84. UW paid £2,043,098.84 in refunds and £453,960 in goodwill payments to affected customers.	March 2025
Octopus Energy Limited ("Octopus")	Following compliance engagement with Ofgem, Ofgem found that Octopus had erroneously overcharged 20,862 Relevant Customers with Restricted Meter Infrastructure by charging multiple standing, that in aggregate with unit rates, exceeded the price cap for varying periods of time between January 2019 and April 2024.	Alternative action, no formal finding of breach. Overall Octopus paid £3,183,162. Octopus paid £2,636,884 in refunds and £546,278 in goodwill payments to affected customers.	March 2025

In addition to this, other compliance engagements resulted in the following.

Type of impact	Value
Refunds paid to customers	£241,872.40
Compensation payments to consumers	£249,022.21
Redress payments to the Voluntary Redress Fund	£84,615.75
Total	**£575,510.36**

Open cases

Below are the open investigations as at the end of March 2025. Please note, the opening of an investigation does not imply that we have made any finding(s) about non-compliance. Ofgem does not publish information on all open investigations, in particular when Ofgem is conducting investigations into potential failures to comply with REMIT requirements or NIS regulations. As a general rule, we do not comment further on these investigations, including who we are investigating, unless we consider it necessary to do so in the interests of consumers or market confidence.

Company	Date Opened	Issue
National Grid Electricity Transmission plc ("NGET")	March 2022	Investigation into whether NGET breached statutory obligations under Section 9 of the Electricity Act 1989 and Standard Licence Condition B7 of its Electricity Transmission Licence. These obligations relate to the condition of its assets at Harker and delays to the connection of generation at the site.
British Gas Trading Limited ("BG")	February 2023	Investigation into BG's compliance with Standard Licence Conditions ("SLCs") 0, 13.1 (a) and (d), 27, 28 and 28B.1 of the Gas and Electricity Supply Licences. These SLCs relate to the Standards of Conduct, arrangements for access to customer premises, disconnections, prepayment meters and the installation of prepayment meters under a Relevant Warrant.
Ovo Energy Limited ("OVO")	May 2023	Investigation into four Ovo licensed supply entities which sit within the parent company of Ovo Energy Limited, and their compliance with Standard Licence Conditions ("SLC") SLC0.3(c)(d), 26.4, 26.5(d)(f), 27A and 28.1A, B of the Gas and Electricity Supply Licences. These SLCs relate to treating domestic customers fairly, obligations to customers on the Priority Services Register and ensuring customers' Prepayment Meters are safe and reasonably practicable in all circumstances.

Company	Date Opened	Issue
Ruby Electricity Ltd and Ruby Gas Ltd (jointly, "Ruby") - formerly BES Commercial Electricity Ltd and Business Energy Solutions Ltd	November 2023	Investigation into whether Ruby are in compliance with Standard Licence Condition ("SLC") 7.3 of the Gas and Electricity Supply Licences. Where a customer is supplied based on a deemed contract relationship, the supplier is required by SLC 7.3 to take all reasonable steps to ensure that the terms of its deemed contracts are not unduly onerous.
Tomato Energy Limited	December 2023	Investigation into whether Tomato Energy Limited is in compliance with Standard Licence Condition's ("SLCs") 4A and 5 of the Electricity Supply Licence. This is as a result of concerns over the provision of data under the Energy Price Guarantee. These SLCs relate to Operational Capability and the Provision of Information to Authority and Data Retention.
Utilita Energy Limited ("Utilita")	February 2024	Investigation into whether Utilita Energy Limited is in compliance with Standard Licence Conditions ("SLCs") 4A, 11B, 12 and 12A of its Electricity Supply Licence. These SLCs relate to Operational Capability, the Retail Energy Code, Matters relating to Electricity Meters, and Matters relating to Theft of Electricity.
Undisclosed	March 2024	Investigation opened in relation to suspected breaches of competition law under Chapter II of the Competition Act 1998. The investigation concerns a suspected abuse of a dominant position.
Farringdon Energy Ltd ("Farringdon")	May 2024	Investigation into Farringdon and its compliance with Standard Licence Conditions ("SLCs") 0A and 4A of its Electricity Supply Licence. These SLCs relate to the fair treatment of microbusiness customers and operational capability.
Cadent Gas Limited ("Cadent")	August 2024	Investigation into Cadent and its compliance with Standard Special Condition D10.2(h) of its gas transporter licence. This condition relates to timely attendance at reported gas escapes.
Scotland Gas Networks Plc ("ScGN") and Southern Gas Networks Plc ("SGN")	August 2024	Investigation into ScGN and SGN and its compliance with Standard Special Condition D10.2(h) of its gas transporter licence. This condition relates to timely attendance at reported gas escapes.

Company	Date Opened	Issue
Utilita	November 2024	Investigation into whether Utilita is in compliance with Standard Licence Conditions (“SLCs”) 0, 4A, 23, 26, 27, 27A, 28, and 28B of the Gas and Electricity Supply Licences. The SLCs relate to treating domestic customers fairly, operational capability, notification of Domestic Supply Contract Terms, the Priority Services Register, disconnections, self-disconnections, prepayment meters and the installation of prepayment meters under a Relevant Warrant.

Final Orders (FO)

No final orders were imposed, proposed, or concluded during the year April 2024 to March 2025.

Provisional Orders (PO)

Below you can find details of the provisional orders imposed during the year from April 2024 to March 2025. We issued 3 provisional orders.

Provisional Order (PO) ended	Company	Concern	Outcome
May 2024	Farringdon Energy Limited ("Farringdon")	On 7 May 2024, the Authority issued a Provisional Order to Farringdon in accordance with section 25(2) of the Electricity Act 1989. It appeared to the Authority that Farringdon was contravening, or was likely to contravene, SLC 4A.1(a) and 4A.1(b) by: (1) failing to maintain robust internal capability, systems and processes to enable it to efficiently and effectively serve each of its customers, and (2) efficiently and effectively identifying likely risks of consumer harm and to mitigate any such risks.	The Authority engaged with Farringdon throughout the period of the PO being in place. Having assessed the information received, the Authority was satisfied that Farringdon had taken steps which we considered to be appropriate to secure compliance with Condition 4A. Therefore, the Authority decided not to confirm the PO. The PO lapsed and ceased to have effect on 7 August 2024

Provisional Order (PO) ended	Company	Concern	Outcome
May 2024	Maxen Power	On 10 May 2024, the Authority issued a PO to Maxen in accordance with section 25(2) of the Electricity Act 1989 and 28(2) of the Gas Act 1986. It appeared to the Authority that Maxen Power was contravening or was likely to contravene, Standard Licence Conditions (“SLCs”) 0A and 4A. These concerns related to Change of Tenancy (“COT”) (SLC 0A - treating microbusiness customers fairly) and monitoring of Third-Party Intermediaries (“TPIs”) under contract who provided customer referrals (SLC 4A - operational capability).	The Authority engaged with Maxen throughout the period of the PO being in place. Having assessed amended policies and the audit report provided by Maxen, the Authority was satisfied that Maxen had taken steps which we considered to be appropriate to secure compliance with Conditions 0A and 4A. Therefore, the Authority decided to revoke the PO and the PO ceased to have effect on 7 August 2024.
March 2025	Rebel Energy Supply Ltd (“Rebel Energy”)	On 14 March 2025, the Authority issued a Provisional Order to Rebel Energy in accordance with section 25(2) of the Electricity Act 1989 since it appears to the Authority that Rebel Energy is contravening, or likely to contravene, Standard Licence Condition (“SLC”) 30. SLC 30 relates to rules around the ringfencing of the Renewables Obligation.	Ongoing as at end of March 2025.

Appendix III

Annual report on carbon dioxide transport and storage functions under Section 41 of the Energy Act 2023

Section 41(1)(a) of the Energy Act 2023 requires that the Authority makes a report (the "annual T&S report") to the Secretary of State each year on the exercise of its functions under Part 1 of the Energy Act 2023 during that year, including a general survey of developments in respect of matters falling within the scope of those functions.

This is the first annual T&S report issued by the Authority as its functions under Part 1 of the Energy Act 2023 came into force during the course of the 2024-25 reporting year.

Section 41(2)(a) of the Energy Act 2023 requires that the annual T&S report for each year must include a report on the progress of the projects described in the transport and storage forward work programme for that year.

Our projects relating to the regulation of carbon dioxide transport and storage were set out in our Multi Year Strategy published in March 2024, our 2024-25 forward work programme and further developed under Strategy Priority 2 in our 2025-26 forward work programme "Enabling infrastructure for net zero at pace."

Progress against Objective 8.2 in the 2024-25 forward work programme – "regulate carbon capture, utilisation and storage" – included a major milestone in December 2024 with the award by the Secretary of State for Energy Security and Net Zero of the first Economic Licence to Net Zero North Sea Storage Limited, establishing the Authority as the economic regulator for that CO2 transport and storage network.

In addition to regulating companies that have been awarded a carbon dioxide transport and storage licence, the Authority continues to provide independent advisory support to DESNZ in its continued ongoing development of the CCUS programme.

Section 41 of the Energy Act 2023 also requires a number of other elements to be included in the annual T&S report:

- s41(1)(b) a report on the activities of the CMA during that year in respect of any reference made to it by the Authority. (There have been no references made by the Authority to the CMA on which to report)
- S41(2)(b) A summary of final and provisional orders made by the Authority in that year; (There have been no final or provisional orders made in this reporting year)
- A summary of the penalties imposed by the Authority during that year; (There have been no penalties imposed in this reporting year)
- A report on such other matters as the Secretary of State from time to time may require. (The Secretary of State has not required a report on any such other matters in this reporting year).

In addition, section 41(3) of the Energy Act 2023 requires the Authority to include in its annual T&S report a report on:

(a) the ways in which the Authority has carried out its duties under section 100(1) and (2) of the Energy Act 2023 in relation to a CCUS strategy and policy statement designated by the Secretary of State (so far as the statements designation was in effect during the whole or any part of the year); and

(b) the extent to which the Authority has done the things set out in a forward work programme or other document as the things the Authority proposed to do during that year in implementing its strategy for furthering the delivery of the policy outcomes contained in the CCUS strategy and policy statement.

(There has been no CCUS strategy and policy statement designated during this reporting year).

Appendix IV

Statutory arrangements under Section V of the Utilities Act 2000

Section 5(1) of the Utilities Act 2000 requires that the Authority makes a report to the Secretary of State each year on:

- the activities of the Authority during the year; and
- the activities of the CMA during that year in respect of any reference made to it by the Authority.

The activities of the Authority during the year are reported on throughout this report. (There have been no references made by the Authority to the CMA on which to report)

Section 5(2) of the Utilities Act 2000 requires that the annual report of the Authority includes the following:

- A general survey of developments in respect of matters falling within the Authority's functions, including in particular developments in competition between persons engaged in, or in commercial activities connected with:
    - the shipping, transportation or supply of gas conveyed through pipes; and
    - the generation, transmission, distribution or supply of electricity; (These developments are referred to in the Performance Report)
- A report on the progress of the projects described in the forward work programme for that year; (Progress is reported in the Performance Report)
- A summary of final and provisional orders made by GEMA in that year; (This can be found in Appendix II)
- A summary of the penalties imposed by GEMA during that year; (This can be found in Appendix II)
- A summary of any final notices given by GEMA under REMIT in that year; (This can be found in Appendix II)
- A report on such other matters as the Secretary of State from time to time may require.

Section 5(2A) of the Utilities Act 2000 requires the Authority to include in its annual report a report on

(a) the ways in which the Authority has carried out its duties under section 132(1) and (2) of the Energy Act 2013 in relation to a strategy and policy statement designated by the Secretary of State (so far as the statements designation was in effect during the whole or any part of the year); and

(b) the extent to which the Authority has done the things set out in a forward work programme or other document as the things the Authority proposed to do during that year in implementing its strategy for furthering the delivery of the policy outcomes contained in the strategy and policy statement.

(This can be found in the Performance Report).

Section 5(3) of the Utilities Act requires the Authority to set out in its annual report any general directions given by the Secretary of State under s34(3) of the Gas Act 1986 or s47(2) of the Electricity Act 1989.

(The Secretary of State has not made any such general directions)

Section 5(3A) of the Utilities Act 2000 requires the Authority to include in its annual report an overview of

(a) developments relating to documents designated for the purposes of Part 6 of the Energy Act 2023 (governance of gas and electricity industry codes);

(b)decisions made by the Authority during the year in relation to such documents, including details of any modifications made under section 192 of the Energy Act 2023.

(No documents have been designated for the purposes of Part 6 of the Energy Act 2023 during this course of this reporting year.)

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