

**Octopus Energy Response to the Ofgem Call for Input: Exercising Consumer Choice - A review of the gas disconnections framework.**

Sent by email to: [gas.systems@ofgem.gov.uk](mailto:gas.systems@ofgem.gov.uk)

7th February 2025

**About Octopus**

*The Octopus Energy Group is the UK's largest domestic electricity supplier and a global leader in innovative smart tariffs and products that harness and reward consumer demand flexibility. With over half a million customers on smart tariffs and exponential growth, we are pioneering the future of energy. As the owner of Kraken, a platform that connects all parts of the energy system—from customer billing to the flexible management of renewable generation, energy storage, and consumer devices such as EVs, home batteries, and heat pumps—we are at the forefront of energy technology. [Kraken](#) currently has 42.43GW of assets contracted. As a key player in renewable investments, Octopus Energy manages over £6.7bn in assets globally, including more than 2GW of offshore and onshore renewables in the UK.*

**Introduction**

Octopus Energy would like to thank Ofgem for the opportunity to respond to this Call for Input. We welcome the steps taken to collaborate with industry on shaping a more effective and consumer-friendly gas disconnections framework. As the UK transitions towards net zero, it is essential that the regulatory framework supports consumers in making low-carbon choices while ensuring efficiency, fairness, and affordability.

At Octopus Energy, we are committed to driving innovation in the energy sector and supporting customers through the transition to cleaner, more sustainable heating solutions. A well-designed gas disconnections framework is a key enabler of this transition, helping to remove barriers for households and businesses seeking to move away from fossil fuels.

However, this issue sits within a broader challenge: for as long as electricity prices remain artificially high due to levies placed on electricity bills, consumers will be further disincentivised from switching away from gas. Under the current price cap, electricity bills face levies of £209.99 compared to gas bills which face levies of £51.99. Given this large disparity, we urge Ofgem to take a more holistic view of

this problem, considering not just disconnection costs but the wider market distortions that slow the transition to low-carbon heating.

We look forward to continued engagement with Ofgem and other stakeholders to ensure that the framework is fit for purpose, supporting both consumer choice and the long-term decarbonisation of the energy system.

### **Call for Input Questions:**

#### **1. How effective is the current gas disconnections framework in protecting the consumer interest, assisting net zero goals and promoting economic growth?**

The current gas disconnections framework is not effective in protecting consumer interests, supporting net-zero goals, or promoting economic growth. If the high costs associated with disconnection, averaging £1,950, are accurate, they act as a significant barrier to consumers switching away from gas. This directly hinders the deployment of low-carbon heating technologies, which are critical for achieving net-zero and enabling consumers to access cleaner, lower-cost energy.

Firstly, Ofgem should investigate whether the current practice of requiring full pipe removal is necessary, particularly once a gas meter has been capped. For example, are existing health and safety regulations still appropriate, and has Ofgem worked with the Health and Safety Executive (HSE) to review them? If full removal is deemed essential, then the associated costs could be socialised amongst both electricity and gas customers, as the transition away from gas is a national priority that benefits society as a whole.

Charging customers at the level quoted in the Call for Input, represents a significant barrier to consumers switching away from gas. This directly hinders the deployment of low-carbon heating technologies, which are critical for achieving net-zero and enabling consumers to access cleaner, lower-cost energy. The lack of standardisation in disconnection costs, timescales, and processes across gas networks further undermines consumer trust in switching to low-carbon alternatives. A more consistent, transparent, and fair approach is needed to ensure consumers are not deterred from making the transition.

Furthermore, there is a broader issue that we must bear in mind when considering gas disconnection costs. Currently, electricity customers bear a disproportionate share of decarbonisation costs through levies such as Contracts for Difference (CfDs) and the Renewables Obligation, while gas customers

contribute relatively little. Social and environmental levies make up 22.6% of an electricity bill, whereas on a gas bill they only make up 5.6%, there is a total price differential of £158. This is particularly problematic given that heating via electricity is up to six times more efficient than heating via gas. The only reason electric heating remains more expensive for consumers is the way levies are recovered, artificially inflating electricity prices while keeping gas artificially cheap. There is a strong case for rebalancing these levies so that costs are shared more fairly across gas and electricity bills. This could include incorporating gas disconnection costs into a broader socialised mechanism.

Ultimately, the gas disconnections framework, in its current form, creates unnecessary financial barriers, discourages the adoption of low-carbon heating, and unfairly shifts costs onto those making sustainable choices. A fairer, more strategic approach is needed—one that ensures costs are shared equitably and that the transition to net zero is not hindered by outdated policies and excessive charges.

## **2. What factors impact the effectiveness of the framework in achieving its objectives**

The effectiveness of the framework in achieving its objectives is influenced by several key factors:

1. **Lack of Consumer Information** – Insufficient guidance on the gas disconnection process leads to consumer confusion and erodes confidence. Many consumers are unclear on who to contact, what permissions are required, and how long the process will take. Without accessible and transparent information, engagement with the framework is hindered.
2. **Ambiguity in Industry Accountability** – There is a lack of clear communication to industry participants regarding their responsibilities. Energy suppliers, Gas Distribution Network Operators (GDNOs), meter operators, and third-party engineers all have roles in the process, yet there is no single, streamlined procedure or point of contact. This complexity weakens the framework by making it difficult for consumers and industry stakeholders alike to navigate.
3. **Inconsistency in Customer Experience** – The level of support provided to consumers varies significantly between suppliers. Some, such as Octopus Energy, take a proactive approach in helping customers through the process, while others provide minimal assistance. This inconsistency can result in a fragmented experience where some consumers receive efficient,

cost-effective disconnections while others face delays and unnecessary costs.

4. **Lack of Standardised Pricing and Consumer Protections** – The absence of uniform regulations governing disconnection fees creates an uneven playing field. Some suppliers, like Octopus, remove meters at no charge, while others impose fees or require consumers to arrange disconnections independently. Additionally, GDNO disconnection charges vary by region. This disparity means well-informed consumers can navigate the process more affordably, while others may overpay or be discouraged from disconnecting altogether, undermining the framework’s fairness and accessibility.
5. **Weak Cost-Control Incentives** – The monopoly position of GDNOs in carrying out physical disconnections reduces the pressure to minimise costs. While third-party contractors can undertake certain works, the market for independent disconnection services is underdeveloped. As a result, networks have the flexibility to set charges that may include overheads and even profit, with only a broad requirement for prices to be “reasonable and cost-reflective.” This lack of competitive pressure can lead to inefficiencies in service delivery.
6. **A Framework Misaligned with Decarbonisation Goals** – The existing gas disconnection regime was not designed to support mass decarbonisation. To date, gas disconnections are uncommon, and consumer safeguards meant suppliers rarely disconnected customers for non-payment. However, with the transition to net zero, disconnections will start to become an integral part of moving away from gas heating. The current framework does not actively facilitate this transition, as it still operates under outdated assumptions about the role of gas in homes.

Without targeted improvements in these areas, particularly around consumer clarity, industry coordination, pricing fairness, and alignment with decarbonisation objectives, the framework will struggle to effectively support the energy transition and empower consumers to make informed choices.

### **3. What factors impact the efficiency of the framework in achieving its objectives?**

Several factors impact the efficiency of the framework in achieving its objectives:

1. **Resource-Intensive Procedures** – The current gas disconnection process is highly inefficient, often requiring multiple site visits and administrative steps. A typical disconnection may involve a supplier’s engineer removing

or locking the meter, followed by a separate visit from the network operator to excavate and cap the service pipe. Additional inspections or documentation may further delay the process. While some suppliers integrate disconnection with low-carbon technology (LCT) installations, such as heat pumps, the majority of installations are carried out by independent firms that are not suppliers. This fragmented approach results in bespoke, high-cost disconnections rather than a streamlined, scalable process. We urge Ofgem to investigate whether this lengthy and expensive process is truly necessary as a first step.

2. **Lack of Standardisation and Bundling** – The framework does not currently support economies of scale. Even when multiple households in a local area request disconnection, there is no established mechanism to combine these jobs into a single, cost-effective operation. This leads to inefficiencies, as each disconnection is treated as an individual project rather than part of a coordinated effort. A more structured approach to bundling disconnections could reduce per-customer costs and improve efficiency.
3. **Cost Recovery Mechanism** – Under the existing framework, the full cost of disconnection is typically borne by the individual requesting it, except in specific safety-related cases. While this “user pays” model ensures cost-reflectivity, it creates a disincentive for consumers to disconnect, limiting the framework’s overall effectiveness in supporting the transition to Net Zero. As a result, some households attempt to circumvent the cost by using safety-related exemptions, which is an unintended consequence of the current structure. A more strategic cost-recovery approach, such as a full socialisation mechanism across all electricity and gas customers could improve efficiency while maintaining fairness.
4. **What other factors beyond those impacting the effectiveness and efficiency of the framework (dealt with in questions 2 and 3), for example, safety, financial, commercial factors, ought Ofgem consider as part of its review?**

The large-scale removal of gas from decarbonised homes and buildings must be achieved in a cost-effective manner. To support this, Ofgem and the Government should work closely with industry to explore and implement the most efficient solutions.

Furthermore, the transition away from gas is a broader challenge than the disconnection of individual properties. It must be considered within the context

of a wider strategy for adapting the gas network to declining demand, ensuring a coordinated and efficient approach to network adjustments as electrification progresses.

A key financial concern is the risk that, as more consumers switch away from gas, the cost of maintaining the gas network will be spread across a shrinking base of users, increasing bills for those who remain. Whilst this is a valid concern, it must be recognised that:

- a) Gas disconnections still remain relatively rare, to this, Ofgem should provide clear data on how many have taken place in recent years along with future projections.
- b) Gas customers currently bear a disproportionately small share of environmental and social levies compared to electricity customers.

Given these factors, there is an opportunity to socialise gas disconnection costs across all electricity and gas customers rather than placing the entire financial burden on individual consumers. This could be achieved as part of a broader rebalancing of levy costs between gas and electricity, ensuring a fairer distribution of transition costs across all energy consumers.

As mentioned above, Ofgem should work with the Health and Safety Executive (HSE) to review whether the current approach to gas pipe removal is necessary in all cases. If a capped meter is already sufficient from a safety perspective, mandatory pipe removal may represent an unnecessary expense. Ensuring that safety regulations are proportionate and cost-effective will help reduce unnecessary financial burdens on consumers and the wider energy system.

Finally, Ofgem should also assess whether gas networks are charging cost-reflective prices for disconnections or whether unrelated costs are being bundled into these charges. Some networks already have an obligation to remove a gas connection at their own expense after 12 months of disuse, yet they often charge upfront for this work. Ensuring transparency in pricing and preventing excessive charges will be critical to maintaining consumer trust and ensuring fair treatment.

## **5. What factors do you believe will impact demand for gas disconnections? A future gas disconnections framework.**

Several key factors will impact demand for gas disconnections and the development of a future gas disconnections framework:

- 1. Technology and Availability of Alternatives** – The adoption of low-carbon heating solutions, particularly heat pumps, will be a key driver of gas disconnections. As electric heating technology advances (including improvements in home battery storage, thermal storage, and electric cooking) more households will find it viable to disconnect from gas entirely. The increasing uptake of heat pumps, as evidenced by a 50% rise in sales across all markets in the UK, suggests this trend is accelerating. However, full disconnection requires households to switch to electric cooking, which remains a barrier, as 54% of UK households still use gas for cooking.
  
- 2. Relative Energy Costs (Gas vs Electricity)** –The cost dynamics between gas and electricity will heavily influence consumer decisions on disconnection. Currently, electricity is artificially more expensive than gas because of the way levies and policy costs are applied to bills. Environmental and social levies, which fund schemes such as Contracts for Difference (CfDs) and the Energy Company Obligation (ECO), are disproportionately loaded onto electricity bills, despite electrification being central to the UK's net zero strategy. Environmental and social levies make up almost 23% of an electricity bill compared to just 5.6% of a gas bill. This distorts price signals and discourages consumers from switching away from gas. Unless this imbalance is corrected, the running costs of electric heating will remain unnecessarily high, slowing the pace of disconnections. A fairer levy distribution—one that shifts some of these costs onto gas bills—would better reflect the long-term direction of energy policy and remove an artificial barrier to electrification. Ofgem must consider this when designing a future framework, ensuring that energy pricing aligns with decarbonisation goals rather than working against them.
  
- 3. Consumer Awareness and Attitudes** – Public perception and awareness of gas disconnection as part of the transition to net zero will shape demand. If disconnecting from gas becomes widely understood as a routine step when installing a heat pump, demand will increase. However, uncertainty around the process, potential costs, or perceived hassle may discourage some consumers. Targeted public campaigns, community-driven initiatives, and increased visibility of gas-free households could help normalise disconnection.



**4. Local Decarbonisation Initiatives** – Government policies and local authority strategies will be significant drivers. Some cities and regions have set ambitious carbon-neutral targets ahead of 2050 and may implement measures to phase out gas in specific areas. Potential initiatives include heat network zones, where buildings transition to district heating, or restrictions on gas infrastructure in new developments. The Future Homes Standard, set to take effect in 2025, will prohibit gas heating in new-build homes, shrinking the future customer base and encouraging nearby existing households to follow suit. Additionally, financial incentives such as grants, council tax reductions, or scrappage schemes for gas boilers could further accelerate disconnections.

**6. What are the potential future regulatory frameworks, regimes or mechanisms that should be considered for gas disconnections that would operate effectively, assist in achieving net zero and protect consumers? We are open to hearing any potential options you have identified for regulatory reform whether they be commercial, technological, regulatory, policy-based or legislative in nature. While Ofgem is not responsible for changing legislation, we can make recommendations to government.**

To ensure an effective and efficient gas disconnections framework that supports the transition to net zero and protects consumers, several potential regulatory reforms should be considered across commercial, technological, regulatory, policy-based, and legislative areas.

**1. Transparency and Pricing** – To encourage consumer confidence in the disconnection process, transparency around pricing is essential. Clear and upfront communication about the costs associated with gas disconnections, including any potential fees, will help prevent consumer confusion and discourage workarounds (such as the Health & Safety “loophole”). We recommend that either the disconnection fee is fully socialised across all electricity and gas customers or alternatively Ofgem could consider capping the cost at the price of the gas annual standing charge. Either solution should allow consumers to recoup the cost within one year, making the fee more palatable and encouraging greater participation in the disconnection process. This would also simplify the



messaging for heat pump installers, ensuring that potential customers are not deterred by the fear of hidden or unaffordable costs.

- 2. Simplified Disconnection Process** – The disconnection process itself could be streamlined to improve efficiency. Consumers should be able to contact their supplier directly to request a gas meter disconnection, with the supplier then coordinating with the Gas Distribution Network (GDN) to facilitate the process. A capped disconnection fee or fully socialised cost, would help make this more feasible and provide clearer expectations for customers.
- 3. Synergies and Cost Reductions in Disconnection Procedures** – The current disconnection process could be further optimised to achieve economies of scale. For example, if multiple households on the same street request disconnections, these could be grouped together to reduce labour costs, street closures, and excavation work. This could lead to significant cost savings for both consumers and the industry.
- 4. National Gas Infrastructure Planning** – Ultimately, the gas disconnection framework should be aligned with a top-down approach that addresses the national infrastructure's adaptation to a net zero future. As electrification becomes the norm, the gas network will need to evolve accordingly. Ofgem and the Government should work closely with industry to develop a long-term plan for scaling back the gas network, considering the costs, logistics, and impacts on consumers.

## **7. Of these potential future frameworks, regimes or mechanisms which is preferable and why?**

A capped disconnection fee would help mitigate the financial burden of disconnections, making it more manageable for households looking to transition to low-carbon alternatives. By setting a cap aligned with the annual cost of a gas standing charge, consumers would be able to recover the cost within a year, encouraging more people to disconnect from the gas network without the fear of excessive charges. This would promote a smoother and faster transition to electrified heating solutions, such as heat pumps, which are essential for achieving net zero.

In addition, standardising the approach across all Gas Distribution Networks (GDNs) is crucial to ensure consistency and fairness. There should be defined Service Level Agreements (SLAs) that outline clear expectations for GDNs in terms of response times and the overall customer experience. This would guarantee that customers across the country receive the same level of service and support when disconnecting from the gas network.

Furthermore, clear and readily-available information about disconnection costs and the process would empower consumers to make informed decisions. Transparency is key to reducing confusion and building trust in the transition process. It would also help heat pump installers and suppliers clearly communicate the total costs involved, without the fear of hidden fees deterring potential customers.

**8. Are there any impediments inherent in the potential future regulatory frameworks, regimes or mechanisms identified in response to question 6 above that would affect their effective operation, the achievement of net zero and/or the protection of consumers?**

- **Governance:** The transition away from gas must be strategically managed at a national level, with clear leadership from NESO and Ofgem. If disconnections remain a fragmented, consumer-led process, they could occur in an uncoordinated manner, leading to stranded assets, rising network costs, and inconsistent consumer outcomes. Without governance ensuring a structured and efficient transition, financial and practical burdens will be unfairly distributed.
- **Funding and Cost Fairness:** A major impediment is determining who pays for network decommissioning and consumer disconnections. If costs fall solely on those disconnecting, it discourages electrification. If they are spread across remaining gas users, it risks a cost spiral as the customer base shrinks. If funded through taxation or levies, it must compete with other decarbonisation priorities. Crucially, the current unfair allocation of green and social levies, which disproportionately burden electricity customers over gas, must be addressed to prevent electrification from being needlessly expensive. One way of doing this would be socialising the cost amongst all electricity and gas customers.
- **Network Reliability and Safety During Transition.** If we move to an area-based shutdown model, one impediment is ensuring that gas supply reliability is maintained for those who still need it until the day of decommissioning. There's a risk that as participation drops, companies might under-invest in maintenance (since the asset is being retired) leading to leaks or outages, which would harm remaining customers. The framework will need safeguards to prevent a deterioration of service quality or safety in "soon-to-be-disconnected" zones. Similarly, managing the technical aspects of decommissioning (purging gas lines, etc.) on a large scale is complex – any missteps could be hazardous. These operational challenges mean the framework must be carefully planned

and perhaps trialed in pilot areas. Practical execution risks are an impediment if not addressed with robust plans and oversight.

- **Consumer Acceptance and Behavior:** Even if a great framework is designed, consumer buy-in is not guaranteed. Some homeowners might be skeptical of giving up gas, particularly if they have concerns about electric heating (performance, cost, or cultural attachment to gas cooking). Others might procrastinate or avoid engagement with new schemes. This could impede net zero progress if pockets of consumers resist disconnection offers. For example, in an area-based approach, if a minority of households refuse to cooperate, it complicates full network closure. The framework needs to include strong consumer engagement, protections, and possibly default pathways (with opt-outs rather than opt-ins) to overcome inertia. Without that, even a well-intentioned mechanism might not achieve the desired uptake.
- **Impact on Vulnerable Consumers:** There is a risk that some frameworks, if not carefully designed, could inadvertently disadvantage vulnerable groups, something that must be avoided. For example, if the cost of disconnections is socialised in a way that disproportionately affects those who haven't yet switched, it could result in higher bills for low-income households. This is particularly concerning given that gas customers are currently cross-subsidised by electricity customers, with electricity customers already shouldering a larger share of green and social levies. Additionally, if area-based decommissioning is implemented according to a set schedule, vulnerable households might face difficulties with transition timelines or the complexity of paperwork. To mitigate these risks, any new framework must be paired with targeted support schemes. This could include grants for heat pump installations for low-income homes (as already seen in some social housing projects), protections against winter disconnections, and other safeguards to ensure that no one is left without adequate heating or is pushed into unaffordable costs during the transition. Without such protections, vulnerable consumers could suffer, and public backlash could stall the wider net-zero effort.
- **Hydrogen Uncertainty.** The ongoing uncertainty around the potential for hydrogen-based home heating and cooking presents a significant barrier to progressing with a clear, long-term strategy. Persisting with unrealistic expectations about a hydrogen future may lead to delays and hinder decision-making. This uncertainty complicates the development of effective frameworks, as it risks diverting investment and slowing progress. For instance, questions remain as to whether mass disconnections should be funded in areas still considered potential candidates for hydrogen conversion. To ensure the framework's effectiveness, it is crucial to address

this issue decisively— by ruling out hydrogen's role in home heating—so that decisions can be made with confidence and without the risk of vested interests in the gas industry reviving the concept.

- **Market Limitations.** Should the framework depend on market-based solutions, such as independent contractors or supplier obligations, a key challenge could be the market's inability to meet expectations. There may be a shortage of qualified contractors to carry out disconnections at scale, or suppliers might face difficulties in fulfilling their obligations due to ongoing financial or operational constraints, especially as many suppliers are still recovering from the 2021 energy crisis. While market-driven approaches can encourage innovation and competition, it is essential to have regulatory safeguards in place to ensure the framework's success. Recognising these potential limitations is crucial to ensure that consumer protection is not compromised.
- **Timing and Coordination.** The successful implementation of future frameworks will require seamless coordination among a wide range of stakeholders, including Ofgem, gas networks, energy suppliers, government departments (for funding and policy), local authorities, and consumer groups. Any lack of alignment or delays in timing—for example, if funding is not available when needed, or networks do not have regulatory approval to proceed with decommissioning—could hinder progress. As the transition framework is a complex, multi-faceted project, delays or gaps in any one area could disrupt the entire process. To mitigate this risk, it is essential to ensure synchronized action, possibly through a clear national roadmap for phasing out gas in buildings.

**9. For the purposes of this Call for Input, we have defined 'small businesses' as those with an annual gas consumption of not more than 500,000 kWh. What are the implications, if any, of using this definition?**

The definition of 'small businesses' as those with an annual gas consumption of no more than 500,000 kWh has both potentially positive and negative implications.

On the positive side, this threshold captures a broad range of small businesses and ensures that those with lower gas consumption (who may have less bargaining power compared to larger firms) receive appropriate regulatory safeguards. By defining eligibility based on consumption rather than other measures such as revenue or number of employees, the approach ensures targeted protections for businesses that are likely to be more vulnerable to market fluctuations or unfair practices.

However, a potential drawback is the risk of excluding certain businesses that, despite having relatively low revenues, have higher gas consumption due to the nature of their operations. Sectors such as bakeries, small-scale manufacturers, or laundries may exceed this consumption threshold but still face similar challenges to smaller firms in terms of negotiating power and cost pressures. These businesses could be left without necessary protections, creating an unintended disparity between industries.

A key consideration is whether alternative or additional criteria should be explored to ensure fair treatment for businesses that may not meet the consumption threshold but still require regulatory support. This could include additional safeguards for businesses that fall just above the 500,000 kWh limit but demonstrate characteristics that warrant protection

**10. Is there anything else we ought to consider that has not been covered in your responses to questions 1-9?**

Whilst we have mentioned this throughout the response, one key issue that has not been fully addressed by Ofgem is the unfair distribution of levies between electricity and gas customers. At present, gas customers are effectively cross-subsidised by electricity customers, as the levies to fund decarbonisation and social costs are disproportionately applied to electricity bills. This creates a financial barrier to switching from gas to electricity, as consumers not only face the costs associated with transitioning to electric heating but are also deterred by the increased levies on their electricity bills. To promote a fairer and more equitable transition, there needs to be a rebalancing of these levies to ensure that those making the switch to low-carbon alternatives, such as heat pumps, are not further penalised by an unfair cost burden.