

Supplier Financial Resilience Report

ofgem

Making a positive difference
for energy consumers

Supplier Financial Resilience Report 2026

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Foreword

Ensuring that energy suppliers are financially resilient is an essential part of our work in protecting consumers, maintaining market stability, and enabling the transition to a secure, low-carbon energy system.

The set of new rules we've introduced since 2021-22 and our work in monitoring and supervising suppliers mean that they are now far more resilient to any internal or external shocks, safeguarding households, businesses, and the wider economy. This report reflects on both the significant progress made and the continued need for vigilance.

The global context in which the GB energy market operates remains profoundly uncertain, with the ongoing conflict in the Middle East disrupting global energy supplies for the second time in a decade. These events can translate rapidly into pressures on supplier balance sheets and on the affordability of energy for consumers - reinforcing the importance of a resilient regulatory framework.

We require suppliers to maintain robust capital and liquidity positions and to ensure that their business models can withstand volatility in wholesale markets and customer demand.

In line with the [Ofgem Review](#), we are adapting how we regulate, signalling our move towards more outcomes-based approaches, delivering greater pace, clearer expectations and more proportionate regulation.

Transparency plays a crucial role in supporting this approach, enabling better understanding, stronger market discipline, and more informed decision-making by stakeholders. It also provides consumers and policymakers with confidence that the regulatory framework is evolving to meet the challenges of a more complex and volatile energy landscape.

Steve McMahon

Director, Financial Resilience and Controls

Executive Summary

This report provides an update on Ofgem's work to strengthen the financial resilience of energy suppliers in Great Britain and to protect consumers from the costs and disruption that can arise when suppliers fail. It shows that, over 2025-26, the overall resilience of the market improved, with aggregate capital remaining significantly above minimum requirements and mutualised costs to billpayers remaining significantly lower than during the energy crisis.

During the year we continued to see an increasing number of companies wanting to enter the supply market and made improvements to the application process, reducing the timescale for coming to decisions from 9 months to 6 months.

In 2025-26 we reviewed six proposed commercial transactions involving transfers of customers from one supplier to another and changes in ownership to ensure that the interests of consumers were protected. We also protected customers affected by two supplier failures through competitive Supplier of Last Resort processes, while around £86.5 million was returned to consumers through SoLR levy decisions relating to previous supplier failures.

We continue to monitor the profitability of the supply market; current data indicates that the profitability of domestic suppliers is forecast to increase slightly from a low point in 2025.

The aggregate levels of capital in the domestic market in March 2026 remain significantly above the regulatory minimum requirement implemented last year, with £6.8 billion of regulatory capital against a target of £3.1 billion. We worked closely with those suppliers below their Capital Targets, holding them to account for the delivery of the actions and restrictions agreed under capitalisation plans.

We continue to closely monitor levels of customer credit balances (that is, money owed to customers paying for their energy using a fixed direct debit) to ensure that suppliers are not overly reliant on customer funds for working capital. In March 2026, on aggregate suppliers held £2.7 billion in cash against £1.9 billion in domestic customer credit balances.

The failure of two suppliers resulted in a shortfall of £23 million in Renewables Obligation payments, against a total scheme value of £7.7 billion, but for the third year

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in a row, the shortfall was below the level at which the mutualisation mechanism is triggered.

While there are encouraging signs of a more stable and competitive market, risks remain, including continued geopolitical and wholesale price volatility. We will therefore continue to closely monitor the market, take a risk-based approach to supervising suppliers, and, where necessary, use our enforcement powers. We also continue to work with government, industry and other stakeholders to support a resilient, investable, and innovative energy supply market that delivers better outcomes for consumers in line with our [Markets Vision and Strategy to 2030](#).

Key figures

£6.8 billion total Adjusted Net Assets in the domestic sector

Domestic suppliers held **£6.8 billion** in capital March 2026 against an aggregated total Capital Target of **£3.1 billion** (March 2025: £7.5 billion).

21 of 24 suppliers above their Capital Targets

21 out of **24** suppliers were above their Capital Targets in March 2026 (March 2025: 21 of 24).

£86.5 million returned to consumers through the SoLR levy process

£86.5 million (equivalent to **£3.32** per average billpayer) was returned to consumers through the SoLR levy process. (In 2022-23 the average billpayer paid **£64** due to supplier failures).

2 supplier failures

A total of **95,000** domestic and **18,000** non-domestic customers of **two** failed suppliers were transferred to a new supplier (2024-25: 0 supplier failures).

Note:

In this report, we refer to “suppliers” using a plain English definition of the term to refer to groups of companies which supply customers under a single brand-name, rather than the more technical definition which refers to the legal entities which are subject to our [regulations](#) and our published [Guidance](#).

This report is based on aggregated/ average self-reported data from suppliers. Some of the financial resilience rules, including the requirements under quantitative Capital Targets, the ringfencing of Renewables Obligations and Customer Credit Balances, are focused on the risks to domestic customers (households), while others apply to all supply activity, including to non-domestic customers (businesses).

We have made changes to the format of this report compared to last year to make it more accessible to more people. Further information, including our accessibility statement and the contact details for enquiries relating to the accessibility of our publications, is available on our website at: [Accessibility statement for Ofgem.gov.uk](#) .

1. Delivering on our Action Plan for Financial Resilience since 2021

In response to the failures seen during the energy crisis of 2021, we set out an [action plan](#) on retail financial resilience. This set out what actions we proposed to take immediately and in the short to medium term to strengthen the financial resilience of suppliers to ensure that risks were not passed on inappropriately to consumers.

Following input from stakeholders, our action plan set out six outcomes relating to supplier financial resilience:

- **Robust minimum standards:** Regulation provides robust minimum standards to ensure commercial risk is well managed.
- **Protecting customer money:** Suppliers should not pass inappropriate risk to consumers, e.g. through the use of customer monies or levy payments to fund wider business activity. Socialisation of losses when suppliers fail must be minimised.
- **Accountability:** There should be minimum requirements for staff in significant leadership or executive roles and board members, e.g. a fit and proper person test and capability requirements, and appropriate board governance.
- **Proportionality:** We should regulate as necessary, and no more than needed. The regulatory burden of data exchange should be minimised through the use of data and digitalisation techniques for data provision and monitoring.
- **Transition:** Any regime must be designed to enable a sustainable, innovative, and competitive market to promote our transition to net zero.
- **Control:** Suppliers need to have ownership or sufficient control over all material economic and operating assets used and/or needed to run their business.

Last year's [report](#) focused primarily on the implementation of the Capital Target rules, which had recently come into effect on 31 March 2025, and only apply to suppliers that supply domestic customers. This year's report includes an update on that specific area of our work but also takes a broader focus to include other rules we have implemented since late 2021 to protect consumers through financial resilience.

2. Supplier entries and exits

We do not operate a “zero-failure” regime; in a functioning, competitive market which balances the protection of existing and future consumers with innovation, investment, growth, and the clean energy transition, suppliers will enter and exit the market. We aim to ensure that:

- new suppliers are ready to meet our rules from the outset
- supplier exits, whether through commercial transactions or the exercise of our powers to appoint a Supplier of Last Resort when a supplier fails, do not cause disruption to or impose costs on consumers and other market participants.

As set out in our [Markets Regulatory Strategy and Vision to 2030](#), we need investability and innovation in the markets for supply to households and businesses. Innovation and investment should encourage better outcomes for consumers and for the wider economy. We therefore want to see new suppliers bringing competition, innovation, and new technology into the market.

This section provides information about the numbers of new suppliers and commercial transactions since 2022 and the action we took to protect customers when two suppliers failed in 2025-26.

New suppliers

Since 2019, Ofgem has made several changes to the rules and timescales relating to assessing applications from businesses to enter the supply market. This section sets out a summary of those changes and information about the number of applications and new suppliers since the energy crisis of 2021.

2019: strengthening of entry requirements

In June 2019, following consultation, Ofgem enhanced the market entry requirements with the aim of raising standards in relation to both financial resilience and customer service. Since the rules were tightened, we only grant supply licences where we are satisfied that a new supplier:

- will have sufficient financial and operational resources for their proposal to become a supplier
- has appropriate plans in place to meet all the relevant regulatory obligations
- is fit and proper to become a supplier.

2021-2026: temporary extension of timescale for coming to decisions on supply licence applications from 6 to 9 months

In December 2021, as part of the measures taken under our action plan for financial resilience, we temporarily extended the timescale for coming to decisions on new supply licence applications from six months to nine months.

The table below shows the numbers of new supply licences we have granted since the energy crisis.

Table 1: number of licences granted 2022-23 to 2025-26

Business year	Licences authorising supply to domestic and non-domestic customers	Licences authorising supply to non-domestic customers only
2022-23	0	1
2023-24	2	4
2024-25	1	3
2025-26	1	2
Total	4	10

February 2026: reduction of the timescale to 6 months

On 27 February 2026, we [announced](#) a number of improvements to the supply licence application process, including a reduction of the licence application timescale back to 6 months. We also revised our [application guidance](#) to give applicants (and potential applicants) clearer expectations and defined assessment criteria, ensuring that applications are assessed transparently against consumer benefit, economic growth, competition impacts, and legality. It also outlines potential guardrails to ensure that modified licences protect consumers while still enabling innovative business models to enter and evolve within the market.

We are continuing to see an increasing number of applications to enter the supply market. As of 31 March 2026, we were reviewing applications from 7 companies seeking to enter the domestic supply market and 5 to enter the non-domestic market. This is one piece of evidence that Ofgem considers when assessing investability and competition, a key focus of our Markets Strategy to 2030.

Going forward, we are focusing on what further improvements we can make to balance the objective of encouraging innovation and competition by new and existing suppliers while continuing to maintain a level playing field and ensuring that consumers are protected. Our objective is to ensure that new entrants will meet our financial resilience rules, including the Capital Target for suppliers planning to supply domestic customers, from the outset but that there are no unnecessary barriers to new suppliers with innovative business models entering the market.

Market exits: our roles in protecting consumers

Supplier exits can broadly be categorised as:

- those that happen when suppliers (or their owners) decide to exit the supply market through commercial transactions (such as selling their customer book to another supplier or being acquired by another company)
- those that happen due to the insolvency of the supplier.

Market exits through commercial transactions

When a supplier is experiencing financial difficulties or has decided to exit the supply market for other reasons, we encourage them to explore commercial solutions, such as the sale of customer contracts to another supplier (a Trade Sale/Purchase) and/or the acquisition of the supplier by a new owner. As a general principle, commercial transactions can provide better outcomes for consumers than regulatory interventions such as enforcement action or exercising our powers once a supplier has failed.

An important element of the suite of policy measures we put in place as part of our Action Plan for Financial Resilience, launched in late 2021, were [enhanced rules](#) seeking to ensure that where commercial transactions are proposed by suppliers, the interests of domestic and non-domestic customers are protected.

Therefore, since April 2022, all suppliers have been required to notify us no less than 40 working days in advance of the following significant commercial developments:

- entering into a binding agreement for a Trade Sale (that is, a transaction under which customers are transferred from one supplier to another);
- making a change in any (legal or natural) person with significant control in respect of a supplier, including mergers and acquisitions of suppliers.

The table below sets out the number of transactions we have reviewed in the three years since the current rules were introduced.

Table 2: number of commercial transactions reviewed under by Ofgem 2023-2026

	2023-24	2024-25	2025-26
Trade Sale/ Purchase (transfer of customers between suppliers)	0	4	3
Change in respect of the Person with Significant Control of a supplier	1	2	3

Where a supplier is below their Capital Target it is required to adhere to an Approved Capitalisation Plan setting out a credible plan to reach the Target, including the supplier’s relevant commercial strategy. Where this involves seeking a market exit through a commercial transaction, we work closely with suppliers, the proposed acquirer and, where appropriate, other regulatory authorities such as a Competition and Markets Authority, to ensure that the transaction is in the consumer interest.

Protecting consumers of failed suppliers: the SoLR process

Energy is an essential service. Therefore, when the exit of a supplier from the market through a commercial transaction is not possible and it becomes insolvent, our priority is to ensure its domestic and non-domestic customers have continuity of supply. We do this through exercising our powers to appoint a Supplier of Last Resort (“SoLR”) to take on the customers of the failed supplier.

We also aim to:

- minimise the costs that will be mutualised (e.g. be recovered from all bill-payers to cover costs incurred by the SoLR in taking on the customers of a failed supplier)
- prevent failures from undermining confidence in the supply market
- minimise wider market disruption, which can occur if the failed supplier has debts or unpaid liabilities under social and environmental schemes that need to be mutualised across other industry parties
- be transparent about the grounds on which we have decided to appoint a SoLR
- be transparent about the amount of costs under the SoLR scheme for the average bill-payer.

We have the legal power to direct another supplier to be a SoLR if that is necessary to protect consumers and ensure that their supply continues. However, wherever possible, we appoint a new supplier that has volunteered to act as a SoLR after a competitive process.

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To ensure we appoint a supplier that is best placed to protect the interests of consumers, when a supplier fails, we ask other suppliers to provide us with certain key information to inform our decision-making on which would provide the best outcomes for consumers, including:

- how they expect to onboard the new domestic and non-domestic customers
- the extent to which they expect, on the basis of the information provided by the failed supplier, to make a claim to recover costs via the SoLR levy
- whether they have the capability to supply the increased volumes of electricity and gas for the new customers
- how they will maintain customer service standards, including the rights of domestic customers to switch to another supplier after the SoLR process is completed
- how they will deal with customer credit balances (for both domestic and non-domestic customers)
- the tariffs they will put new customers on.

In 2025-26, we completed separate competitive processes prior to the appointment of British Gas Trading Ltd to protect a total of approximately 95,000 domestic and 18,000 non-domestic customers of two suppliers that failed:

- **Rebel Energy Supply Ltd:** approximately 80,000 Domestic and 10,000 Non-Domestic Customers were protected in April 2025.
- **Tomato Energy Ltd:** approximately 15,000 Domestic and 8,000 Non-Domestic Customers were protected in November 2025.

We do not yet know whether these SoLRs will carry socialised costs, but we expect any costs to be modest.

As part of the 2025 assessment cycle, we also made decisions on SOLR levy claims and the repayment of funds recovered from administrators of failed suppliers. These decisions provide for around £86.5m to be returned to consumers, equivalent to an average of approximately £3.32 per dual fuel customer (the amount will vary for individual customers depending on their consumption and supply arrangements). Repayments will be returned to consumers through the network charges component of energy bills, phased in line with the timing of price control mechanisms for electricity and gas.

Further rules introduced in 2025 to minimise the adverse impacts of SoLRs

In August 2025 we [announced](#), following consultation, a SoLR Levy Offset mechanism which places an obligation on suppliers to enter a deed of undertaking to pay the networks relevant amounts corresponding to SoLR levy claims if the supplier fails and a SoLR is appointed. These amounts are then recoverable through the insolvency process where the failed supplier has residual assets available to pay creditors. SoLRs meanwhile will continue to seek recovery of Customer Credit Balance (CCB) amounts in the insolvency process. Together, these recovery processes help protect consumers from bearing the costs of future supplier failures.

3. Profitability in the domestic supply market

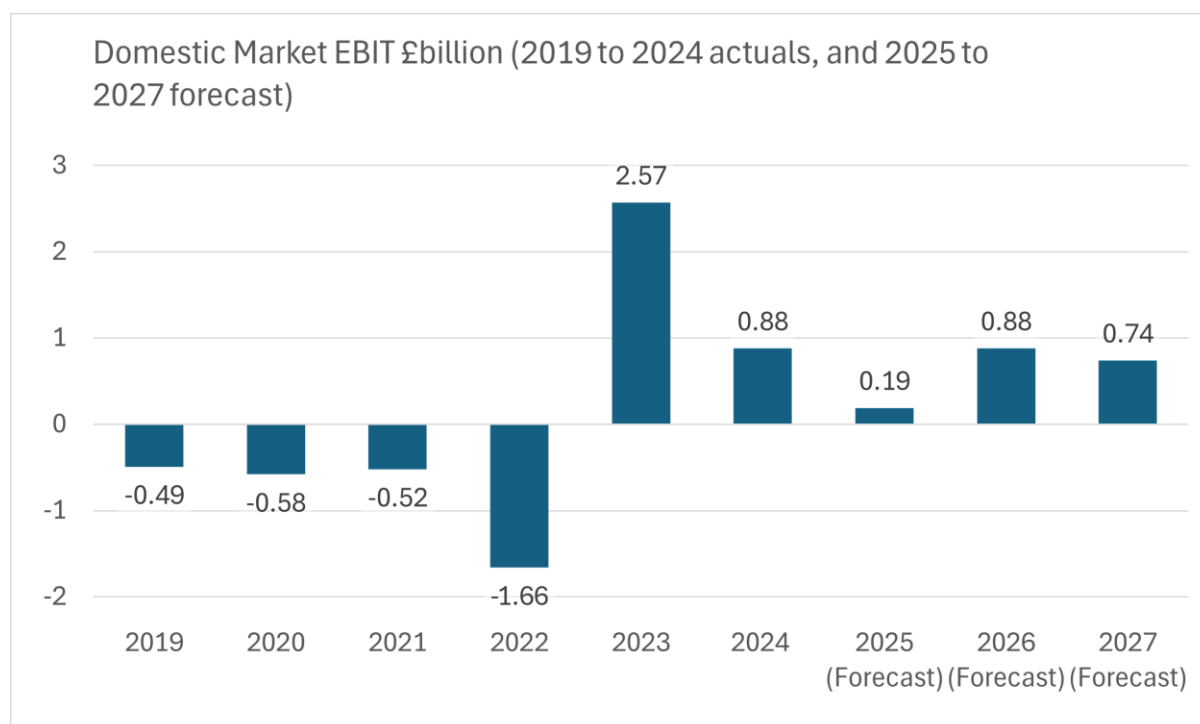
A financially resilient, profitable and investable supply market will support competition and innovation. These should drive better customer outcomes.

As highlighted in our [first Transparency Report](#), reasonable - though not excessive - profits for suppliers are key to ensuring a dynamic, competitive and innovative market. The price cap that applies to domestic customers sets an allowance for such profits, based on a supplier's Earnings Before Interest and Tax (EBIT).

In the 2025 calendar-year, supplier profitability (as measured by average EBIT margins) fell to an average of £5.31 per domestic customer, a significant decline compared to 2024 where the average was £26 per customer. This reflected falling wholesale costs being passed through to consumers, alongside increased competitive pressure as suppliers competed more actively on price. These dynamics suggests that consumers were not collectively overpaying for their energy supplies.

The chart and table below show the total self-reported EBIT from domestic supply from 2019 to 2027.

Chart and table 3: Domestic market EBIT (£bn), 2019-24 (actuals) and 2025-2027 (forecasts) (Source: Ofgem FRP Monthly RFI)



Calendar year	Domestic Market EBIT (£ billion)
2019	-0.49
2020	-0.58
2021	-0.52
2022	-1.66
2023	2.57
2024	0.88
2025 (Forecast)	0.19
2026 (Forecast)	0.88
2027 (Forecast)	0.74

4. Enforcement action for failures to maintain sufficient liquidity

Just over three years ago, on 31 May 2023, we implemented [new rules](#) that require suppliers to maintain enough capital and liquidity that they can meet their reasonably anticipated financial liabilities as they fall due on an ongoing basis. These rules apply to all suppliers, while additional minimum capital requirements that only apply to

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suppliers with domestic customers and came into force on 31 March 2025, which are covered in the next section.

Our approach to protecting consumers through financial resilience is based on a supervisory approach which, wherever possible, works to minimise the risks to consumers by working with suppliers without the need for enforcement activity. However, in cases where a supplier is unable or unwilling to take the action necessary to protect consumers, we will consider using our enforcement powers to hold suppliers to account.

In April 2025, we commenced formal enforcement action against Tomato Energy Ltd (Tomato Energy) because of evidence that it was failing to comply with the rules relating to operational capability and financial responsibility implemented since the energy crisis. To protect the interests of consumers, we also prohibited Tomato Energy from undertaking any sales, marketing or customer acquisition activity and from making non-essential payments (such as dividend payments) unless and until it could evidence that it had brought itself back into compliance with our rules.

This was the first case in which we have found it necessary to issue a formal enforcement order for suspected failures to meet the capital and liquidity requirements that came into force in May 2023. The case therefore has important lessons for all domestic and non-domestic suppliers still in the market about the potential consequences of failing to meet the enforceable minimum standards required to retain a licence to supply customers. More detailed information about our formal action is published on our [website](#).

Tomato Energy ultimately could not bring itself into compliance with our rules and ceased trading on 5 November 2025, requiring us to take action to ensure that its supply customers were protected by being transferred to a new supplier.

5. Domestic suppliers: Capital Target performance

In addition to the capital and liquidity requirements that all suppliers must comply with, since 31 March 2025, suppliers with domestic customers have been subject to additional and more prescriptive minimum capital requirements.

This section sets out an update on the performance of domestic suppliers against their Capital Targets and how we have held suppliers that are below their Capital Targets to account through Capitalisation Plans.

Each supply company with domestic customers has a Capital Target based on the number of domestic customers they supply. The aim of the rules is to ensure that suppliers have sufficient financial resources to weather unexpected events and that the shareholders of suppliers, rather than consumers, bear the risks if a supplier fails and exits the market.

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Since 31 March 2025, suppliers that are below their Capital Target are subject to legally enforceable obligations to:

- adhere to default Transition Controls, which prohibit a supplier from all sales marketing and customer acquisition activity (a “Sales Ban”) and from making any payments except those that are essential to its operation as a supply business (“Non-essential Payments Ban”) until we have approved a credible Capitalisation Plan for the supplier to reach its Capital Target
- submit a Proposed Capitalisation Plan to us, setting out how and when the supplier will meet its Capital Target
- adhere to an Approved Capitalisation Plan and submit Quarterly Progress Milestones to us, setting out the progress it has made and why it would not be in the Consumer Interest for Ofgem to direct the supplier to ringfence all or some of the funds it owes to domestic customers in the form of credit balances (Domestic CCBs).

We will only approve a Capitalisation Plan if the supplier has provided sufficient information to demonstrate that it provides a credible path to being above the Capital Target, with clearly defined actions, including Quarterly Progress Milestones. Once we have agreed a Capitalisation Plan, we hold suppliers to account at all times for the delivery of the plan until completion.

We require suppliers to adhere to an Approved Capitalisation Plan until they have evidenced both that they are above their Capital Target and that risks of falling below the Capital Target again have been appropriately mitigated. When a Capitalisation Plan is no longer necessary, the level of monitoring and supervision is reduced.

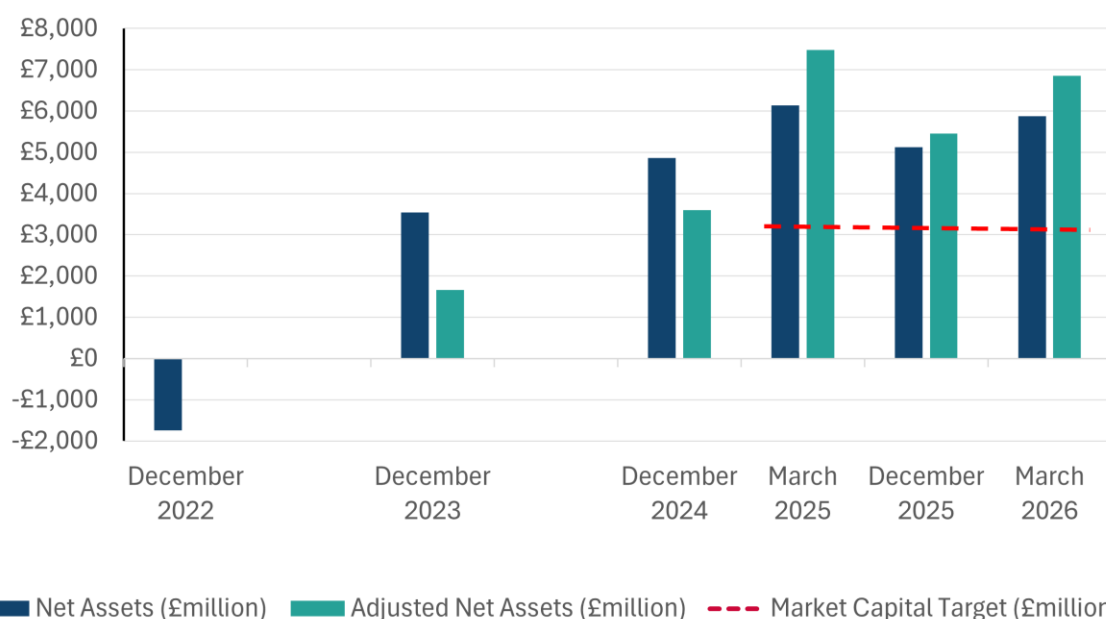
Market-wide performance against the minimum capital requirements

In this section we provide an update on the levels of capital of domestic suppliers.

The chart and table below show that, on aggregate, domestic suppliers have continued to hold Adjusted Net Assets significantly above the market-wide Capital Target. Adjusted Net Assets are a supplier’s Net Assets minus intangible assets plus any Alternative Source of Capital that we have approved.

Chart and table 4: Net Assets, Adjusted Net Assets and market Capital Target for suppliers with domestic customers, December 2022 to March 2026 (Source: Ofgem FRP Monthly RFI)

Net Assets and Adjusted Net Assets (£million)



Month and year	Net Assets (£ million)	Adjusted Net Assets (£ million)
December 2022	-£1,745	[Not collected]
December 2023	£3,536	£1,664
December 2024	£4,857	£3,600
March 2025	£6,138	£7,480
December 2025	£5,119	£5,448
March 2026	£5,879	£6,849

Holding suppliers to account under Capitalisation Plans

The table below shows the number of suppliers that were below and above their Capital Targets over the last five quarters.

We have updated the previously reported figures to reflect changes to the total number of suppliers active in the domestic market which changed over the course of 2025-26; as well as the two suppliers that exited the market due to insolvency, one supplier

exited the domestic market following a Trade Sale and the first new domestic supplier entered the market since 2023. This update only impacts the number of suppliers above their Capital Targets.

Table 5: number of supply companies below and above their Capital Targets. (Source: Ofgem FRP Monthly RFI)

	At the end of Quarter 1 (March) 2025	At the end of Quarter 2 (June) 2025	At the end of Quarter 3 (September) 2025	At the end of Quarter 4 (December) 2025	At the end of Quarter 1 (March) 2026
Number of suppliers below their Capital Targets	3	3	5	4	3
Number of suppliers above their Capital Targets	21	20	18	20	21

We recognise that several external stakeholders have suggested that Ofgem should name companies that are not meeting all elements of our financial resilience rules. For example, it has been suggested that we should publish more details about which suppliers are below their Capital Targets and information about what specific actions they have agreed to deliver under their Approved Capitalisation Plans.

Deciding what information to publish about our supervisory, compliance and enforcement engagement with specific suppliers always involves a number of trade-offs, including:

- legal rules relating to the publication of information obtained under our powers which relates to the affairs of a particular business
- that in matters relating to financial resilience, publicising the full details of our supervisory or enforcement interventions may not be appropriate or in the consumer interest. For example, in some circumstances, publicising detailed information about our actions would be likely to jeopardise actions that a supplier is taking to improve its financial resilience or commercial transactions such as Trade Sales, mergers and acquisitions
- our [Enforcement Guidelines](#), which indicate that while we will usually make enforcement action outcomes public on our website, there may be occasions where this is not appropriate.

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We have set out an anonymised summary of our work on holding to account the five suppliers that were below their Capital Targets during the year. However, we will not provide a near-time commentary about ongoing engagement with suppliers or disclose commercially sensitive information.

Of the three suppliers below their Capital Targets in March 2026:

- one is in the process of being acquired by a competitor. The acquisition is going through regulatory approvals and is in the public domain.
- one has self-reported being above its Capital Target. The supplier has made some changes to its financial arrangements, which we are still assessing.
- one has worked constructively with us and put in place mitigations to reduce mutualisation risk; the supplier is progressing an agreed time-bound strategy to address the Capital Target shortfall.

We have undertaken intense supervision and monitoring throughout and continually assessed whether the exercise of our regulatory or enforcement powers would be in the consumer interest.

Two other suppliers were below their Capital Targets during the year, but above them by March 2026. Of those two suppliers:

- one self-reported in advance that it would fall below its Capital Target for several weeks in 2025 and we worked with the supplier to agree a Capitalisation Plan before that happened. The supplier adhered to the measures agreed under a Capitalisation Plan and was above its Capital Target in March 2026.
- one self-reported being above its Capital Target in March 2025 before supervisory engagement identified that it was, in fact, below its Target. The supplier complied with default Transition Controls (a Sales Ban and a Non-essential Payments Ban) until we had approved a Capitalisation Plan. The supplier was above its Capital Target in March 2026.

6. Domestic Customer Credit Balances: striking the right balance between financial resilience and consumer standards

Domestic customers can choose different ways to pay for their energy, with the three main types being pre-payment via a meter, standard credit paying on receipt of a bill with a lag, and via a fixed direct debit. Under the price cap, pre-payment is the cheapest payment method, while standard credit is most expensive, given credit is costly for suppliers to provide.

Approximately 17 million households pay for their energy using fixed direct debits. A key attraction to consumers of this method of paying for their energy is that it is a convenient way to spread winter costs over a full year, avoiding seasonality in the cost

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of energy. Where customers pay by fixed direct debit, the amount that they have paid for energy will differ from the cost of energy they have consumed up to that point. This difference is the Customer Credit Balance (“CCB”).

CCBs are an important aspect of the domestic energy market, and this is reflected in our rules relating to both consumer standards and financial resilience.

From a consumer standards perspective, Ofgem has made clear that suppliers must ensure that the fixed direct debit amounts are based on accurate and up-to-date information to ensure that the amount of customers’ money held are not excessive and to help customers effectively manage their bills. Suppliers must also provide their customers with information to explain their bills and enable them to access their money or seek to adjust payments if necessary. In August 2022, we [announced](#) enhancements to those rules in light of evidence that some suppliers were not setting direct debits appropriately.

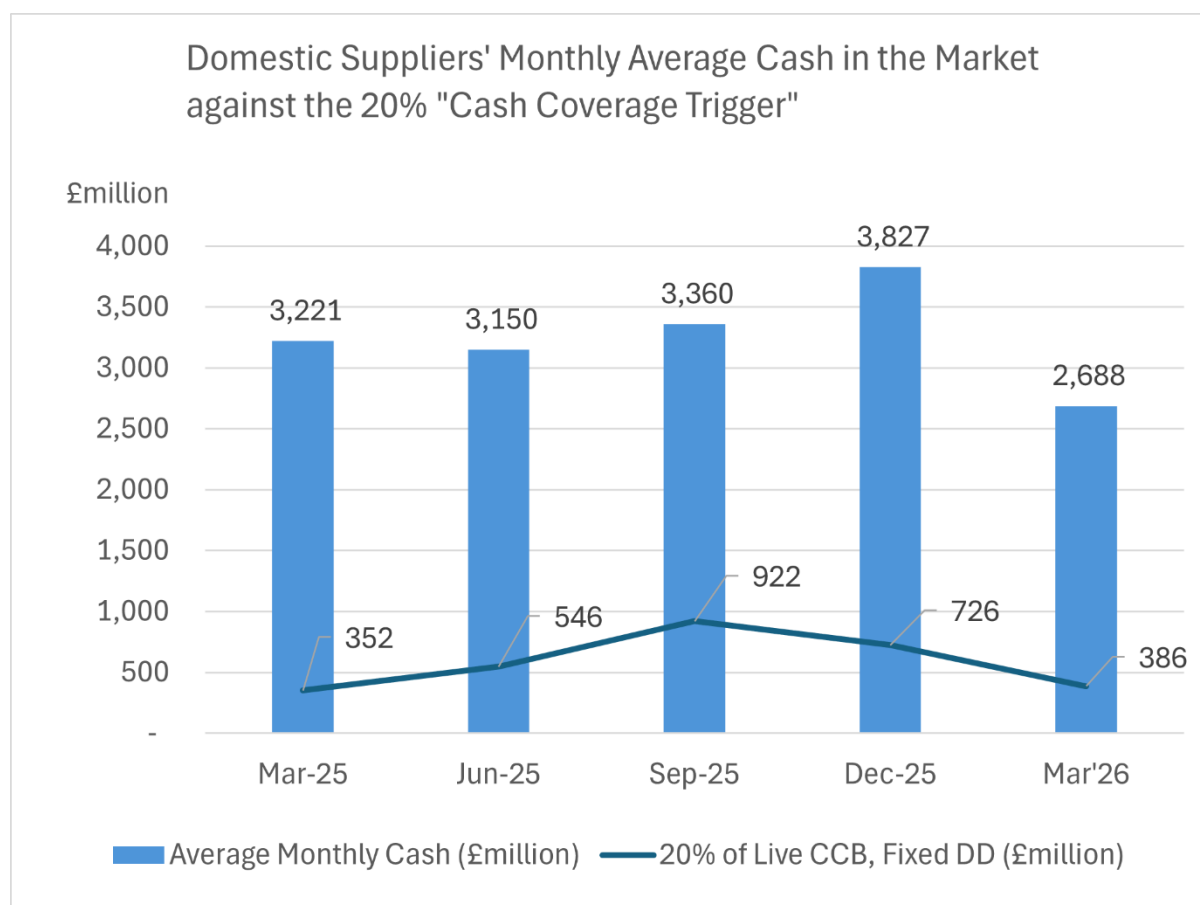
From a financial resilience perspective, where a supplier exits the market due to insolvency, an individual domestic customer’s money in the form of a credit balance is protected. That means that when a domestic customer is transferred to a Supplier of Last Resort (SoLR), the credit balances owed to them remain available. However, the costs of protecting domestic CCBs is potentially recoverable via a SoLR Levy claim or through statutory recovery mechanisms relating to special administrators, meaning that they can be mutualised (that is, ultimately paid by all bill-payers or taxpayers).

We therefore carefully monitor suppliers’ levels of domestic CCBs against suppliers’ monthly average cash levels. We aim to ensure that suppliers are not overly reliant on customers’ money as a source of liquidity or working capital and therefore not meeting their obligations to minimise the costs at risk of mutualisation.

On 20 September 2023, we implemented new reporting obligations to help identify where suppliers were overly reliant on customers’ money. Suppliers must notify us if their monthly cash is lower than 20% of the domestic CCBs (net of unbilled consumption energy that customers have already used but not yet been charged for). This is referred to in the rules as the “Cash Coverage Trigger”. Where a supplier is below the Cash Coverage Trigger, we have the power to direct a supplier to ringfence a percentage of the cash it owes to domestic customers where it is in the Consumer Interest to do so.

As the chart below shows, domestic suppliers are now collectively holding amounts of cash which are significantly higher than the 20% reporting threshold.

Chart and table 6: Domestic Suppliers' Monthly Average Cash in the Market against the 20% "Cash Coverage Trigger"



	20% of Live CCB, Fixed Direct Debit (£million)	Average Monthly Cash (£million)
March 2025	£352	£3,221
June 2025	£546	£3,150
September 2025	£922	£3,360
December 2025	£726	£3,827
March 2026	£386	£2,688

7. Ringfencing Renewables Obligations

The Renewables Obligation (RO) scheme was designed to encourage generation of electricity from eligible renewable sources in the UK. The RO scheme came into effect in 2002 in Great Britain and was closed to all new generating capacity on 1 April 2017.

The scheme provides long-term support for renewable electricity generators accredited under the relevant scheme in the form of Renewables Obligation Certificates (ROCs). Electricity suppliers have a legal obligation to present a specified number of ROCs for each megawatt hour of electricity supplied to all customers. In the case of a supplier insolvency, the costs of any shortfall in ROCs may be mutualised (that is, added to the energy bills of all bill-payers).

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A significant number of suppliers which failed in 2021-22 did not meet their obligations to pay the Renewables Obligation, leading to the costs being mutualised. In response to this, in May 2023 [we implemented rules](#) which require domestic electricity suppliers to ringfence the RO attributable to domestic supply.

The table below shows that there has been a significant reduction in both the numbers of suppliers not meeting their obligations under the RO scheme and the amounts of the shortfalls in question since the implementation of our Action Plan for financial resilience in late 2021.

Table 7: annual shortfalls in Renewables Obligations, Scheme Years 19 (2020-21) to 23 (2024-25) (Source: [Renewables Obligation Annual Report](#), Ofgem website)

RO Scheme Year	Financial year	Number of suppliers not meeting obligations in full	Shortfall (excluding interest) (£ million)	Mutualisation mechanism triggered?
17	2018-19	21	£97.5	Yes
18	2019-20	13	£33.1	Yes
19	2020-21	28	£218.3	Yes
20	2021-22	28	£119.7	Yes
21	2022-23	1	£0.1	No
22	2023-24	0	£0.0	No
23	2024-25	2	£23.3	No

We continue to closely monitor supplier compliance with the RO ringfencing rules and, where necessary, will consider taking robust enforcement action against suppliers where there are grounds to suspect that they are not following those rules. The enforcement order we issued against Rebel Energy in March 2025 relating to compliance with the ringfencing rules is available on our [website](#).

8. Next Steps: our areas of focus for 2026-27 and beyond

As set out in this report, significant progress has been made in terms of delivering sustainable improvements in the financial resilience of suppliers, and in terms of embedding an effective monitoring and supervisory function. However, we recognise that there is more to be done; recent events have demonstrated that unforeseeable geopolitical events can have a material impact on the financial resilience of suppliers and on consumers.

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In this final section, we set out our priorities and commitments going forward.

We will continue to publish aggregated data on financial resilience metrics alongside [Retail Indicator datasets](#) as part of our ongoing commitment to transparency, including the number of suppliers which are below their Capital Targets.

We acknowledge that a number of stakeholders have asked for more clarity about our approach to monitoring the financial resilience of suppliers, our supervisory approach and the circumstances in which we will publicise specific information about the suppliers that are not meeting our rules. We will shortly be engaging with suppliers and other stakeholders with a view to publishing a document that sets out in more detail our approach to financial supervision, including the decision-making criteria we apply when deciding whether it is in the consumer interest to publish information about individual suppliers' financial positions.

We are committed to reducing administrative burden wherever possible, including reviewing our own costs and streamlining regulatory processes to support innovation and growth. We are exploring how we can actively enable investment, innovation, and consumer protection in a rapidly evolving energy system.

There is a programme of Ofgem-wide work to address administrative burden through a wholesale review of the data we collect and to investigate how to ensure our data collection, monitoring and market intelligence are effective and appropriately targeted.

In line with government policy best practice, we are undertaking a review of the financial resilience and controls framework. We will engage with suppliers and stakeholders as part of the evaluation process and will manage the timing carefully to minimise administrative burden. Any potential changes to the rules or our guidance would go through consultation.

Feedback

We welcome feedback on this report. Please contact us at retailfinancialresilience@ofgem.gov.uk . Suppliers may also share feedback through their named Financial Supervisor.