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Dear Steve

**CALL FOR INPUT: REVIEWING THE SUPPLIER GUARANTEED STANDARDS OF PERFORMANCE (GSoP)**

We welcome the opportunity to respond to Ofgem's call for input on its review of the GSoP framework. We note this review is being undertaken alongside the broader review of the regulatory framework under the Consumer Outcomes programme of work, and we consider it important that Ofgem continues to link the two activities to avoid any potential conflicts.

As explained in our response to the Consumer Outcomes Call for Input, we agree with Ofgem that reviewing the regulatory framework is necessary to ensure it evolves as the market and consumer needs change. This includes consideration of the most appropriate approach to regulation in different parts of the retail sector, and where, in particular circumstances, GSoP could play an important role.

We have set out in Annex 1 our responses to the questions posed by Ofgem, and would highlight the following points.

- We agree that the GSoP framework can work well in areas where there is a consistent, measurable desired minimum standard, and think this approach could work well in certain areas where prescriptive rules are assessed as the most suitable approach within the regulatory framework.
- We think the GSoP regime is more relevant for domestic than for non-domestic customers. The much more varied scale and nature of non-domestic customers works against the adoption of a consistent approach across the market. While consumer protections are crucial for domestic households, businesses, particularly larger commercial entities, can manage their own risk and assess their contractual rights. Including microbusinesses within scope may be

appropriate, but expanding the scheme beyond this risks introducing unnecessary complexity and cost for little clear consumer benefit.

- GSoP should as much as possible be focused on areas within the control of suppliers, however, there will always be situations where an exemption or exceptions process is needed, and this is an important part of the existing GSoP framework. In assessing the current framework and the potential for new GSoPs, Ofgem should ensure the exemptions framework remains fit for purpose.
- In monitoring supplier compliance with the GSoP, we would highlight the need for Ofgem to carefully consider areas where the standard sits in both the GSoP framework, but also in the licence conditions. This is the case for some existing GSoPs, and if Ofgem continues with such an approach, it would need to take account of compensation already paid to customers when assessing any redress actions necessary as a result of particularly poor performance by a supplier.
- We are firmly of the view that the GSoP should retain a flat payment amount for all failures. We agree with Ofgem that the role of GSoP payments is not to reflect the actual loss or harm suffered by the customer as a result of a supplier failing to meet a standard. Any proposal that creates an approach with different amounts for different GSoPs or different consumer groups risks adding significant complexity for suppliers, which will increase implementation and operational costs, and could undermine the simple nature of the approach to compensation leading to confusion for consumers.
- We can see some merit in introducing repeat payments for ongoing breaches where customers continue to experience an impact, as we consider it appropriate for suppliers to be held accountable for ongoing delays to resolution. However, this is dependent on a number of factors which will need to be carefully considered before any such regime is introduced for specific GSoPs. Without such consideration we believe there is significant risk to suppliers.

We are happy to discuss our response in more detail with Ofgem if it would be helpful.

Yours sincerely,



**Richard Sweet**  
Director of Regulatory Policy

**CALL FOR INPUT: REVIEWING THE SUPPLIER GUARANTEED STANDARDS OF PERFORMANCE (GSOP) – SCOTTISHPOWER RESPONSE**

**Section 1. Role of the standards**

**Question 1. Do you have any views on how the GSOP should be used to deliver good consumer outcomes as part of our wider regulatory toolbox?**

We agree with Ofgem's assessment that GSoP can play a role in delivering good consumer outcomes within the overall regulatory framework. Ofgem sets out that it considers the benefits of GSoP to be:

- Consumers are protected by having consistent minimum standards they should receive regardless of the supplier with which they have a contract.
- Where a breach does occur, affected consumers receive automatic and direct compensation without the need for a lengthy complaints process.
- The automatic compensation gives suppliers a clear financial incentive to meet the minimum standards that Ofgem sets.

We generally agree with these points, but would add the following:

- As we have set out in our response to Ofgem's Consumer Outcomes Call for Input, we think there are some areas of the customer journey where a consistent process and experience is the right approach to delivering good consumer outcomes. We think in some of these cases, the GSoP regime may be a suitable framework for delivering these consumer protections, with clear expectations for consumers, defined compensation if the standards are not met, and with straightforward and likely lower cost compliance and monitoring processes for Ofgem via reporting on the GSoP payments made.
- We would also highlight that a key consideration in setting any new GSoP will be the potential for suppliers to have control of the relevant processes, and the potential exposure to circumstances outside of their control including unprecedented market risk, and also the level of involvement and responsibility of third parties within a specific area. To assess the potential for GSoP to be a suitable approach, consideration will be needed of whether specific exemptions are required to mitigate the risk of suppliers being exposed to additional costs that they have limited controls to manage or recover, (and ultimately where the costs are passed to consumers via bills), or where GSoP is not the right approach.
- We think the GSoP regime is appropriate in circumstances where, while a minimum standard is the aim, as in virtually all competitive markets, there are situations where from time to time suppliers will be unable to meet their intended standards of performance and then automatic compensation payments are made to their customers to retain customer goodwill. Such compensation payments are a normal cost of doing business and should be recoverable through tariff prices charged to consumers.
- We think the GSoP regime is more relevant in a domestic landscape than for non-domestic customers, where the much more varied scale and nature of non-domestic customers challenges the adoption of a consistent approach across the market. While consumer protections are crucial for domestic households, businesses, particularly

larger commercial entities, have the ability to manage their own risk and assess their contractual rights. Automatic compensation should be focused on protecting domestic consumers, not on creating unnecessary additional financial burdens on energy suppliers in the non-domestic sector. Including microbusinesses within the scope of the GSoP regime may be appropriate, but expanding the scheme beyond this risks introducing unnecessary complexity and cost for little clear consumer benefit.

**Question 2. Do you have any comments on our proposed objectives for the GSOP mechanism?**

Ofgem's draft objectives for the GSoP are that they should aim to:

- Help support a competitive market that delivers positive consumer outcomes, in particular by building consumer confidence, trust and engagement.
- Ensure clear and consistent minimum levels of supplier performance that protect consumers from unacceptably poor service.
- Minimise the frequency and severity of poor service experienced by consumers by incentivising suppliers to improve performance.
- Provide quick, automatic compensation directly to consumers when they do experience poor service.

We think Ofgem's draft objectives cover the key aims that the GSoP framework should seek to achieve, and alongside the proposed criteria for any design, will support the assessment of when GSoP is the appropriate route to delivering a particular consumer protection.

**Question 3. Do you have any comments on our proposed criteria for the design of any new Guaranteed Standards, or how we intend to use the criteria?**

Ofgem has set out the following criteria for setting the individual standards:

- *Clear, customer-centric rationale:* There is a clear rationale for improving the outcomes experienced by consumers by setting the standard.
- *Ease of understanding and administration:* The standard should be understandable for consumers and administrable for suppliers.
- *Evidence-based and achievable:* The target level of performance should be achievable and based on reliable, accurate evidence.
- *Measurable and enforceable:* Standards should have clear and quantifiable metrics (such as a specified length of time to take an action).
- *Prevents detriment:* Non-compliance with the standard is likely to cause detriment to the specific consumer.
- *Identifiable customer:* The supplier should be able to identify the specific energy supply customer affected by a breach of the standard.
- *Ability to improve:* Suppliers are ultimately responsible for the service (even those contracted through third party contracts) and should have the ability to improve the service.
- *Compensation not already provided:* Automatic compensation for the failure is not already provided through another standard or similar obligation.

We are largely in agreement with the proposed criteria set out by Ofgem. There are a couple of other areas that we think Ofgem should consider:

- Ofgem should also consider an assessment of the potential for market conditions to create circumstances that create challenges for suppliers to control over short periods of time, which we do not think would be covered by the criteria proposed by Ofgem.

For example, one area that has often been suggested as suitable for GSoP is customer contact performance (eg time to answer the phone). While we agree that this area is likely to meet all of the above criteria, we would also argue that there have been many examples in recent years of external events (outside a supplier's control) which would have led to significant financial exposure for suppliers if such GSoP had been in place (without suitable exemptions also being in place).

Recent examples include the transitional period at the start of lockdown in 2020 where many suppliers were able to accept only emergency contacts, the impacts of the energy and cost of living crisis and the Government support schemes in late 2022 creating significant increases in customer contacts to suppliers, and the much shorter term impact of statements by industry commentators creating increased demand to suppliers, such as "meter reading day". While one route to managing these would be to ensure the exemptions within the GSoP framework are appropriately structured, there is inherent subjectivity in assessing when the exemptions apply, and this may lead to a conclusion that GSoP is not appropriate.

- Suppliers should be able to identify easily when a standard has been failed to ensure compensation can be provided automatically. For example, a GSoP that relies on any subjective assessment or relies on a customer's agreement, could be difficult to administer and create significant potential for disputes.
- The minimum standards should genuinely be minimum, and reflect standards that virtually all customers would expect (and suffer detriment from if not met). So for example, GSoP should not get in the way of 'no frills' supplier business models.

**Question 4. How effective is the current GSOP framework and individual standards in delivering good consumer outcomes? Please provide evidence where possible.**

We think the current GSoP framework generally works well providing customers with automatic compensation when standards fall below a set level in areas with simple, straightforward rules, without any need for the customer to take action.

**Section 2. Scope of the standards**

**Question 5. Do you have any views on what would determine if a GSOP or a licence condition is the best tool to improve supplier performance?**

We think GSoP work well where there is a defined standard within a core industry process that all suppliers should be aiming to deliver the majority of the time, and where this standard is not met, customers get automatic compensation.

This question suggests that Ofgem considers that a consumer protection is delivered either via GSoP or via licence conditions. We would note however that the current GSoP includes several standards that sit within licence conditions as well as the GSoP framework. As part of this review, Ofgem should consider this approach to GSoP, and whether there is an opportunity to remove certain licence conditions or GSoP where this "duplication" exists. We think a structure with both licence conditions and GSoP can work, as it is currently, where a standard is set in the licence conditions, and then the approach to consumer compensation for failures is set out with the GSoP. In this case, from a compliance perspective, Ofgem would need to take account of the compensation already paid to customers, when assessing any redress actions necessary as a result of particularly poor performance by a supplier.

**Question 6. Are there any supplier service areas where it would be appropriate for us to explore new GSOPs, or move an existing licence condition into the GSOP framework?**

We have set out below some consideration of supplier service areas where there has been suggestion that GSoP could be used, including those set out in Ofgem's call for input.

Complaints related standards

Ofgem suggests that potential new GSoP could be introduced relating to standards within the complaints process, including within the escalated complaints process through the Energy Ombudsman. We shared views on this in our response to the DESNZ consultation on the Ombudsman in December, and consider there are a number of factors that may influence whether GSoP is a suitable route to regulation.

- We think the complaints journey could lend itself to the GSoP regime where the requirements for suppliers are clear, with set timescales, and there is limited need for third parties to influence the process.
- However there are many parts of the complaints journey which rely on third party actions being completed and therefore where the supplier has limited control. This would include the customer themselves, but also third party industry stakeholders such as network companies and other suppliers. While exemptions or exception processes could be introduced, these would need to be carefully considered to ensure any GSoP is appropriately clear and measurable.
- This is a particular consideration for any potential GSoP or automatic compensation introduced in relation to the Ombudsman process. We have shared with both DESNZ and Ofgem our views that any changes to the escalated complaints process must only be made after a full review of the performance of the Ombudsman under the current framework is complete. This applies to the potential introduction of GSoP as well as the proposals set out in DESNZ consultation.

Billing

We agree that there could be more scope for introduction of new GSoP relating to the billing process and this aligns with our view set out in our response to the Consumer Outcomes call for input that billing processes could be one area where more prescription rather than less could be the appropriate framework for delivering better customer outcomes. Ofgem's billing project should undertake a full assessment of all of the relevant processes that fall under "billing" to assess where clear consistent rules could be introduced and this assessment could be extended to whether new GSoP could be introduced.

Customer contact standards

Ofgem's call for input references that some stakeholders have encouraged Ofgem to consider call waiting times as a new GSoP. While we can see why this area may be suggested, as we set out in our response to Question 3, we think this could be one area where GSoP is not appropriate, as the potential for issues outside of a suppliers control to have a significant impact on suppliers' ability to meet the standard, and thus a significant financial exposure, and in areas with very limited ability for suppliers to make changes to improve performance in short timescales.

Recent examples include the transitional period at the start of lockdown in 2020 where many suppliers were able to accept only emergency contacts, the impacts of the energy and cost of living crisis and the Government support schemes in late 2022 creating significant increases in customer contacts to suppliers, and the much shorter term impact of statements by industry commentators creating increased demand to suppliers, such as “meter reading day”. While one route to managing these would be to ensure the exemptions within the GSoP framework are appropriately structured, there is inherent subjectivity in assessing when the exemptions apply, and this may lead to a conclusion that GSoP is not appropriate.

**Question 7. Should any of the current GSoPs be removed, or replaced with a licence condition to better achieve its policy aim?**

A reasonable proportion of the existing GSoPs are already licence conditions as well as GSoPs, most notably for the “switching” GSoPs. As part of this review, Ofgem should consider whether there is a need for both licence conditions and GSoPs in those areas. We can see merits in having both, with the licence conditions setting out the required standard, and the GSoP providing for the approach to monitoring and compliance. However, it could be argued that this is duplication of regulation, and therefore we consider this to be an important point to consider within this broad review of the role of GSoPs within the regulatory framework.

**Question 8. Should we consider expanding the GSOP mechanism to cover non-domestic customers, or a sub-section of non-domestic customers? If so, which existing or potential future standards would be most appropriate?**

As we have set out in our response to Question 1, we think the GSoP regime is more relevant in a domestic landscape than for non-domestic customers as the different scale and nature of non-domestic customer, and of the existing licence condition framework, creates potential challenges around having a consistent approach across all of the market. While consumer protections are crucial for domestic households, businesses, particularly larger commercial entities, have the ability to manage their own risk and assess their contractual rights. Automatic compensation should be focused on protecting domestic consumers, not creating additional financial burdens in the non-domestic sector for suppliers that are unnecessary. A cut-off for microbusinesses may be appropriate but expanding the scheme beyond this risks introducing unnecessary complexity and cost, with little clear consumer benefit.

**Section 3. Design of the standards**

**Question 9. Do you have any views on what the underlying rationale for the payment level and mechanism should be to best achieve the GSOP objectives?**

We are firmly of the view that the GSoP should retain a flat payment amount for all failures. We agree with Ofgem that the role of GSoP payments is not to reflect the actual loss or harm suffered by the customer as a result of a supplier failing to meet a standard, as this goes against the benefit that the GSoP regime provides to consumers whereby compensation is automatic and provided quickly after the failure.

Any proposal that creates an approach with different amounts for different GSoPs or different consumer groups risks adding significant complexity for suppliers, which will increase implementation and operational costs, and could undermine the simple nature of the approach to compensation leading to confusion for consumers.

**Question 10. Do you have any views on specific changes to the payment mechanism we should consider, including the examples included in this paper?**

Ofgem has set out the following areas that it is considering in relation to changes to the payment mechanism, noting that the options are not mutually exclusive:

1. A singular increase in the flat payment amount;
2. Variable payment amounts based on potential harm specific to individual GSoPs;
3. Variable payment amounts for different consumer groups;
4. Repeated payments for ongoing failures of an individual GSoP; and
5. Inflation linked automatic changes to payments.

We note that our comments relating to option 4 on repeated payments are set out in response to Question 11 below. We would make the following points for options 1, 2, 3 and 5.

Variable payment amounts introduce significant complexity (options 2 and 3)

As we have set out in our response to Question 9, we do not support variable payment amounts for individual GSoPs or for different consumer groups. We consider the benefit of the GSoP regime is its simplicity both from a supplier perspective and also from a consumer perspective. Any changes that create additional complexity would work against this benefit, and we think could create significant risk of the scheme creating costs that outweigh the benefits.

We agree with Ofgem's assessment (paragraph 3.10) that the GSoP's role is not to compensate for actual or potential customer harm and we see nothing to change our view since we responded to that consultation process.

Approaches to adjust flat payment amounts (options 1 and 5)

As we have set out above, we consider a flat payment structure is the appropriate approach for GSoP to ensure it retains its benefits of a simply straightforward process for suppliers and customers to understand. We can see some merit in having an automatic approach to adjusting flat payment amounts, and indeed shared our views on this in response to Ofgem's 2024 review of supplier GSoP payment amounts. An automatic approach, as long as it has a clear and consistent methodology provides certainty to both suppliers, and other industry stakeholders. While we understand the rationale that Ofgem shared for not implementing an automatic approach in its 2024 review, namely that the automatic route would create limited increases in payments to customers until around 2030 due to forecast of inflation, however, we note that without such an automatic process, Ofgem will have to undertake further consultation with stakeholders at a future date to deliver any increased payment amount that reflects inflationary changes. An automatic route would remove this administrative activity.

Ongoing payments for repeated failures (option 4)

We can see some merits in introducing repeat failures for ongoing breaches in certain areas where customers continue to experience an impact from that ongoing failure, as we consider it appropriate for suppliers to be held accountable for ongoing delays to resolution. However, this is dependent on a number of factors which will need to be carefully considered before any such regime is introduced for specific GSoPs as without this consideration we believe there is significant risk to suppliers. We set out further detail in our response to Question 11.



**Question 11. Are there any issues we should consider with introducing repeat payments for ongoing breaches?**

As we have set out in our response to Question 10, we can see some advantages in introducing repeat failures for ongoing breaches in certain areas where customers continue to experience an impact from that ongoing failure. In assessing whether it is proportionate to introduce such a regime, Ofgem should consider the following points:

- Many areas where ongoing issues emerge could relate to those situations where a third party, including the customer themselves, need to take an action to support the supplier in resolving the issue. We think this would be covered by existing exemptions, but it will be important that these exemptions are reviewed to ensure they cover any such circumstances for new GSoP that are introduced.
- Ofgem will need to be careful not to introduce perverse incentives for customers not to inform suppliers of issues knowing that a delay in notification could create the potential for a significant GSoP payment. While suppliers should have processes in place to be aware of failures automatically, and this could be covered by exemptions, we think it is an important consideration in this context, given there are no current GSoP with repeat payments for ongoing breaches and therefore suppliers are limited in understanding whether such circumstances could emerge.
- An example that we have considered in previous consultations on GSoP includes the situation where there is a system glitch, a £40 payment fails to go through, and the supplier is only notified by the customer after a year has elapsed. If the supplier is liable for repeat payments for ongoing breaches, this could result in a very significant additional compensation payment which is likely to be well beyond the detriment to the customer. We accept that suppliers should be accountable for such system glitches, however the cost of compensation must still be proportionate. If repeated failures are introduced, we would suggest that the total compensation should be capped, for example at a small multiple of the flat base amount.

**Question 12. Are there any issues we should consider with introducing variable payment levels for different consumer groups or severity?**

As we have set out in our response to Questions 9 and 10, we do not support variable payment amounts for individual GSoPs or for different consumer groups. We consider the benefits of the GSoP regime is its simplicity both from a supplier perspective and also from a consumer perspective. Any changes that create additional complexity would work against this benefit, and we think could create significant risk of the scheme creating costs that outweigh the benefits. Ofgem has only recently confirmed via a review that the GSoP's role is not to compensate for actual or potential customer harm and we see nothing to change our view since we responded to that consultation process.

**Question 13. Are there any specific changes to the current set of exemptions that we should consider?**

It is difficult to provide substantive comment on specific changes without understanding any proposed changes to the existing GSoP regime. As we have noted elsewhere in our response, the exemptions are an important part of the existing GSoP framework, reflecting the need to have suitable levers to avoid suppliers incurring costs as a result of actions by other stakeholders that they have no control over. This includes actions by the customer themselves as well as actions by other stakeholder such as network companies or other stakeholders who would not come under the definition of a supplier's Representative as set out in SLC 1. Other

exemptions include those relating to force majeure and other market or economic circumstances that could act to create the potential for significant impact to suppliers, and these situations will be a key factor in assessing whether GSoP is an appropriate route to providing specific consumer protections.

**Question 14. Are there any specific changes to the target levels of existing standards that we should consider?**

We have no specific changes to consider to the existing standards. If Ofgem were to propose any changes, we would ask that it sets out suitable evidence as to why the existing standards are not delivering the required consumer protections, noting that in many cases, these standards are aligned with existing licence conditions, particularly in the case of the “switching” GSoP.

**Section 4. Operation of the standards**

**Question 15. Are there any improvements we can make to the way we collect data from suppliers specifically on their compliance with the GSOP?**

Ofgem’s current approach to data collection for GSoPs is fragmented into two separate RFIs with different timescales and approaches to submission. We think it would be helpful for these to be consolidated into one request covering all of the GSoP, with set timeframes for response to allow suppliers to plan.

**Question 16. Are there any additional risks that we should consider when exploring our approach to monitoring and ensuring supplier compliance with the GSOP?**

In monitoring supplier compliance with the GSoP, we would highlight the need for Ofgem to carefully consider areas where the standard sits in both the GSoP framework, but also in the licence conditions. This is the case for some existing GSoP, and if Ofgem continues with such an approach, then Ofgem would need to take account of the compensation already paid to customers, when assessing any redress actions necessary as a result of particularly poor performance by a supplier.

**Question 17. Is there a need for any supporting guidance, either aimed at suppliers or consumers, to improve the effectiveness of the GSOP?**

While guidance can be a useful tool to ensure all stakeholders understand the relevant protections and obligations, we would caution against a regulatory framework that relies on guidance too much. Having guidance alongside licence conditions or other legislation makes the overall regulatory framework more complex and harder to navigate for existing players, but in particular for new entrants. In relation to GSoP, as the aim is to apply the GSoP to areas with clear, measurable standards, we are not convinced that there should be a need for additional guidance to be in place for either consumers or suppliers. We consider the GSoP statutory instrument should be sufficient to set out the GSoP in a clear manner that ensures they are applied consistently by all stakeholders. If this is not possible for a particular GSoP, then we think this could suggest that the area does not meet the criteria for a GSoP and alternative approaches to regulation should be considered.

**Question 18. Is it important that consumers are aware of GSOPs? Why?**

We think it is important that consumers are aware of the GSoP and understand what it means when they receive a GSoP payment. This direct awareness should ensure that customers understand when they have received compensation, and should limit customers needing to

contact their supplier in relation to that issue, and arguably act to improve trust in the market, as consumers are aware that the supplier has recognised and taken action in relation to a failure to meet a certain standard.

However, we are not convinced that a broader understanding of the GSoP is needed as long as GSoP framework requires that the customer gets the compensation automatically, and does not have to contact their supplier to ask for it.

We would counter against any proposal to have a broad campaign to raise awareness of the GSoP framework, as it could lead to unintended consequences of significant increases in customers contacting their supplier to ask for GSoP payments when there is no need to, and this could result in customers who need to speak to their supplier being unable to get through due to the unexpected increase in customer contact.

**Question 19. Are there any actions that Ofgem or suppliers should take to improve consumer awareness of the Guaranteed Standards?**

As noted above, we think Ofgem should be wary of any broad campaign to raise awareness of the GSoP. There should be no need to do so, as customers will get compensation automatically.

**ScottishPower**  
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