



Markets Regulatory Vision and Strategy to 2030

ofgem

Making a positive difference
for energy consumers

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Introduction

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The energy system is changing – driven by electrification and Government’s ambition for Clean Power 2030 (CP2030) and Net Zero target by 2050. The energy retail markets will be crucial in helping consumers to take advantage of the opportunities of the new energy system and ensuring that the transition is done in a way that creates opportunities for all consumers and at the lowest cost.

Consumer-led flexibility can benefit all consumers. It can benefit individual consumers through empowering them to have greater control over their energy use and reduce their energy bills. It can also reduce system costs overall and therefore lower bills for everyone. This is a huge opportunity and we need to seize the moment to regulate and shape the energy markets of the future.

We will support investment and innovation in our energy retail markets to drive better outcomes for consumers whilst supporting decarbonisation and wider economic growth. Investment and innovation will lead to better outcomes for consumers – through better products, services, and lower bills – and we want to ensure we are able to support the realisation of these positive, dynamic benefits in the retail energy markets. And we think investment and innovation will be vital to achieving the energy retail markets we want to see by 2030. This represents a change in emphasis. We are looking afresh at how we regulate energy retail markets – including as we take on new consumer-facing responsibilities with the regulation of heat networks, aggregators, and third-party intermediaries.

This Markets Regulatory Vision and Strategy sets out our ambitions and key work programmes in energy retail markets by 2030. It sets out the strategic approach we will adopt for the decisions we need to make and should be read alongside our detailed policy consultations on specific issues. It builds upon Ofgem’s Multi-Year Strategy and covers all of our regulated energy retail markets so that we have a shared set of priorities, including: gas and electricity domestic and non-domestic retail markets; heat networks; aggregators; and Third-Party Intermediaries (TPIs).



Our vision for energy retail markets

In 2030 we want to see energy markets that deliver for all consumers through regulation which provides confidence and protections to consumers whilst enabling innovation and investability, supporting Clean Power 2030 goals and economic growth.

Innovation and investment will drive better outcomes for consumers. For example, through market participants providing a range of products and services that suit different consumer needs and preferences, and products and services that inspire and engage. We want to see new entrants and innovative business models, with participants differentiating themselves, for example, through innovative tariff designs and technology integration.

Ambitions

We regulate to protect the interests of all consumers. Our Consumer Interest Framework explains what this means in practice. Our ambitions for the energy retail markets under each strand are set out below.

Financial Resilience



Ambition: The sector is resilient and attracts the investment needed to facilitate a low-cost transition to net-zero. Debt and arrears are tackled to improve consumer outcomes and boost the investability of the retail market. The sector has a sustainable approach to debt going forward.

Fair Prices



Ambition: Consumers are incentivised to flex their energy use and rewarded through lower bills. Domestic consumers continue to be protected from the loyalty penalty. Costs are allocated and recovered fairly and efficiently whilst supporting decarbonisation.

Consumer Standards



Ambition: Consumers receive a high quality of service and good outcomes, and we ensure consumers in vulnerable situations are protected. This is underpinned by proportionate regulation and protections that support innovation and investment, and reduce regulatory burden.

Low-cost Transition



Ambition: All consumers have the opportunity to be part of the net zero transition, with market participants specialising and innovating to create products and services that inspire, engage, and suit different consumer needs.



Our work programme

Our work programme for the next five years aims to use our regulatory levers to drive **investment** and **innovation** to deliver better outcomes for consumers.

Investment

Investability refers to the attractiveness of an investment to investors.

Retail markets are likely to transform in the next few years – and we want to see investment in new products and services that improve customer outcomes and make it simple for consumers to engage with flexibility such as time-of-use tariffs.

We now have a financial resilience regime with £7.5bn of net assets in the supply sector so we know consumers are more protected from the risks and costs of market exit.¹ However, we recognise challenges remain that undermine retail market investability.

Any market in which credit is made available to consumers will result in some level of debt and arrears. It is important that suppliers are incentivised to be efficient in the prevention and collection of debt. It is clear though that in the energy market the level of debt and arrears is unprecedentedly high and there is evidence that household debt in energy is rising faster than other types of household debt.²

We need to support the industry to bring down the high levels of debt and arrears because they lead to poor outcomes for consumers (including stress and self-disconnection). High levels of debt also lead to costs for all consumers. This is because, as in any credit market, the costs of bad debt are recovered through higher prices. In domestic energy retail, the recovery of debt costs, as with all costs, are capped through the price cap. This mechanism creates a lag and inevitable uncertainty which undermines investability. Where debt and arrears are high, as we are seeing in the current retail market, these effects can be significant.

Predictability of returns is a factor for investability. A proportion of the costs that make up consumer bills, and are therefore collected by suppliers, are pass-through costs. This is because they pay for the costs of the network or policy costs set by Government. It is important that suppliers have predictability and certainty about the level and timing of recovery of such costs. A lack of predictability and certainty creates risks, undermines investability and ultimately adds to costs to consumers.

Looking ahead, the interaction of the price cap and our financial resilience rules need to ensure that we strike the right balance between protecting consumers from the risks and costs of supplier failure and ensuring efficient companies can achieve reasonable returns.

We are therefore committed to supporting the market to tackle debt, improving predictability and certainty around recovery of costs, and ensuring we strike the right

¹ £7.5bn of total adjusted net assets in the sector. The sector has moved from minus £1.7bn net assets during the energy crisis. Source: Financial resilience transparency report, Ofgem, May 2025.

² [Stronger shock absorbers, Resolution Foundation, September 2025](#)

balance between bearing down on costs and ensuring that the market can attract investment.

How we will achieve this:

Debt

- **Debt Relief Support Scheme:** This is an ambitious scheme to tackle the unprecedented levels of debt and arrears that is causing stress to domestic consumers. In the short-term, phase 1 of the Debt Relief Scheme will help tackle historical household debt built up during the energy crisis and could help around 195,000 customers by writing off up to £500m. We will continue to progress with phase 2 of the scheme to support other households in payment difficulty who are not in receipt of benefits where a robust approach to affordability assessment can be put in place.
- **Use of data to identify households in vulnerable situations:** we are working with government to improve how data is used to proactively identify households in vulnerable situations who need additional help, which is critical to ensuring a high standard of customer service.
- **Controlling access to credit:** We want to prevent debt build-up at change of tenancy where a domestic customer has access to energy for a prolonged period without setting up an account. We will also examine access to credit in the energy system and the role of different payment methods in preventing and recovering debt.
- **Debt standards:** we will regulate domestic suppliers to ensure high quality debt management and debt standards to prevent customers getting into energy debt in the first place and support those in debt in a compassionate and sustainable way. This includes ensuring best practice in the approach suppliers take when assessing a customer's ability to pay and improving the advice consumers receive.
- **Role of prepayment:** we are also exploring other changes that may be needed to prompt payment, with the role of prepayment an important consideration. We are carefully monitoring the restart of forced prepayment and will evaluate to ensure they continue to strike the right balance between protection of the most vulnerable and suppliers' right to recover debts.

Price-cap

- **Price cap:** Our current programme includes incremental change in the near term to improve the predictability of returns and recent changes to update technical parameters to improve cost reflectivity. We want to provide more certainty in the future about how costs are reflected in the price cap, particularly those resulting from decisions by Ofgem and Government. And we will focus on reforms to ensure the cap is fit for purpose in a world of Market-Wide Half Hourly Settlement (MHHS). In doing so, we will ensure the price cap continues to protect consumers from the loyalty penalty.

Financial resilience and controls regime

- **Evaluate Financial Resilience & Controls regime:** The energy retail market has stabilised post-energy crisis and our new retail financial resilience regime will help prevent supplier failure and minimise the costs to consumers if they do. We are committed to reviewing the financial resilience regime to ensure it is effective and proportionate. It is the combination of all our regulation that can affect investment, so we will also be considering its interaction with other policies and regulations, such as the price cap and consumer protection rules. In other retail markets we regulate or will be regulating, we will avoid unnecessary regulatory intervention unless there is a clear case to do so based on risk and externalities of financial failure.

Cost allocation

- **Cost Allocation & Recovery Review (CARR):** upgrading our networks and accommodating a changing energy mix will see changes in the make-up of costs, in particular an increase in fixed costs and decrease in variable costs (costs per unit). The way they are recovered can have a significant impact on the market and consumers. Through the CARR we will be working to ensure costs are recovered as fairly and efficiently as possible.

Innovation

Innovation refers to the dynamic process through which new products, services, and operating models come to market

We want to see all consumers receive a high quality of service and good outcomes, with market participants providing a range of products and services that suit different consumer needs and preferences.

The energy retail markets need to support the net zero transition and the ambition of 10-12 GW of consumer-led flexibility by 2030 (approximately a five-fold increase from 2025). That will mean very different markets to the ones we have today.

There are promising signs that a new type of energy retail market may be emerging – that creates the opportunity for all consumers to be part of the net zero transition and supports the Government’s decarbonisation goals. This has arisen due to significant changes to the foundations of energy retail markets:

- i. Expansion across the markets of low carbon technology, smart meters, and market wide half hourly settlement – these are enablers of more flexible markets underpinned by better data.
- ii. The commercial propositions in the retail market are undergoing radical shifts. Energy is no longer a homogeneous product only available from suppliers with similar business models – instead, new products and bundled services and new market participants (e.g. aggregators, behind-the-meters service providers, heat networks) offer consumers more varied options and choice. Participants are competing to provide different offerings.
- iii. We are also seeing evidence of the new ways that a variety of consumers can engage with the market. The way consumers interact with energy is changing – prompting engagement in flex supported by automation and AI (e.g. via smart energy monitoring and apps that offer real-time, tailored engagement).

We also want to see innovation on other aspects of the consumer experience. Reducing bills through lower cost-to-service innovations would benefit all types of consumers, particularly those on low incomes for whom the savings would be a greater share of income.

However, whilst there are innovations on flex and time-of-use offerings in the market, there are low adoption rates suggesting more needs to be done to incentivise consumers and support innovation.

Prescriptive regulatory obligations can constrain innovation, and we want to ensure we regulate to incentivise innovation by those currently in the market and incentivise market entry from innovative new companies.

Our focus on innovation will be about improving consumer outcomes whilst reducing the regulatory burden such that important protections for consumers are maintained. We want to create space for participants to innovate and to remove barriers to participation in retail energy markets for consumers and firms. We want to see innovation and specialisation in products and services that can benefit all types of consumers, including consumers in vulnerable situations.

How we will achieve this:

Consumer standards

- **Consumer Confidence programme:** The way we regulate will be critical to supporting innovation and investment. We want suppliers to be consumer-centric in their decision making and innovate in how they deliver services. Whilst customer satisfaction has risen, it is still below other sectors and there has been slower progress in improving satisfaction rates for consumers in vulnerable situations and non-domestic customers. We are ambitious for customer service to be as high as the highest performing consumer-facing sectors.

We will consider reforms to the way we regulate to drive improvements to customer outcomes, whilst seeking to rebalance the burden on suppliers so that they can innovate in how they deliver those outcomes.

Under our Consumer Confidence programme, we will consider what the best, future-proofed regulatory approach is to achieving better consumer outcomes, including an outcomes-based and data-driven approach.

We will assess where prescriptive regulation needs to be retained, including where the risk of consumer harm is high, for example for consumers in vulnerable situations. We will consider whether Guaranteed Standards of Performance (GSOP) – rules that automatically compensate customers when suppliers miss minimum standards – could be more appropriate or effective than prescriptive supply licence conditions.

- **New Compliance Operating Principles:** We are committed to working with suppliers to find issues early, fix them quickly, and compensate customers fairly, so that our compliance activity can prevent consumer harm and promote innovation and growth. These adjustments aim to ensure a shared focus on matters that have a material impact on consumers.

- **Outcomes-based monitoring and KPIs:** Improved data collection and a data-driven approach will enable us to better monitor the market and identify emerging risks. It should also reduce the administrative burden of our regulation.

Low-cost transition

- **Consumer-led flexibility:** We need to ensure there are incentives present in the market to encourage and reward consumers to be flexible (both domestic and non-domestic). We will consider how we can support participants bring forward propositions to market.

Consumers need to have confidence in these new propositions, so we will consider how to support and protect consumers in engaging in flexibility. We think all consumers should have the opportunity to participate in the low-cost transition, including low-income consumers and those in vulnerable situations. We already see innovative propositions coming to market where low carbon technology is used to optimise energy use and lower bills. We want to regulate to encourage these types of innovations.

We will continue the delivery of enablers of the low-cost transition, including the full implementation of MHHS, work with Government to support the smart meter roll-out, and delivery of our Clean Flexibility Roadmap commitments.

- **Supporting innovative new entrants:** We hear from innovative new entrants that are interested in specialising and bringing new propositions to market. We will consider carefully how we can support specialisation, such as testing the relaxation of licence conditions with guardrails.
- **Code Governance Reform:** We are overseeing a major reform to the governance of industry codes to create a simplified, agile, and forward-looking governance framework. This will make it easier for market participants to understand the rules that apply to them so that they can innovate to the benefit of consumers and net-zero. Our annual Strategic Direction Statement (SDS) will provide a clear vision to industry of how codes need to evolve to deliver Ofgem and Government priorities. This will support code bodies and wider stakeholders in progressing SDS-related modifications.
- **Regulation of Heat Networks:** Heat networks are seen as a growth area by government to support a low-cost transition to net zero. As we begin to regulate the sector, we will introduce proportionate pricing and consumer protection regulation. This will raise standards to increase consumer confidence in the heat network

sector, which should in turn encourage investment in the improvement of existing heat networks and the growth of new ones.

- **Regulation of load controllers and Third-Party Intermediaries:** We will be introducing new regimes for load controllers and third-party intermediaries (such as energy brokers and price comparison websites). These new regimes will aim to deliver proportionate regulation that strikes the right balance between prescriptive rules to protect consumers while creating space for innovation. We will particularly focus on the role of third-party intermediaries in the market serving non-domestic consumers.

Next steps

The energy system is changing, and the consumer-facing part of that system has an important role to play in ensuring that change leads to better outcomes for consumers. We are committed to regulating in a way that supports the innovation and investment needed for that change. And we will continue to work closely with consumer groups, the wider market, and potential new entrants to protect all consumers and ensure that they see the benefits of the energy system of the future.

This paper is intended to provide more clarity about Ofgem's future regulatory direction and priorities on energy retail markets. Ofgem will be undertaking engagement on this with stakeholders over the coming months. We will report on progress against our ambitions in our Annual Report.