

Emailed to: FutureConsumers@ofgem.gov.uk

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Ofgem Call for Input: Energy Consumer Outcomes

Thank you for the opportunity to comment on this call for input on energy consumer outcomes. We support the direction Ofgem is taking to focus on outcomes rather than prescriptive rules. We think it allows for more innovation and moves away from a tick box regulatory culture.

We think that it is worth Ofgem considering whether and to what extent the current licence conditions and the new outcomes-based approach can work together. It is an opportunity to look afresh at how outcomes, licence conditions and indeed the GSOP framework work to deliver outcomes for consumers which build trust and confidence in the sector.

Billing is a good example of an area where a different approach may be beneficial. In our experience, consumers struggle to understand how they have been charged for gas and electricity. We think there is an opportunity for suppliers to modernise and strengthen billing communications to reflect how many consumers access their bills online or through apps. It is a chance to look afresh at what needs to be on the bills and what information would now be beneficial to consumers if it were to be provided online instead. Allowing suppliers to try different approaches to setting out the amount that consumers owe would hopefully increase understanding and engagement - with Ofgem retaining a high-level expectation that bills are clear and understandable.

However, we do think there are some areas where the introduction of prescriptive rules has worked well. For example, licence conditions covering back-billing, how suppliers need to engage with consumers in debt and erroneous transfers have all been successful in addressing problems that consumers have experienced. If these rules are removed and replaced by a set of outcomes, it may be that consumers start to experience some of the proscribed behaviours.

While existing suppliers will be familiar with previous requirements and the proposed new outcomes-based approach – at least at the outset of the new regime - new suppliers may lack such experience and therefore may find it more difficult to understand Ofgem's expectations. Therefore, Ofgem may wish to provide targeted information to help suppliers entering the market to understand expectations on them.

We welcome the outcome requiring suppliers to respond to complaints “fairly, effectively and promptly, via a channel and at a time that meets consumers’ needs.” However, there are other important considerations in relation to complaints – in particular signposting to our service – that are important to retain.

On the outcomes around resilience, there may be some benefit to introducing a slightly more prescriptive approach to help promote confidence and consistency across the sector. Consumer, supplier and investor confidence is built around more predictability of supply. Removing the prescription and trying to drive innovation here could result in smaller, higher risk new entrants not having the same level of governance around risk management.

Therefore, while we support the general direction of travel, Ofgem should take care not to dilute existing protections or create regulatory uncertainty in the sector.

It could make sense to retain some prescriptive requirements which operate with an appropriate outcome. However, care should be taken not to create too many rules which could undermine an outcomes-focussed regulatory framework. It may also be helpful to provide guidance to help suppliers consider how they can best deliver the outcomes, without dictating how the supplier should achieve compliance.

We also think that the work on consumer outcomes should work in harmony with other areas being progressed, for example DESNZ proposals for non-domestic smart meter rollout post 2025 and be mindful of the potential changes to our scheme that have been set out in the DESNZ consultation on fairer, faster redress.

Summary

Moving to less prescriptive regulation is appealing due to the flexibility it allows and innovation it can encourage. But many will also be concerned that removing specific rules may leave some consumers open to poor practice. A move to a more outcomes-based system will benefit from an even closer working between Ofgem and Energy Ombudsman, because it will be crucial to have mechanisms in place to spot any new gaps in protections or consumer detriment arising from interpretation of outcomes. In this regard, the Ombudsman process can act as a safety net, ensuring that there can be an independent review that assesses how well regulatory requirements have been applied in individual cases. To this end, we believe it is even more important that the role of the Ombudsman is strengthened and why we support the proposals put forward by DESNZ in its recent consultation.

Please do not hesitate to contact us should you wish to discuss our response in more detail. Our response is not confidential.

For more information on this response, please contact:

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