Making a positive difference
for energy consumers

2025-26

Office of Gas and Electricity Markets (Ofgem)
Annual Report and Accounts

HC347

2025-26

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Annual Report and Accounts

(For the period 1 April 2025 to 31 March 2026)

Accounts presented to the House of Commons pursuant to section 6(4) of the Government Resources and Accounts Act 2000.

Report presented to the House of Commons by Command of His Majesty.

HC347

This is part of a series of departmental publications which, along with the Main Estimates 2025-26 and the document Public Expenditure: Statistical Analyses 2025, present the Government's outturn for 2023-24 and planned expenditure for 2025-26.

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Chair and Chief Executive foreword

The past decade has tested the energy system, but it has also strengthened our approach to regulation. By listening closely to consumers, industry and stakeholders, we have sharpened how we regulate and how we act earlier to prevent harm. Systemic shocks, including the Covid-19 pandemic, Russia's invasion of Ukraine, and the ongoing conflict in the Middle East have exposed vulnerabilities in global energy markets and reinforced the need for resilience, preparedness, and the value of acting early to protect consumers as conditions continue to change.

This Annual Report and Accounts for 2025-26 explains how we applied those lessons during a year of continued pressure on bills, rapid system change, and heightened uncertainty.

Affordability and service standards remained at the heart of our work. Through engagement with consumer groups, charities and frontline organisations, we heard directly about the pressures facing households and non-domestic consumers. That input shaped action over the year, including the phased regulation of heat networks, representing a small but rapidly growing group of almost half a million out of around 29 million households across Britain, higher expectations on billing accuracy and customer support, and firm intervention where standards were not met.

We also strengthened retail market resilience. The sector remains in a stronger financial position, with net assets of £6.8 billion, and Supplier of Last Resort costs were zero over the year. Customer satisfaction reached record levels, with more than four in five domestic customers satisfied with their supplier. Together, these outcomes are rebuilding confidence that markets are working in consumers' interests.

We have also focused on reducing unnecessary complexity and administrative burden, streamlining regulatory requirements where possible to help suppliers and networks focus on delivery and innovation, including by making greater use of digital and AI-enabled approaches. This is essential to supporting a more investable environment and enabling sustainable economic growth, including through the RIIO-3 price control framework.

At the same time, the pace of change across the energy system has accelerated. Working with network companies, the National Energy System Operator and Government has clarified the scale of investment needed to deliver a cleaner, more secure system at least cost. Programmes such as the Accelerated Strategic Transmission Investment programme (ASTI) involve difficult trade-offs between pace, cost and local impacts. Through our ASTI framework, we are supporting the delivery of 26 critical network projects needed to connect up to 50 gigawatts of offshore wind by 2030. Being open about these tensions is central to how we regulate and support delivery as investment moves from planning into build.

We continue to administer a wide range of low-carbon and social schemes on behalf of Government. Last year, more than 100,000 households received energy efficiency measures through ECO4 and related schemes, helping make homes warmer and bills more manageable. However, delivery of these schemes has not been without issues, including concerns about quality, consumer protection, consistency and the pace of delivery in some areas. We have stepped up to ensure we play our role in helping Government and suppliers address issues through implementing mid-scheme reforms and stronger standards and compliance. Our focus is on administering schemes effectively, keeping consumers informed and working with Government to help them ensure these programmes deliver safely, fairly and to a high standard.

Alongside delivery, this year underscored the need for regulation to continue evolving. Stakeholder feedback and the government's review of Ofgem's role, remit and powers reflect a more complex, fast-moving system. We welcome the opportunity to act earlier, prioritise more sharply and focus on outcomes. We recognise that this will require internal cultural change, and we are embarking on that journey as part of becoming a more agile, outcomes-focused regulator. We will also improve how we report performance, with clearer links from strategy to priorities and metrics, so Parliament, stakeholders and consumers can better understand our impact and hold us to account.

Looking ahead, global volatility, rising electricity demand, rapid technological change and persistent affordability challenges will continue to test the system. Millions of households still struggle to afford the energy they need, and many more manage only by making difficult trade-offs elsewhere in their lives. High levels of energy debt remain a serious concern, both for consumers and for the stability of the wider market.

We will therefore continue working with Government, industry and consumer representatives to strengthen the system's ability to withstand a wide range of scenarios, while keeping affordability and fairness at the centre of our decisions. Regulation must be proactive, support investment while holding the sector to account on delivery and remain grounded in consumers' lived experience. None of this is possible without the commitment of our staff or the constructive engagement of stakeholders across the sector. We are investing in the skills, expertise and capability needed to ensure we have the right people in place to regulate effectively and deliver for consumers in a more complex, fast moving energy system.

In the face of continued uncertainty, our focus is clear. We are committed to ensuring that in all that we do we are predictable, agile, collaborative and technology-enabled – our PACT with all our stakeholders. By listening carefully, acting early, and maintaining a relentless focus on outcomes, we will protect consumers, support the transition to a cleaner energy system and ensure our energy system helps support economic growth.

M J McAllister

Mark McAllister
Chair

Tim Jarvis
Interim Chief Executive and Accounting Officer

Performance Report

Ofgem Annual Report and Accounts | 2025-26

Introduction

The purpose of this performance report is to explain our role in energy regulation and performance against the commitments we made in our 2025-26 Forward Work Programme (FWP). The performance, accountability and audit reports and resource accounts in this annual report provide transparency and assurance over public funds.

The **performance overview** sets out the current context and provides a short overarching summary of activity over the past year against the current Strategy and Policy Statement (SPS) for energy policy. The **performance analysis** expands on this, providing further detail on activity undertaken over the past year with specific reference to the key performance indicators included in our recent call for input.

Performance overview

Context

This report looks back on our performance during the 2025-26 financial year, and the activity undertaken to further our current principal objective: to protect the interests of existing and future gas and electricity customers. In carrying out this objective, we are required to have regard to a range of matters, including security of supply, ensuring licence holders can finance their activities, and protecting the interests of vulnerable consumers. We also have statutory duties to support the UK Government's net zero target from late 2023 and, since 2024, to have regard to the promotion of sustainable economic growth through our regulatory activities. Alongside our responsibilities for delivering schemes on behalf of Government, these duties have been the basis of Ofgem's multiyear strategy and our priorities in the last year.

In December 2024, the Department for Energy Security and Net Zero announced a comprehensive review of Ofgem's role, remit, powers and duties in light of a rapidly changing energy system. This was concluded in April 2026 and set out crucial changes for Ofgem, including a proposed simpler statutory framework with three equal duties (protecting consumers, supporting net zero, and promoting economic growth).

The review also concluded that the current Strategy and Policy Statement (SPS) for energy policy, does not provide sufficiently clear or targeted strategic direction for Ofgem given the scale of change in the energy system and the need to clarify roles between Government, Ofgem and the National Energy System Operator (NESO). The review recommended replacing the existing SPS with an Ofgem specific SPS, alongside a separate SPS for NESO, to provide clearer strategic priorities and support more transparent accountability while preserving regulatory independence.

Until a new SPS is introduced, Ofgem will continue to comply with its obligations in relation to the current SPS including our statutory reporting requirements.

Furthering the current SPS outcomes

The current SPS for energy policy was designated in May 2024 under powers contained in the Energy Act 2013. We have an ongoing duty to have regard to the strategic priorities set out in the SPS and help further the policy outcomes it sets out when carrying out our regulatory functions.

Our Multi-Year Strategy (MYS) was developed alongside the SPS and therefore the strategic priorities set out in the MYS broadly align with the strategic priorities set out in the SPS. Our 2025-26 Forward Work Programme set out in more detail the projects we planned to carry out to implement our Strategy and, as a result, further the policy outcomes contained in the SPS.

Delivery in some areas was descoped or delayed by other emerging priorities and dependencies on stakeholder decisions. Where work from the 2025-26 FWP was not completed in 2025-26, the 2026-27 Forward Work Programme sets out revised timelines.

This Performance Report gives details of the work Ofgem has delivered over the 2025-26 financial year, having had regard to the three key categories of strategic priorities in the SPS and our assessment is that we have contributed to the delivery of the policy outcomes set out in the SPS in several ways:

To ensure **energy security and protect consumers**, we:

- Continued to operate the retail price cap, which protects domestic consumers against excessive pricing by energy suppliers.
- Continued to monitor wholesale and balancing markets to ensure that competition is open and fair, and rules against the exploitation of market power are enforced to protect consumers against excessive pricing.
- Worked with Government and the NESO to monitor security of gas and electricity suppliers in the short to medium term and ensure robust winter preparedness.
- Introduced new Heat Networks regulation in January 2026 to ensure that consumers on heat networks are ultimately protected and benefit from fair pricing, and financially resilient providers.
- Progressed the development of a digital platform for heat network providers to submit monitoring data, aiming to improve the customer journey and allow Ofgem to use data more efficiently.

To further the **enabling of clean energy and Net Zero infrastructure**, we:

- Drove rationalisation of the connections queue, with the removal of 221GW of capacity from that queue that was not ready or needed and all revised connections offers for 2030 projects on track to be issued by the end of 2026.
- Completed the second phase of an end-to-end review of connections incentives and obligations to ensure that network companies provide high-quality offers to customers and then deliver reliably against these.
- Put in place through RIIO T-3 the funding and incentive arrangements for transmission companies to build the network needed for 2030 (in line with needs set out in the Clean Power Plan by the Government).
- Created the Advanced Procurement Mechanism to enable network companies to book supply chain factory slots for equipment ahead of time.
- Introduced the cap and floor regime for long duration energy storage and developed at pace the technical details of how the regime would be operated.
- Continued to develop a regulatory regime for remote load controllers/aggregators who could help consumers flex their demand in response to supply conditions and be rewarded for doing so.
- Maintained progress on the introduction of mandatory half-hourly settlement in 2027.
- Appointed Elexon to act as Flexibility Market Facilitator so that it becomes easier for flex providers to stack revenues across the different flex markets, and asked it to establish a flexibility markets asset registration regime.
- Made decisions on a number of important code modifications to give flexibility service providers open access to the balancing and wholesale markets.
- Created a consumer consent framework for the energy sector.

To ensure the **energy system is fit for the future**, we:

- Made significant progress in setting the methodology for the next electricity distribution price review (ED-3), which will prepare the distribution grids for the increase in electricity demand from heat pumps and electric vehicles, and a potential increase in distributed generation through rooftop and plug-in solar panels.
- Worked with Government to develop proposals for reformed national pricing of electricity, focusing in particular on reforms to the balancing mechanism and network charges.
- Launched a call for input on how the costs of the energy transition should be allocated across households and businesses in the medium to long term so that the energy system is both efficient and fair.

Further detail on these activities is provided in the following performance analysis section.

Performance analysis

This performance analysis details how Ofgem has delivered against its 2025-26 Forward Work Programme and the MYS. This was published in March 2024 and sets out five interconnected strategic priorities. These are:

1. Shaping a retail market that works for consumers
2. Enabling infrastructure for Net Zero at pace
3. Establishing an efficient, fair and flexible energy system
4. Advancing decarbonisation through low-carbon energy and social schemes
5. Strengthening Ofgem as an organisation

Strategic priorities 1, 2, 3 and 5 comprise Ofgem's projects and core regulatory activities. Strategic priority 4 describes the work undertaken to administer low-carbon energy and social schemes on behalf of Government, including the Green Gas Support Scheme (GGSS) which is funded by Green Gas Levy (GGL). An increase in the GGL (2025-26: £75.6 million; 2024-25 £9.7 million, as can be seen in note 4 to the resource accounts) is a result of a significant rise in the forecast funding requirement of the GGSS driven by increased deployment of biomethane plants.

These five priorities are reviewed annually by Ofgem's Board and the first four priorities (which relate to our external commitments and obligations) form the basis for the Forward Work Programme which translates our strategy into in-year actions and milestones. Associated budgets to deliver upon our priorities are then allocated through our business planning process. As can be seen in the Statement of Parliamentary Supply (SOPS), in 2025-26 the organisation reported a net outturn of £43.6 million income against its net resource budget of £47.5 million expenditure mainly due to an underspend in GGSS expenditure and lower than expected utilisation of legal provisions. Capital expenditure totalled £3.6 million (2024-25: £4.1 million), primarily relating to investment in technology in support of strategic priority 5, this remained within the approved capital budget of £5.1 million. Further information can be found in the financial review from page 43.

The Markets Regulatory Vision and Strategy complements the MYS, providing more detailed direction on how Ofgem regulates markets. Together, these strategies ensure that the Forward Work Programme delivers annual activity in a way that is consistent with our long-term objectives and statutory duties.

Key performance indicators

In line with the Ofgem Review's recommendations, we are committed to strengthening how we report on our performance publicly. The Key Performance Indicators (KPIs) referenced in this year's annual report and accounts provide indicators of the combined effect of regulatory activity across our functions, having regard to the SPS. It is likely that these KPIs will evolve during 2026-27 given the changes arising from the Ofgem Review and our recent call for input on a new proposed package of performance indicators.

In relation to fulfilling our SPS obligation we have reported against our KPIs and delivery we planned in the FWP and have included a summary of the delivery that has been delayed.

As part of our Growth Duty and wider approach to smarter regulation, we are strengthening our framework to be more proportionate, transparent and outcomes focused, simplifying regulatory requirements and enabling investment, innovation and growth across the energy sector.

This work complements our administrative burden assessment and aligns with the Government's ambition to reduce regulatory burden through its Better Regulation Framework and Regulatory Action Plan. It improves how we measure and manage regulatory impacts and establishes a clear baseline of the time, cost and effort required of licence holders and introduces a consistent annual process to build a transparent and robust understanding of these impacts over time. This strengthens our evidence base, reduces complexity and ensures our interventions minimise unnecessary burden while supporting efficient, well-functioning markets.

Key Performance Indicators (KPIs)

Key Performance Indicators Cross-cutting KPIs:

£2.1bn consumer benefit generated by Ofgem's decisions

63% of consumers **agree that Ofgem is a trusted source of information**

58% of consumers **agree that Ofgem holds energy suppliers to account**

Multi-Year Strategy Priority 1: A retail market that works for consumers

81% overall **consumer satisfaction** with **domestic suppliers**

6% overall **consumer dissatisfaction** with **domestic suppliers**

68% overall **consumer satisfaction** with **non-domestic suppliers**

14% overall **consumer dissatisfaction** with **non-domestic** suppliers

3.5 complaints per 1,000 customers received by domestic suppliers

5.25 complaints per 1,000 customers received by non-domestic suppliers **(Gas)**

3.2 complaints per 1,000 customers received by non-domestic suppliers **(Electricity)**

£0 Impact of the Supplier of Last Resort scheme on consumer bills

£4.70bn total debt/arrears among domestic consumers

£6.8bn capital position of domestic suppliers

£191m domestic supplier **EBIT forecast**

Multi-Year Strategy Priority 2: Establishing infrastructure for Net Zero at pace

63% average zero carbon mix (2025)

12% of ASTI projects with cost allowances set

£42 balancing cost in price cap (April 2026)

Multi-Year Strategy Priority 3: Establishing an efficient, fair and flexible energy system

100% decisions on licence applications made within the specified time limit

6,025,403 customers on half-hourly settlement

835,000 domestic consumers on smart Time of Use tariff

Multi-Year Strategy Priority 4: Advancing decarbonisation through low-carbon energy and social schemes

Renewable Electricity Schemes

95% emails responded to within 10 working days (target 80%)

98% complaints resolved within 20 working days (target 80%)

Below 5% abandoned call rate (target less than 15%)

Renewable Heat Schemes

98% emails responded to within 10 working days (target 80%)

95% complaints resolved within 20 working days (target 80%)

Below 15% abandoned call rate (target less than 15%)

Social Schemes

92% emails responded to within 10 working days (target 80%)

84% complaints resolved within 20 working days (target 80%)

Below 2% abandoned call rate (target less than 15%)

Multi-Year Strategy Priority 5: Strengthening Ofgem as an organisation

12.6% staff turnover in 2025-26

59% Employee Engagement Index

90% responses to **Subject Access Requests** within deadline

48% responses to **Parliamentary correspondence** within deadline

93% responses to FOI/EIR requests within deadline

Consumer Benefits Analysis

The Consumer Benefits Analysis calculates the total monetary value of the benefits that consumers have experienced during the past financial year through the decisions which Ofgem has made. For 2025-26 we assess that £2.1 billion worth of consumer benefit was generated by our activities. This means for every pound spent, there is a benefit of approximately £5.71 to the consumer. This compares to a total of £2.7 billion in 2024-25, with a benefits ratio of £7.63 for every pound spent.

In 2025-26 there have also been various high value decisions which Ofgem has made but which have not been included, as the benefits have not yet materialised. These include our decision on the Market Facilitator for flexible resources, expected to deliver annual benefits of £140 million and elements of the smart meter framework package where further decisions are still pending. The analysis also excludes wider benefits from interventions such as the price cap and enforcement action, and does not capture broader qualitative impacts, including those expected from RIIO-3. Enforcement activity in particular continues to deliver additional consumer benefits not reflected in the analysis measures, through financial redress, improved supplier practices, and a stronger culture of compliance across the market, contributing to wider improvements in outcomes such as reduced complaint volumes and sustained high levels of consumer satisfaction.

Consumer Benefits Methodology

Ofgem bases its calculation on the quantifiable benefits set out in the Impact Assessments (IAs) associated with its decisions. We have a statutory requirement to publish IAs where there are significant impacts from our policy changes, and these IAs provide a structured and transparent framework to understand the forecast impacts of policies and to enable comparisons between projects. Where the benefits from a decision reflect the cumulative value across a defined period (such as the lifetime of an asset), we report the annualised figure, which is then also included in future years' reporting. Consequently, the total value of £2.1 billion reflect decisions taken both in 2025-26 and in previous years. All consumer benefits are expressed in 2026 prices, using the GDP deflator and a discount rate of 3.5% as recommended by the Treasury. Our approach strives to quantify impacts as thoroughly as possible and in monetary terms where we can, to ensure that there is consistency in how they are presented. However, due to differences in the way benefits are calculated, we make some adjustments to enable comparability between results, e.g., inflation and net present value (NPV) adjustments. As our analysis only covers decisions made using a formal IA, it will understate total benefits across Ofgem.

Engaging with consumers and stakeholders

It is essential that Ofgem is seen as a trusted source of information that delivers on behalf of consumers. In early 2026, Ofgem's most recent Consumer Impacts of Market Conditions survey (currently unpublished) found that 63% of surveyed consumers agreed that Ofgem is a trusted source of information, and 58% agreed that Ofgem holds energy suppliers to account.

Through targeted campaigns, cross-sector collaboration and regular industry forums, our engagement activity continued to ensure that consumer insight and stakeholder feedback shaped Ofgem's work in 2025-26. This included through the Energy Aware campaign which shared bespoke content to support key policy moments like closed credit balances and knowing your rights if you fall into debt. We collaborated with charities and consumer advice groups to co-create campaign materials to directly support some of the most vulnerable consumers. Our approach to engaging consumer groups places emphasis on discussing real-time challenges affecting consumers, therefore directly informing policy decisions. New and existing communication channels – including newsletters, social media, webinars, direct mailouts, and stakeholder meetings – have addressed critical issues such as debt, billing, fair outcomes for consumers, supplier standards, and compliance matters like prepayment meters (PPM). This multi-channel approach has helped us reinforce our ongoing commitment to tackling the complex challenges facing energy consumers. In this context, the National Audit Office's Value for Money report, Regulating water, energy and broadband to protect consumers in vulnerable circumstances (published on 10 June 2026), provides an important reference point on the role of regulators, including Ofgem, in strengthening protections and improving outcomes for consumers in vulnerable circumstances.

Ofgem's Consumer Voice programme continued, giving Ofgem Board members dedicated time to discuss consumer experiences with groups such as the Fuel Bank Foundation and Which? Senior leaders complemented this with eight consumer groups and charity visits and held regular calls with consumers to ensure consumer-focused decision making, leading to better policies and improved consumer outcomes.

Strategic priority 1: **Shaping a retail market that works for consumers**

Strategic priority 1 sets out Ofgem's work to regulate the energy retail market at the sector level through the price cap for domestic consumers, and at the supplier level, through monitoring and enforcement where necessary.

Price protections remain in place through the Ofgem price cap, which ensures that standard tariffs reflect efficient costs and help shield consumers from the 'loyalty penalty'. Business energy costs show persistent gaps, with very small firms paying the highest price. Fixed-term contract adoption increased to one-third of customers over the past year. Service outcomes improved during 2025-26 across both domestic and non-domestic markets. Domestic customer satisfaction reached record levels, with overall satisfaction with suppliers at 82% and customer service satisfaction at 77% in January 2026. Domestic customer complaint volumes fell to 1,011 complaints per 100,000 customers in Q4 2025 – the lowest level on record going back to Q2 2014. In the non-domestic market, customer satisfaction increased to 68% and the proportion of businesses reporting a complaint fell to 18%.

Financial resilience across the retail market strengthened during 2025-26, with domestic suppliers holding a weighted capital position of £6.8 billion (March 2026), improving their ability to absorb shocks and manage financial risk. Projected domestic retail profits fell from £0.88 billion in 2024 to £0.27 billion, while non-domestic profits remained broadly stable. In Q1 2026 there were 17 active suppliers in the domestic gas and electricity retail market and 62 active suppliers in the business market. In the domestic market the six largest suppliers held 92% of market share in Q2 2025 and a new entrant expanded rapidly to over 200,000 customers by year-end.

The energy market is evolving rapidly with new products and services, enabled by smart meters and digitalisation. Ofgem seeks to support this increasingly innovative and dynamic sector, facilitating the emergence of these new products and services, whilst ensuring consumers are protected from significant harms. Ofgem wants all consumers to have the opportunity to be part of the net zero transition, and benefit from these new markets if they choose to engage.

Strategic Objective 1: Ensure fair prices

Default Tariff Price Cap

During 2025-26, Ofgem continued to evolve the design of the price cap to ensure cost reflectivity and market resilience. This included: implementing changes to reflect Government policy costs (including Energy Company Obligation (ECO), Warm Home Discount scheme (WHD) and Nuclear RAB); completing the review of operating cost and debt allowances (reducing average costs by around £8 per customer while supporting supplier resilience); adjusting the backwardation deadband; and making methodological updates to address technical issues.

Additionally, Ofgem undertook preparatory analysis to inform future decisions on wholesale allowances, recognising that price protection frameworks will need to adapt as the retail market becomes more dynamic, including through the implementation of Market-wide Half Hourly Settlement (MHHS). Ofgem also launched consultations on changes to the price cap to adapt to a changing market: future changes to typical consumption; a true-up of historical debt costs; and the future of the wholesale allowance.

Ofgem also progressed a set of targeted retail pricing interventions including:

- extending the ban on acquisition tariffs for 2026-27 to protect disengaged consumers while longer term reforms are developed; and
- progressing standing charge reforms to increase consumer choice, including consulting on proposals to require suppliers to offer at least one lower standing charge tariff option and preparing for a time limited pilot expected in summer 2026. This is being kept under review in light of potential impacts of the current market instability on tariff availability.

These pricing reforms took place against a backdrop of reduced supplier profitability in 2025. Supplier profitability (as measured by average EBIT margins) fell to £5.31 per customer, a significant decline compared to 2024 where the average was £26. This reflected the 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. Overall, supplier financial performance remained mixed over 2025-26, with projected domestic retail profits falling from £0.88 billion in 2024 to £0.27 billion in 2025, as substantial discounting below the price cap reduced realised margins.

The war in the Middle East – and resulting increases in global wholesale prices – did not immediately impact the domestic energy retail sector in 2025-26 due to protection from the price cap. Non-domestic energy consumers are more vulnerable to price spikes as there is no price cap in place. At the outset, Ofgem quickly tightened and communicated its expectations around supplier behaviour and worked with Government to issue joint communications to suppliers and Third-Party Intermediaries.

Ofgem stepped-up daily monitoring to appraise the impacts and longer-term implications of the war on GB Markets, and convened stakeholders to better understand the risks. We established arrangements to coordinate the response across the organisation and acted quickly to strengthen consumer protection and market stability. Our new financial resilience regime – introduced since the gas crisis of 2022 – also provides greater assurance of supplier resilience than in previous periods of market stress.

At the time of writing the sustained higher prices have contributed to a higher price cap as we begin the 2026-27 performance year.

Tackling energy debt

During 2025-26, the overall level of domestic consumer debt and arrears continued to rise (as shown in Figure 1), reaching £4.7 billion by February 2026. This reflects ongoing affordability pressures on households, alongside changes in supplier practices and consumer protections following the re-set of PPM rules in 2023. During 2025-26, Ofgem updated its Debt Strategy to focus on improving outcomes for consumers already in debt and on reducing the risk of avoidable debt building up, including through early intervention and more sustainable approaches to debt management. Ofgem also progressed work on targeted interventions: developing and consulting on the Debt Relief Scheme in November 2025; and developing proposals to address debt arising during the home moves process (at change of tenancy). Progression of the Debt Relief Scheme remains subject to wider cross-Government considerations.

Domestic Consumer Energy Debt by Arrears

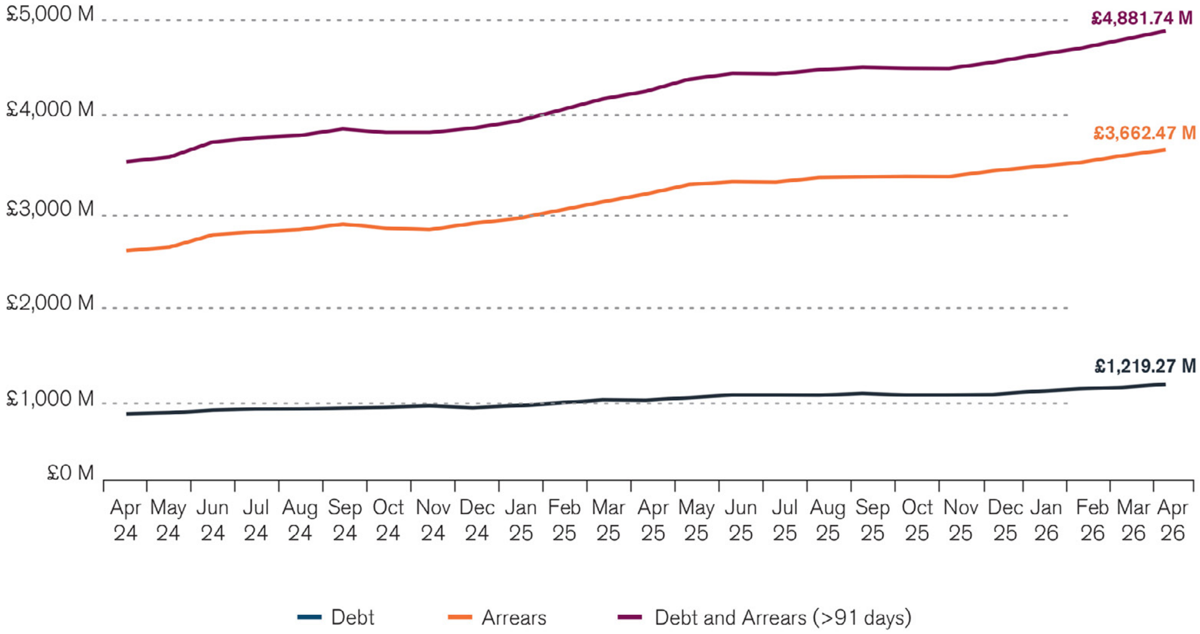


Figure 1: trends in levels of domestic consumer energy debt and arrears, August 2022 – February 2026. Source: Ofgem Household Request for Information (RFI).

Strategic Objective 2: Ensure high quality of service

Consumer satisfaction

Customer service outcomes improved during 2025-26 across both domestic and non-domestic markets. Domestic customer satisfaction reached record levels, while domestic complaint volumes fell to the lowest level on record going back to Q2 2014. In the non-domestic market, satisfaction also increased, and the proportion of businesses reporting a complaint declined. These trends provide important context for Ofgem's ongoing work to strengthen service standards and supplier compliance in the non-domestic sector.

Overall supplier satisfaction

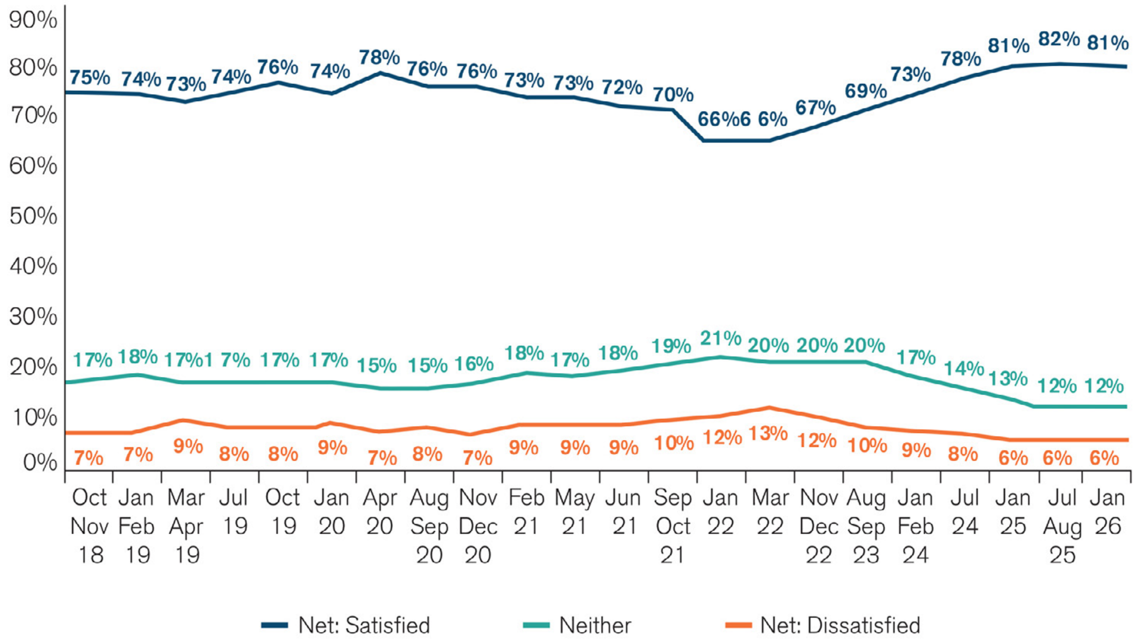


Figure 2: trends in overall supplier satisfaction (domestic consumers), October 2018 - January 2026. Source: Ofgem Energy Consumer Satisfaction Survey 2026.

In addition, Ofgem progressed Stage 3 of the Radio Teleswitch (RTS) phase-out in March 2026, with the switching functionality of around 150,000 RTS meters being disabled during March-June.

Consumer confidence

During 2025-26, Ofgem progressed the Consumer Confidence programme by exploring regulatory approaches that support more consumer-centric supplier behaviour, including outcomes-based regulation. Ofgem published Calls for Input on Consumer Outcomes and engaged extensively with stakeholders to develop a set of consumer outcomes that the market should deliver.

Ofgem also undertook proactive reviews of compliance relating to Additional Support Credit (ASC) and Supplier Billing, including the publication of guidance on back-billing. This work clarified expectations on the appropriate use of ASC and supported improvements to billing accuracy, with improvement plans agreed with several suppliers to strengthen outcomes for consumers.

In November 2025, Ofgem published a Call for Input on Guaranteed Standards of Performance (GSOPs – automatic compensation to customers when suppliers fail to meet specific standards of service) to consider whether their role, scope, design and operation should change to better protect consumers.

In April 2025, Ofgem published its refreshed Consumer Vulnerability Strategy, setting out the outcomes Ofgem expects the sector to achieve, including for those struggling to pay their bills. This was complemented by Vulnerability Focus Sessions in winter 2025-26 with energy suppliers, which explored how suppliers are delivering more accurate, easy-to-understand billing, flexible payment options and providing proactive and consistent support, based on consumers ability to pay.

Compliance and enforcement

During 2025-26, Ofgem continued to embed and communicate its Compliance Operating Principles, reinforcing expectations with suppliers and strengthening delivery across core compliance functions. This included resolving legacy casework, enhancing horizon-scanning to identify emerging risks earlier, and strengthening core monitoring through closer integration of price cap compliance and smart metering activity. Ofgem's Investigations and Enforcement Activity undertaken during 2025-26 is listed in Appendix 1.

Ofgem also introduced a revised Compliance Operating framework, supported by a 'compliance playbook'. This has helped promote a more consistent, proportionate and outcome-focused approach to compliance and rebuild trust in the sector. Additionally, Ofgem established a Data Management Office to improve data governance, streamline data requests and improve data quality.

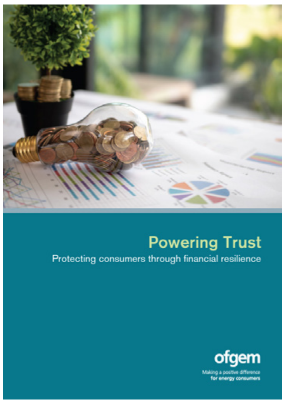
Strategic Objective 3: Deliver financial resilience, promote investability and support sustainable competition

Financial Resilience and Controls regime

In 2025-26, Ofgem successfully embedded the Financial Resilience and Controls regime during its first full year of operation. Specific financial requirements, the Capital Target and Capital Floor, came into effect from 1 April 2025. As a result, financial resilience across the retail market strengthened during 2025-26, with domestic suppliers holding a capital position of £6.8 billion (March 2026). This is a decrease from £7.5 billion held at the same point last year driven by low profitability, alongside dividend distribution from suppliers meeting our resilience rules and able to demonstrate that they continue to have sufficient financial resources to absorb shocks and manage financial risk.

Ofgem's regulatory interventions have contributed to a stabilisation of the market, with fewer supplier exits and reduced exposure of consumers to the costs of supplier failure – Supplier of Last Resort costs falling to £0 per household in 2025-26 compared to £0.93 in 2024-25. This more resilient and investable retail market has helped sustain market participation and competition, with new entrants continuing to emerge. Ofgem nevertheless continues to stand ready to protect customers when firms fail; in November 2025, Ofgem delivered the Supplier of Last Resort (SoLR) process for Tomato Energy, appointing British Gas Trading Limited. Ofgem also introduced the SoLR Levy Offset to protect consumers from the costs of future supplier failures.

To support these reforms, Ofgem increased transparency around suppliers' aggregate performance against the financial resilience requirements through publication of the Powering Trust report and new financial resilience information in the State of the Market (Retail) report.



Strategic Objective 4: Support new and evolving markets

Heat Networks

Ofgem commenced Heat Networks regulation in January 2026 with the publication of authorisation conditions establishing the regulatory framework. This was supported by guidance on consumer protection, fair pricing, registration, financial resilience, compliance, enforcement, penalties and data reporting, alongside consultation on options for regulatory cost recovery. The framework was informed by extensive stakeholder engagement, including webinars, conferences and the External Stakeholder Advisory Group, which also helped build awareness of the new regime.

In parallel, Ofgem progressed the development of a digital platform to allow heat networks to register and submit monitoring data. This service was developed following extensive user testing with operators and suppliers, aiming to improve the customer journey and support more efficient use of automation and data, including the potential use of artificial intelligence where appropriate.

Regulation of Third-Party Intermediaries (TPIs)

TPIs provide a key service in energy retail markets, allowing consumers to search and compare products and services, and (particularly in the non-domestic sector) broker suitable energy deals.

In October 2025, the Government announced its intention to appoint Ofgem as the regulator of TPIs (including energy brokers and price comparison websites), subject to parliamentary time. During this preliminary phase, Ofgem has increased stakeholder engagement and built its understanding of the market, supporting the development of targeted and efficient regulatory arrangements.

Strategic priority 2: **Enabling infrastructure for Net Zero at pace**

One of Ofgem's core responsibilities is to determine the level of spending required on the energy networks. Meeting Net Zero objectives and reducing exposure to volatile gas prices will require unprecedented investment in electricity networks. To secure this investment at the lowest cost to consumers, the next set of price controls (RIIO-3) began in April 2026 for gas distribution, gas transmission and electricity transmission. Ofgem published its Final Determinations on 4 December 2025, approving £17.8 billion of expenditure for gas networks and indicating that investment in electricity transmission could reach up to £70 billion over five years, reflecting the scale of system change required. During 2025-26, network charges in the UK for both gas and electricity remained close to the median level relative to European benchmarks.

At the same time, energy infrastructure markets remain resilient and reliable. System reliability was very high, with electricity transmission network availability exceeding 99.99% in 2024-25, despite the North Hyde substation fire in March 2025. Gas transmission continued to exceed capacity constraint targets, as it has done every year since 2013, while electricity distribution networks delivered faster restorations following severe weather events. In 2025-26, Ofgem advanced digitalisation across the energy system by establishing a clear strategic framework and putting in place coordinated arrangements for secure, near real-time data sharing. Key initiatives included publication of the Energy Digitalisation Framework with The Department for Energy Security and Net Zero (DESNZ), appointing NESO to lead delivery of the Data Sharing Infrastructure, commissioning The Retail Energy Code Company (RECCo) to develop a system-wide consumer consent solution, and tasking Elexon with delivering a flexibility market asset register.

Service quality across the networks also remains high, with gas transmission and distribution companies meeting all of their customer satisfaction performance targets over a five-year period. Electricity network performance was generally strong, with sector-wide averages above target, although the more stretching standards introduced under RIIO-2 meant that some individual companies fell below target.

Pressure on the system was also evident in electricity connections. Demand rose sharply, with the queue reaching around 750 GW and average waits approaching six years. Reforms approved by Ofgem in April 2025 introduced clearer prioritisation based on system need and project viability, removing up to two-thirds of speculative projects and improving access for deliverable schemes. Revised connection offers are now on track to be issued to all 2030 projects by the end of 2026.

Ofgem continued to support delivery of the energy transition through major strategic infrastructures programmes. The Accelerated Strategic Transmission Investment (ASTI) framework progressed 26 critical projects required to enable 50 GW of offshore generation by 2030. The Advanced Procurement Mechanism, introduced in June 2025, helped mitigate emerging supply chain risks.

Environmental performance across the networks also continued to improve. Gas distribution emissions have fallen by 16% over five years through pipe replacement programmes and other mitigation measures, while National Gas Transmission outperformed its methane reduction targets. Electricity transmission emissions of sulphur hexafluoride (SF_6) have fallen by 36% since 2021.

Alongside this, Ofgem maintained active oversight of delivery of the DESNZ Clean Power 2030 Action Plan, tracking progress for Ofgem-owned actions, surfacing delivery risks and dependencies, and assessing cost drivers and implications for security of supply. This enabled targeted regulatory engagement where issues fell within Ofgem's remit and timely escalation where dependencies sat elsewhere.

Strategic Objective 5: Progress strategic planning

Co-ordinated strategic planning

This year, Ofgem has met its Forward Work Programme commitment to confirm the governance and methodology arrangements for Strategic Spatial Energy Planning (SSEP). We are working closely with DESNZ on its Reformed National Pricing programme to ensure investment levers are aligned and coherent to effectively deliver the SSEP.

Ofgem has also confirmed the Centralised Strategic Network Planning (CSNP) methodology developed by NESO, following the regulatory guidance published in 2025. This sets out the steps that will be followed to deliver the cross-vector network plan out to 2050. We made regulatory changes so that progress is made on a transitional CSNP to ensure network build continues to be developed for the mid-2030s, in advance of the full CSNP.

Finally, Ofgem created and embedded the regulatory framework to enable Regional Energy Strategic Plans (RESPs) to be delivered by NESO, which establishes regional level strategic planning across multiple vectors out to 2050. Clear processes were put in place to ensure CSNP and RESP outputs informed price controls on a three-year cycle, with greater upfront scrutiny and faster access to funding. To inform ED3, we ensured a transitional RESP was delivered focused on electricity.

Ofgem monitors NESO balancing costs as one indicator of the effectiveness of strategic planning, although they are also affected by factors such as wholesale prices and weather. From 1 April 2026, balancing costs in the price cap fell to £42 for a typical customer, down from £48 in January to March 2026. Ofgem's State of the Market (Infrastructure) report for the energy infrastructure markets provides more information on balancing costs and on the Infrastructure energy markets generally.

Strategic Objective 6: Expand electricity networks

Offshore and onshore expansion

Ofgem consulted on the methodology for the next electricity distribution price control period (ED3) to support our move towards longer-term strategic planning and proactive anticipatory investment.

The Advanced Procurement Mechanism, introduced in July 2025 enables electricity transmission companies to secure manufacturing slots for critical equipment earlier. Three out of 26 Accelerated Strategic Transmission Investment (ASTI) projects have cost allocations set and a further three are under review. Regulations for onshore network competition were also finalised, with the first onshore competition project for tender by autumn 2027.

Ofgem is also progressing the issuing of the licences needed to enable offshore wind farms to connect to the onshore grid. Two projects progressed to preferred bidder selection during the year, with average performance of around 80 days against the 120-day target. Whilst no projects were ready for consulting on licences in 2025-26, several projects are expected to reach consultation stage and close within the 2026-27.

Strategic Objective 7: Prepare for the future of natural gas

Gas transition

Ofgem progressed a review into how the costs of disconnecting from the gas networks should be recovered from consumers during 2025-26 and are on track to deliver a final report in mid-2026. This report will identify short and medium-term policy options that will be implemented ahead of the fourth gas distribution price control review (GD4), and potentially longer-term options for reform as part of GD4.

Biomethane

RIIO-3 funding settlements include biomethane enablement working with Gas Networks and biomethane producers to understand policy and regulatory barriers to greater deployment. Under the RIIO-3 GT and GD Final Determinations, Ofgem approved new allowances for transporters to reduce the costs of connection and reinforcement. Ofgem also continues to work closely with Gas Networks to reform charging arrangements as necessary.

Strategic Innovation Fund

In our Final Determinations for 2026-31 Ofgem retained the Strategic Innovation Fund, with £450 million set aside for RIIO-3 innovation projects, alongside an additional £50 million deployment pot that will support rapid deployment of innovation, with Gas Transmission and Distributions companies able to access both pots. We have also retained the NIA into RIIO-3, allocating a total of £94.6 million to Gas Transmission and Gas Distribution companies.

Strategic Objective 8: Facilitate deployment of low-carbon technology

Investment

Achieving Net Zero will require a large expansion of low-carbon technologies, whilst ensuring energy-intensive industries can continue to operate as they decarbonise. Britain's zero-carbon electricity mix rose from 51% in 2024 to 63% in 2025, which Ofgem monitors as a key performance indicator. To support further progress, Ofgem is developing and implementing new regulatory frameworks to attract investment in low-carbon technologies and infrastructure.

Carbon Capture and Storage

The regulatory framework for Carbon Capture and Storage is now in operation. Following the award by Government of the first two economic licences to the Northern Endurance Partnership in December 2024 and to Liverpool Bay CCS in April 2025, Ofgem is now responsible for regulating these two CO_2 transport and storage networks, which are currently under construction. In 2025-26, we progressed the regulatory arrangements for this first cluster, including applications for reopeners.

Sizewell C

The nuclear regime for Sizewell C reached a major milestone on 4 November 2025, when Ofgem commenced economic regulation following revenue commencement and financial close for the project. Sizewell C is a new nuclear power station under construction on the Suffolk coast and the first being delivered using a Regulatory Asset Base (RAB) funding model, which enables Sizewell C to receive a regulated Allowed Revenue through the life of the project via levies on energy suppliers. Ofgem worked closely with Government on the design of the regulatory regime, which was introduced to secure private investment for Sizewell C and enable these first-of-a-kind projects to proceed while protecting the interests of electricity consumers.

Long Duration Energy Storage

In 2025 Ofgem launched a new cap and floor investment support scheme for Long Duration Energy Storage (LDES). The new scheme removes investment barriers to building new long duration storage projects, boosting investor confidence with minimum revenue for LDES operators to manage high start-up costs and long build times. Initial decisions on the first batch of LDES projects are in progress with final decisions expected in later 2026.

Strategic Objective 9: Network performance and connections

Connections reform

Ofgem's ambitious programme for connections reform began with Ofgem's approval of planned reforms in April 2025. These reforms introduced clearer prioritisation based on system need and project viability, resulting in the removal of up to two thirds of speculative projects and improving access for deliverable schemes. In December 2025, updated proposals were published on the end-to-end review of the regulatory framework around electricity connections and workshops are being held with industry partners to capture their views.

In February 2026 we set out our priorities for reform of demand connections. This followed a surge in demand applications which exceed even the most ambitious growth forecasts. Our reforms, working with Government, NESO and network companies and building on TMO4+, aim to ensure a demand queue composed of viable projects which can progress to connection in a timely manner within the constraints of the energy system, and which allows strategically important demand projects to be prioritised for connection if necessary. Our reforms are structured around three core pillars: Curate, Plan and Connect, and will deliver in the first phases over the course of 2026-27.

Network innovation

Ofgem continued to support network innovation through the Strategic Innovation Fund (SIF) and Network Innovation Allowance (NIA), funding transformative projects that support decarbonisation at lower cost. In 2025-26, the RIIO-2 SIF funded six projects in the Beta phase (£36.5 million), 19 in Alpha (£5.7 million), and 28 in Discovery (£2.8 million).

Strategic Objective 10: Ensure secure and resilient supplies

Energy security

In 2025-26, Ofgem worked with DESNZ and NESO to prioritise a clear strategy and agreed a tripartite plan to deal with late 2020's tightening of generation capacity, covering an agreed package of Capacity Market reforms and/or non-Capacity Market proposals. We supported NESO and National Gas on their seasonal outlooks and risk assessments (for winter and summer) ensuring there are appropriate mitigations in place to manage risks effectively. The current situation in the Middle East has not affected GB physical gas security to date although it has materially increased prices.

Engineering and technology

Ofgem strengthened engineering and technology resources during 2025-26 and provided high-quality technical scrutiny across major investment decisions, leading on four actions in DESNZ's North Hyde Action Plan. It ensured independent audits of National Grid Electricity Transmission (NGET) substations identified improvements and set remediation actions to enhance maintenance processes for critical assets. The newly established Asset Health Inspectorate will consult on its assessment framework and commence pilot audits in the second half of 2026.

Cyber resilience

Cyber resilience across the energy sector continues to be strengthened through close collaboration with DESNZ, NCSC and NESO and the publication of the Energy Sector Cyber Security Strategy. As part of implementing this strategy we published, together with DESNZ, a consultation on re-shaping cyber regulation in downstream gas and electricity, which considers baseline requirements for all licensees and extending existing regulations to more operators. In addition we have developed a consultation on supply chain security principles. We will continue to implement this strategy in the coming year.

Inspections of Operators of Essential Services progressed, now totalling 150 operational site visits and 40 deep inspections since the regime was implemented in 2021. This year we implemented a new Assurance Framework for Operators of Essential Services to undertake and share independent third-party exercising and testing. We consider this a hallmark of cyber maturity, enabling operators to identify and address vulnerabilities on a continuous basis.

We have seen considerable progress in operators' cyber maturity in recent years. However, Ofgem has, and will continue to use the full spectrum of our enforcement powers to ensure Operators of Essential Services meet their duties. To date we have closed 11 enforcement cases, of which six resulted in financial remedies of just over £30 million cumulatively. We have also continued to explicitly incentivise and fund appropriate and proportionate cyber security investment in energy network companies with £1.2 billion awarded this year in RIIO 3.

Strategic priority 3: **Establishing an efficient, fair, and flexible energy system**

Strategic Priority 3 spans Ofgem's work across energy retail markets and infrastructure, focusing on establishing the institutions and governance required for an energy system fit for the future.

Over the past year, Ofgem has established NESO's enduring regulatory regime and performance monitoring framework and progressed work on code governance reform.

We have also taken several steps to deliver effective and efficient market incentives and signals, including supporting Government through its Reformed National Pricing programme and taking our own short- to medium-term actions.

Finally, the past year saw significant progress in enabling consumer-led flexibility. A key part of the Government's Clean Power 2030 plan, consumer flexibility can help balance a renewables-dominated electricity system, reduce system costs and lower bills for participating consumers. Alongside Government and NESO, Ofgem has worked to support market conditions that incentivise and reward flexible behaviour, while enabling attractive consumer propositions to come to market.

Strategic Objective 11: Ensure the right governance and institutions are in place

NESO regulation

Following the establishment of NESO in October 2024, Ofgem has consulted with stakeholders to put in place NESO's enduring regulation and performance monitoring framework. The new framework was decided upon in March 2026. It seeks to drive high performance in NESO, ensure clear accountability, support NESO's independence, facilitate organisation flexibility, and promote stakeholder trust. Alongside this we have worked closely with NESO and DESNZ (as NESO's shareholder) to clarify wider governance, roles and accountabilities.

Energy codes reform

Ofgem is delivering a major reform to the governance of industry codes – energy code reform – to create a simplified, agile, and forward-looking governance framework. This will make it easier for market participants to understand and adapt the rules that apply to them, so that they can innovate to the benefit of consumers and net zero. In 2025-26, Ofgem worked with Government, to continue to implement the regulatory framework for energy code governance reform, as set out in the Energy Act 2023. This included:

- publishing decisions on the design and delivery of the new governance framework and the new code manager licence conditions;
- launching key publications to support reform, including the preliminary strategic direction statement and consultation on new prioritisation arrangements.

Ofgem has also engaged on the next phase of reform, publishing the decision on the approach to competitive selection and launching the code manager selection process for the two phase 2 consolidated codes; the Electricity Commercial Code and Consolidated Gas Code.

To support transparency and accountability in code modification, Ofgem met its target of making 100% of licence application decisions within the specified time limit over the last 12 months. We are also trialling additional KPIs for this area, which we expect to include in the 2026-27 annual report.

Strategic Objective 12: Deliver effective and efficient market incentives and signals

Network Charging

Following the Government's decision to retain a single national wholesale electricity market, Ofgem published an open letter in the summer setting out its thinking on how network charging signals could be reformed to improve alignment with spatial energy and network planning. In March 2026 we then published a Call of Input on locational investment levers, setting out a range of approaches to reforming charges. The Call for Input includes novel designs for charges in a strategically planned world and sets us up well in the next stages of policy development. We have also been able to successfully influence the direction of the Government's RNP delivery plan.

In the short term, Ofgem progressed a Cap and Floor regime to stabilise transmission network charges and took an evidence-based industry modification decision on the security factor.

Strategic Objective 13: Enable consumer-focused flexibility

Consumer-led flexibility enablers

During 2025-26, material progress was made in establishing key enablers of consumer-led flexibility. This included:

- the appointment of the Flexibility Market Facilitator, the establishment of market governance arrangements, and the advancement of regulatory frameworks improve access to flexibility markets and enable consumer participation through aggregation;
- the central systems supporting Market-wide Half-Hourly Settlement became operational in September 2025, with migration commencing on schedule in October 2025. As at 3 April 2026, 6.8 million Meter Point Administration Numbers (MPANs) had been successfully migrated; and
- selecting the Retail Energy Code Company (RECCo) as the delivery body to design, develop and deploy a digital-first Consumer Consent Solution (CCS). Ofgem has since supported the development process, including by convening working groups and supporting RECCo's design consultation processes. The Minimum Marketable Product for CCS is expected to be delivered in Q1 2027.

Smart meters

Smart meters remain another critical enabler of consumer flexibility, alongside improving customer control and billing accuracy. By the end of September 2025, more than 40 million smart meters had been installed across Great Britain, covering around 70% of domestic meters and approximately 2 million non-domestic meters (64%).

During the year, Ofgem took targeted compliance action to address supplier performance. Compliance cases were opened in 2024 against the six largest suppliers, and later three smaller suppliers, to examine whether they were in compliance with the requirements of their installation obligations and smart meters already installed but not operating in smart mode. By early 2026, installation compliance activity concluded, and two of the large suppliers were also removed from non-operating smart meter compliance following improved performance. Since August 2024, over 1 million smart meters have returned to smart mode improving both customer experience and system functionality.

Ofgem also concluded the second Data Communications Company (DCC2) licence award process, establishing key parameters for the transition to a non-profit organisation and ensuring continuity of the national smart metering communications.

Smart time-of-use tariffs

Uptake of smart time-of-use tariffs provides an early indicator of the consumer responsiveness to price signals that incentivise flexibility and are engaging with more innovative retail propositions.

By July 2025, around 2.8% of domestic customers were on smart time-of-use tariffs. Whilst this is low, it represents a 68% year-on-year increase to 835,000 customers. Growth was driven primarily by EV specific tariffs, which rose 84% to 653,000 customers, compared with 27% growth for other smart time-of-use products. Increasing adoption provides context on emerging consumer engagement with flexibility as enabling technologies and retail positions continue to develop.

Clean Flexibility Roadmap

In 2025-26, Ofgem progressed delivery of the Clean Flexibility Roadmap, jointly published with Government and NESO in July 2025. Under the roadmap, Ofgem took responsibility for 40 commitments, with the first 10 of these completed during the year. To support continued delivery, Ofgem established a new Consumer-Led Flexibility work programme to coordinate and drive implementation of flex roadmap commitments and identify further regulatory interventions. A strategic review and gap analysis were completed to inform future priorities and to establish work programmes for 2026-27.

Strategic Objective 14: Make a more digital energy system work for consumers

Digitalisation

In 2025-26, Ofgem strengthened the foundations for a more digital energy system, progressing data best practice, data-sharing infrastructure and consumer consent frameworks. Digitalisation policy was embedded within price controls, ensuring network companies were incentivised to invest appropriately while protecting consumers.

In addition, Ofgem took significant steps to advance digitalisation across the energy system, working closely with Government and industry to establish a more coordinated and data-driven approach. We jointly published the Energy Digitalisation Framework with DESNZ, setting out a clear vision, principles, and governance model for a coordinated and connected energy system. This framework provides the strategic direction needed to align a previously fragmented digital landscape. Building on this, we have appointed NESO to coordinate the development and delivery of the Data Sharing Infrastructure (DSI) which is a digital infrastructure designed to enable secure, scalable, and interoperable data sharing across the sector. This is key to meeting our clean power and net zero targets, because it aligns information across the stakeholders and gives access to near real-time data to all participants thereby making connections and planning more accurate as well as enabling new business models and new services to the customer.

Digital architecture

The appointment of RECCo to develop a system-wide consumer consent solution ensures that consumers can grant and manage access to their energy data in a trusted and transparent way. We have also tasked Elexon, in its role as market facilitator, with delivering a flexibility market asset register to improve visibility of distributed energy assets and streamline their participation in flexibility markets. Alongside this, we have consulted on the need for wider asset visibility across the system, recognising that improved access to asset data is critical for planning, operations, and unlocking flexibility at scale.

Together, these initiatives will enable the near real-time exchange of data and significantly improve system visibility for DNOs, NESO, and other market participants. Early progress is already supporting economic growth, with new entrants helping businesses to identify network constraints and opportunities for capacity utilisation. Looking ahead, the DSI will further simplify and standardise data sharing, creating the conditions for innovative business models and a new generation of customer-focused services.

AI guidance

Ethical AI use in the energy sector, including governance and risk management good practice, was published in May 2025 to support the responsible deployment of AI within Britain's energy sector. A study was delivered in March 2026 examining how AI-enabled trading and optimisation systems could influence competition and create potentially collusive behaviours in Britain's wholesale electricity market. We continue to actively work to monitor and address this emerging strategic and operational risk, which will require capability assessment and governance considerations.

The AI Reg Lab was launched alongside a proposal for an AI technical sandbox. These regulatory tools enable growth and innovation by considering implications of AI use against our energy regulatory framework, allowing the identification and appropriate mitigation of emerging risks. As the technology develops, our regulatory approach will continue to evolve to ensure safe, secure, fair and environmentally sustainable AI outcomes for Britain's energy consumers.

Strategic priority 4: **Advancing decarbonisation through low-carbon energy and social schemes**

Ofgem administers 12 schemes on behalf of the UK Government. These programmes are designed to encourage the use of low-carbon energy, advance decarbonisation, and support vulnerable consumers. Together, they are worth more than £13 billion annually.

In 2025-26, this role was shaped by a period of significant change across the energy efficiency and low-carbon heat landscape. While continuing to deliver existing schemes, we worked closely with Government on the development of the new Bill Discount Scheme. Designed to improve community acceptance of new electricity transmission infrastructure, we contributed our delivery and consumer protection expertise and have accepted the role of scheme administrator. We also implemented amendments to the Boiler Upgrade Scheme, which came into force in April 2026, increasing flexibility and consumer choice while strengthening protections for households.

The year also marked important transition points across our social programmes, with the closure of the Great British Insulation Scheme (GBIS) on 31 March 2026 and the extension of the Energy Company Obligation (ECO4) ahead of its closure on 31 December 2026. Alongside this, significant levels of non-compliance identified through audits of ECO4 and GBIS installations have placed pressure on the consumer protection framework to respond with remediation at pace, while also creating delivery challenges for obligated energy suppliers in meeting their measure quotas.

In January 2026, the UK Government published its Warm Homes Plan, setting out a long-term approach to improving domestic energy efficiency, reducing fuel poverty and helping households lower their energy bills. As part of the Plan, Government has announced its intention to establish a new Warm Homes Agency to bring together delivery and consumer support functions currently spread across multiple bodies. Ofgem plans to work closely with Government to support the design and delivery of the new Agency, including through the transfer of relevant Ofgem experts, drawing on their regulatory and delivery experience to support effective implementation.

Scheme highlights

Low-carbon heat schemes (excluding the Boiler Upgrade Scheme)
Over 2025-26, Heat scheme installations generated 11.9 TWh of low-carbon heat and 440 million cubic metres of green gas were injected into the gas network. Together, sufficient to heat 1.44 million typical domestic properties for a year and **representing 5% of households** in Great Britain.
Boiler Upgrade Scheme
Since the start of the scheme over **80,000 grants** have been paid, supporting the removal of more than 61,000 fossil fuel heating systems.
Low-carbon electricity schemes
In 2024-25, supported installations generated 82.8 TWh of renewable electricity, equivalent to **33.4% of the electricity supplied** to UK homes and businesses over the year.
Social schemes
Energy suppliers delivered over **3.4 million energy bill rebates** to eligible low-income and vulnerable consumers in 2024-25, helping to mitigate the impact of energy costs and reduce fuel poverty. In parallel, **112,450 households** received energy efficiency measures through the ECO and GBIS schemes.

Low-carbon heat schemes

Heating buildings is one of the largest sources of carbon emissions in the UK. Through our administration of low-carbon heat schemes, Ofgem supports the transition away from fossil fuel heating, helping households, businesses and the energy system reduce emissions while contributing to energy security and the UK's net zero ambitions. This support spans both newer and legacy schemes.

During 2025-26, excluding the Boiler Upgrade Scheme (BUS), heat scheme installations generated 11.9 TWh of low-carbon heat, while 440 million cubic metres of green gas were injected into the gas network. This combined heat generation and biomethane production was sufficient to heat 1.44 million typical domestic properties for a year, representing 5% of households in Great Britain. Alongside this the BUS expanded strongly, with 31,105 grants paid in 2025-26, totalling £233 million, bringing the total number of grants issued since launch to 80,099.

Together, these contributions reflect a continued expansion of low-carbon heating technologies and growing volumes of green gas production, supporting the decarbonisation of heat, strengthening energy security and reducing reliance on fossil fuels across homes and businesses.

Low-carbon heat scheme-level overview

The **Boiler Upgrade Scheme (BUS)**, launched in April 2022, provides upfront grants to households and small non-domestic properties in England and Wales to support the installation of heat pumps, reducing the cost of switching from fossil fuel heating and accelerating the uptake of low-carbon technologies. As part of the Warm Homes Plan, the Government committed to sustained funding for the scheme through to 2029-30, providing longer-term certainty for installers and consumers.

Subsequently, on 1 April 2026, DESNZ confirmed a £400 million budget for 2026-27 alongside reforms to expand scheme flexibility, including support for air-to-air heat pumps, greater installation options, and removal of the Energy Performance Certificate requirement. Further expansion is planned to include heat batteries, subject to standards, alongside the rollout of a new Microgeneration Certification Scheme (MCS) installer certification framework. DESNZ is also assessing the MCS Customer Commitment as a potential consumer protection code for clean heat schemes.

The **Green Gas Support Scheme**, launched in November 2021, incentivises the production of biomethane produced via anaerobic digestion for injection into the gas grid through tariff-based payments funded by the Green Gas Levy. The scheme is designed to increase the supply of greener gas while supporting a circular economy and long-term investment in low-carbon infrastructure. In 2025-26, Ofgem registered 12 additional biomethane producers, bringing the total on the scheme to 13. With more projects in the application pipeline, and an extension for applicants to commission announced by DESNZ in December 2025, the growth of the scheme is expected to continue in the coming years.

The **Non-Domestic and Domestic Renewable Heat Incentive schemes**, launched in 2011 and 2014 respectively, played a pioneering role in encouraging renewable heat technologies across homes, businesses and the public sector. Although closed to new entrants, Ofgem continues to administer support payments for existing eligible installations on both schemes. We closely monitor scheme activity to ensure only those entitled to support receive it, thereby ensuring these schemes continue to provide value for money for the taxpayer.

Low-carbon electricity schemes

Electricity generation has been central to the UK's decarbonisation strategy. Through our administration of low-carbon electricity schemes, Ofgem has supported the deployment of renewable generation at both household and system-wide scale, helping consumers participate in the energy transition while driving long-term reductions in emissions.

The low-carbon electricity schemes continued to deliver significant decarbonisation benefits during 2024-25. Across supported installations, 82.8 TWh of renewable electricity was generated, equivalent to 33.4% of the electricity supplied to UK homes and businesses over the same period. Together, these schemes support renewable capacity built over previous decades, increase security of supply, and reduce emissions as the UK moves towards a net zero future.

Low-carbon electricity scheme-level overview

The Smart Export Guarantee, introduced in January 2020 ensures that small-scale generators are paid for low-carbon electricity they export to the grid, enabling households and businesses to play a direct role in the transition through supplier-led export tariffs and supporting the growth of distributed generation. Over the past year, Ofgem has continued to oversee the effective operation of the Smart Export Guarantee, monitoring supplier compliance with statutory obligations, supporting consumer awareness of export tariff options, and engaging with industry to ensure the scheme continues to function as intended.

The Feed-in Tariffs (FIT) and Renewables Obligation (RO) schemes are now closed to new capacity. The Renewables Obligation, introduced in 2002, supports large-scale renewable generation by placing obligations on suppliers to source electricity from renewable sources, while the Feed-in Tariffs scheme, launched in 2010, encouraged the uptake of small-scale renewable electricity generation through long-term financial support.

Ofgem continues to support almost 700,000 accredited participants across both these schemes. During 2025-26, we maintained assurance over payments and certificate issue, safeguarded data quality, and oversaw compliance activity to protect consumers and ensure that the schemes operate as intended. As part of our continued work to protect the effective delivery of these schemes, Ofgem is engaging in the development of the British Industrial Competitiveness Scheme (BICS). BICS is a Government scheme intended to support industrial competitiveness by reducing electricity costs for electricity intensive businesses, including through exemptions from Renewables Obligation, Feed-in Tariffs and Capacity Market levies. Our engagement has therefore focused on shaping BICS in a way that minimises impacts on Ofgem administered schemes, ensuring continuity and protecting existing scheme participants.

Social schemes

Alongside our work on decarbonisation, Ofgem's social schemes continued to provide targeted support to households most in need during 2024-25. These schemes help protect vulnerable consumers, reduce fuel poverty and improve the energy efficiency of homes.

Energy suppliers delivered over 3.4 million energy bill rebates to eligible low-income and vulnerable consumers, helping to mitigate the impact of energy costs and reduce fuel poverty. In parallel, 112,450 households received energy efficiency measures through the ECO and GBIS schemes, reducing heat loss and lowering long-term energy bills. A number of these measures used the ECO4 innovation pathway, supporting the introduction of new technologies and approaches to improving energy efficiency in homes. Together, these interventions helped make homes warmer and cut energy bills by supporting millions of households across Great Britain.

Social scheme-level overview

The Warm Home Discount (WHD), introduced in 2011, provides financial support to eligible low-income and vulnerable households through energy bill rebates delivered by energy suppliers, helping reduce fuel poverty and support affordability. Following Government consultation, the scheme will continue as part of the Warm Homes Plan, extending support to a further 2.7 million households most in need until 2030-31. Updated Warm Home Discount regulations covering this period have been introduced for England and Wales, and for Scotland. The England and Wales regulations came into force on 1 April 2026, while the Scotland regulations are expected to come into force later in 2026, subject to parliamentary approval. Ofgem has published updated guidance for both England and Wales, and for Scotland, to reflect these changes. Further regulatory changes covering the Warm Home Discount reconciliation process are expected later in 2026, with new guidance to follow.

The Energy Company Obligation (ECO), launched in 2013, requires larger energy suppliers to fund energy efficiency improvements for households in or at risk of fuel poverty, helping to lower energy bills, improve housing quality and reduce carbon emissions. Complementing ECO, the Great British Insulation Scheme (GBIS), introduced in March 2023, widened support for insulation measures to a broader range of households. In summer 2025, Ofgem implemented a suite of mid-scheme legislative updates to both ECO4 and GBIS to strengthen installation standards, improve deliverability and support suppliers in meeting their obligations. GBIS closed to new installations on 31 March 2026 but following the Government's decision in January to extend ECO4 by nine months, the scheme will now run until 31 December 2026. Ofgem has undertaken work to update scheme compliance processes, IT systems and guidance to reflect this extension.

Fraud and error in schemes

Ofgem has a risk-based approach to countering fraud on the environmental and social schemes it administers. Ofgem has a dedicated Counter Fraud team to detect, prevent and deter fraud on the schemes and where fraud is found we take it seriously. The most effective way to reduce fraud on the schemes is prevention, so Ofgem works closely with the policy writers to assess fraud risks and apply robust controls to make it even tougher for fraudsters to go undetected. To detect fraud more effectively, the Counter Fraud team monitors risks and trends and uses data analytics, allowing the team to target resource into high-risk areas, and to identify emerging areas of concern as early as possible. We supplement this with a rigorous sampling approach via our audit work to help identify wrongdoing at an early stage. This creates a strong deterrent for other fraudsters in the areas where we are seeing most fraud at that time, and to prevent emerging issues becoming future high risk areas. We monitor trends in non-compliance and the level of fraud and error in participant schemes through our audit programmes. The value of error stated represents the estimated impact of both fraud and error.

The value of payments made in error during 2025-26 under the Boiler Upgrade Scheme is estimated at £4.5 million (1.93% of total payments) within a 95% confidence interval of £1.4 million to £7.6 million.

In review and assessment for the restated error for the 2024-25 period, (corrections of errors or misstatements) in previously issued financial reports, this is likely to be £9.7 million (5.09% of total payments) within a 95% confidence interval of £5.6 million to £13.7 million.

A proportion of the value of error in 2024-25 was due to installers redeeming the voucher prior to the installation being commissioned. We have observed some positive behavioural changes across the scheme, following deterrent messaging to installers not to redeem vouchers prior to the installation being commissioned, in line with the MCS Standards.

The value of payments made in error during 2025-26 under the GB Renewable Heat Incentive Schemes is estimated at £10.0 million (0.85 % of total payments) within a 95% confidence interval of £6.6 million to £13.3 million. This will also be disclosed in DESNZ's 2025-26 annual report and accounts. Applied to the expenditure total of £1,218.0 million (which represents the value of payments made in 2025-26, adjusted for net movements on accrued amounts payable) this would give an estimate of potential error of £10.3 million within a 95% confidence interval of £6.9 million to £13.8 million. This assumes the same error rate would be incurred on the accrued expenditure when it is paid.

The value of payments made in error during 2024-25 under the same scheme was estimated at a restated £9.8 million (0.9% of total payments) within a 95% confidence interval of £6.5 million to £13.0 million.

Ofgem has a more limited role in the ECO4 and GBIS schemes, relying on TrustMark and certification bodies to provide quality assurance across installations. We note the National Audit Office's report on energy efficiency installations, which highlighted concerns around the quality of some solid wall insulation measures and associated risks of non-compliance and suspected fraud in the Energy Company Obligation. Consistent with published DESNZ statistical audit findings and the National Audit Office's report on energy efficiency installations, these issues relate to a subset of installations accounting for 8% of ECO4 and GBIS measures notified to March 2025. The issues reinforce the importance of robust assurance, quality standards, and a robust audit strategy to identify and address risks within the scheme.

Sustainability and internal environmental impact

This report provides an overview of Ofgem's corporate environmental performance and approach to sustainability. It aligns with HM Treasury's sustainability reporting framework and supports transparency by setting out how Ofgem manages its environmental impacts and responds to climate-related risks across its operations.

The report covers Ofgem's estate – comprising headquarters in London, Glasgow, and Cardiff – and operational activities during the 2025-26 financial year. This year's dataset establishes a contemporary baseline for the latest Greening Government Commitments (2025-30), providing a foundation for tracking progress over time and enabling the demonstration of continuous improvement in environmental performance.

Ofgem's approach reflects its statutory duty to support the transition to net zero and promote sustainable economic growth, alongside the priorities set out in its Multi-Year Strategy to strengthen climate resilience and ensure it remains an effective, future-ready regulator.

Governance of sustainability is embedded across the organisation, with oversight provided by GEMA, the Senior Executive Committee, and the Audit, Risk and Assurance Committee, supported by dedicated internal groups and operational teams responsible for delivering sustainability outcomes and monitoring progress.

Ofgem reports in line with HM Treasury's TCFD-aligned guidance, developing its approach to embedding climate considerations within its risk management framework and disclosing metrics and targets, including Scope 1, 2 and 3 emissions, to assess climate-related risks and opportunities.

This year, Ofgem has made progress in reducing emissions across its estate and activities, in part due to the electrification of its London office and lower business travel emissions.

Ofgem is in the process of developing and implementing a Net Zero Transition Plan (NZTP). The NZTP will outline the steps Ofgem needs to take to decarbonise its estate and operations in the short-, medium-, and long-term lead-up to 2050. The NZTP is aligned with Ofgem's Strategic Asset Management Plan, which commits the Ofgem estate to being operationally net zero by 2035. Ofgem's Estates team regularly review occupied properties and their associated decarbonisation plans, considering opportunities to work proactively with landlords to support the transition to a low-carbon operating model.

Task Force on Climate-related Financial Disclosures (TCFD) compliance

Ofgem reports on climate-related financial disclosures in line with HM Treasury's TCFD-aligned disclosure application guidance, which adapts the framework for the UK public sector. In line with this guidance, climate-related risks and opportunities are considered across governance, strategy and risk management processes and are integrated into organisational decision making, supporting transparency on Ofgem's long-term resilience and delivery.

Ofgem's disclosures reflect the TCFD Phase 3 recommendations, including:

- **Governance:** An overview is provided of Ofgem's governance arrangements for climate-related risks and opportunities, including the roles and responsibilities of the Board and senior management in overseeing delivery of sustainability objectives.
- **Risk management:** Climate-related risks, including physical and transition risks, are being considered through a developing approach within Ofgem's wider risk management framework and as part of its statutory Net Zero duty. These risks are under consideration with approaches to identification, assessment and management continuing to be developed alongside other risks, as set out in the Governance Statement.
- **Metrics and targets:** Ofgem reports on Scope 1, 2 and relevant Scope 3 emissions, alongside the development of metrics and targets that will be used to assess and manage climate-related risks and opportunities, enabling performance to be monitored over time.

Climate-related governance

Climate-related governance is embedded across Ofgem, with clear oversight and accountability across its governance structures and operational teams. Details of Board frequency and our risk management framework and risk factors are set out within our Governance Statement (page 55).

- GEMA sets the strategic direction by promoting long-term sustainable success for consumers, defining risk appetite, and identifying the organisation's principal risks, which are then taken forward through the SEC.
- ARAC oversees financial reporting and risk management arrangements, including organisational sustainability strategies.
- The SEC provides direction on Ofgem's sustainability ambitions, regularly reviewing progress and considering emerging risks to the delivery of environmental and carbon reduction targets.
- Ofgem's Chief Operating Officer, holds principal accountability for sustainability delivery. (Melinda Johnson until November, with interim cover thereafter).
- Strategic teams oversee decarbonisation, sustainability, the climate resilience of the UK's energy infrastructure, and alignment with Ofgem's Net Zero Duty. The Sustainability Working Group (SWG) brings together directors and colleagues from across the organisation to provide cross-directorate expertise, strengthen governance, and challenge delivery. The SWG is supported by a director-level sustainability sponsor.
- The SWG is complemented by the Green Shoots staff network, which supports engagement and capability building across the organisation. The network helps to advance Ofgem's net zero and sustainability agenda and provides a dedicated forum for staff to engage with current climate-related topics.
- Operational sustainability is led by the Estates team, which reports quarterly to DESNZ on progress against the Greening Government Commitments (GGCs). The team works with building managers and service providers to identify carbon reduction opportunities across the estate, engage with DESNZ and DSIT sustainability forums to benchmark performance, and respond to evolving reporting requirements. A dedicated Sustainability Manager has been appointed within the team to support delivery.

Climate-related risk management

Ofgem considers a range of climate-related risks across its estate, operations and regulatory role, and is continuing to develop its approach to identifying, assessing and managing climate-related risks, building on its established enterprise risk management framework, resilience analysis, and specialist functional input. As part of this evolving approach, climate-related considerations are increasingly being assessed across the short, medium and long term, including both physical (impact of climate change itself) and transition risks (process of adjusting to a low-carbon economy). The tables below summarise the most material risks, associated impacts, and mitigating actions. Continued climate-related risk management ensures alignment with Sustainable Development Goal 13 (take urgent action to combat climate change and its impacts).

In line with TCFD expectations, Ofgem has begun to map climate-related risks against recognised categories, including the transition risk themes set out below. These risks represent an initial and developing view, intended to support ongoing testing, refinement and integration into strategy, governance and risk management processes over time. This work will continue to mature as part of Ofgem's broader strategic planning and capability development, including through its Multi-Year Strategy and annual Forward Work Programme.

Table 1: Risks to our physical estate

Climate-related risks	Financial impacts, mitigations and opportunities
Climate change increases the frequency and severity of extreme weather events, including heat and flooding.	This may lead to increased operating costs and disruption to business continuity, including the potential need to secure alternative accommodation for staff. Mitigations include Ofgem's hybrid working arrangements and established crisis management structures, which support business continuity in the event of disruption. These arrangements enable the majority of staff to maintain core operations where access to office space is affected, while ensuring that responses are managed in line with robust, well-established and regularly tested cross-Government frameworks. Ofgem is working with landlords to improve energy efficiency and resilience across its offices, including upgrading wet cooling systems to reduce energy consumption. A solar PV feasibility study is also being incorporated into our landlord's long-term development plans for the London office, supporting a more resilient and lower-carbon estate.

Table 2: Risks to our regulatory role

Climate-related risks	Financial impacts, mitigations and opportunities
Policy and Legal – further changes in Government climate policy, legislative priorities or regulatory frameworks (e.g. pace of net zero delivery, funding models, or institutional reforms) create uncertainty or misalignment in the policy environment in which Ofgem operates.	Policy, legislative or regulatory change may increase operating and legal costs, delay or rework regulatory decisions, and create system-wide uncertainty that reduces investment confidence, raises the cost of capital, and ultimately increases costs to consumers, with a risk of a destabilised regulatory environment affecting the affordability and pace of the energy transition. Mitigations include maintaining this through early and ongoing engagement with Government, coordinated planning across Ofgem and sector stakeholders, strong internal governance, flexible regulatory design, proactive stakeholder engagement, and ongoing review of legal risk and funding. This provides an opportunity to influence policy development, strengthen Ofgem's system leadership role, improve regulatory agility, and support clearer, more investable frameworks that deliver better long-term outcomes for consumers.

Climate-related risks	Financial impacts, mitigations and opportunities
Technology – the rapid development and deployment of low-carbon technologies (e.g. renewables, flexibility markets, digitalisation), driven by the transition to net zero, outpaces regulatory frameworks, data systems or internal capability.	This may affect Ofgem's ability to deliver its strategic objectives and regulatory functions in the planned way, leading to increased operating costs as Ofgem adapts to emerging technology markets, addresses gaps in regulatory frameworks, strengthens data and modelling capabilities to inform decision making, and enhances its responsiveness to evolving technological developments. Furthermore, this risk could lead to wider trust and capability issues affecting Ofgem's licence to operate. Mitigations include continued monitoring and engagement with DESNZ and wider stakeholders on emerging technological developments, alongside regular reviews to ensure internal expertise remain aligned with the evolving landscape and sector needs. This provides an opportunity for Ofgem to further strengthen its regulatory approach to emerging technologies, continue to enhance data and analytical capabilities, and support the effective integration of innovation into energy markets.
Market – the increasing pressure to accelerate the pace of the energy system transition, alongside growing complexity (including infrastructure delivery, market reform and investment flows), may introduce or exacerbate uncertainty and volatility in regulated markets. In turn, this could affect the organisation's ability to deliver its strategic plans effectively and at pace, particularly where delivery depends on stable market conditions, timely investment and coordinated system change.	This may lead to increased challenges and complexity in regulatory decision making and oversight and may impact Ofgem's ability to balance consumer protection against innovation and clean power and growth. Mitigations include early consideration of how Ofgem balances its three duties set out in the Ofgem Review, expected to form part of a revised Strategic Policy Statement, and strengthening cross-organisational alignment on strategic planning and co-ordination with sector bodies, such as NESO. This will support more resilient delivery planning and enable the organisation to respond adaptively to evolving market conditions. This provides an opportunity to play a stronger and more defined leadership role in shaping the energy transition. Through responding proactively to market volatility and complexity, Ofgem can improve regulatory agility, strengthen investor confidence, and enable more efficient delivery of infrastructure, innovation and clean power outcomes. Over time, this can support a more resilient, adaptable energy system that better balances consumer protection with growth and decarbonisation objectives.

Climate-related risks	Financial impacts, mitigations and opportunities
Reputation – the rate of climate change and related impacts causes public, stakeholder or market expectations regarding the pace and fairness of the energy transition to intensify, leading to heightened scrutiny of regulatory decisions and outcomes.	This risk may increase operating costs as Ofgem expands communications, engagement and analytical capability, and may lead to inefficiencies where decisions are delayed or reworked, increased policy and delivery costs, and higher legal costs from challenge. Sustained reputational pressure may also reduce investor confidence and slow market delivery, with a risk to Ofgem's institutional legitimacy and authority. Mitigations include a structured approach to transparency and engagement, including clear strategic direction, robust consultation and stakeholder engagement, proactive communications on rationale and trade-offs, enhanced insight and horizon scanning, strong cross-system alignment with Government and sector stakeholders, and embedded governance aligned to TCFD and Ofgem's risk framework. This provides an opportunity to strengthen legitimacy and trust, shape the national energy transition narrative, improve policy outcomes through deeper stakeholder insight, enhance investor confidence, and build organisational maturity through more proactive communications and engagement.

Climate-related metrics and targets

Greenhouse gas emissions

Ofgem reports on greenhouse gas emissions in line with the GHG Protocol, covering Scope 1, 2 and relevant Scope 3 emissions sources to provide transparency on its operational carbon footprint and progress over time. Emissions and progress pertaining to the GGCs are reported to the Department for Energy Security and Net Zero (DESNZ) and Department for Science, Innovation and Technology (DSIT) reporting group, which is overseen by Integrated Corporate Services (ICS), on a quarterly basis. This year, Ofgem's total reported emissions have decreased by 18%. Due to limitations in accessing utility data for one office, prior year figures have been used as a proxy. This approach is considered reasonable as there have been no material changes to the building or operational use between the two years.

Scope 1 emissions, which relate directly to on-site gas consumption, totalled 144 MWh across the estate, representing a 30% reduction compared to the prior year.

Scope 2 emissions, which relate to indirect emissions from purchased energy, totalled 1,093 MWh from electricity consumption, with a further estimated 70 MWh associated with district heating. These emissions have decreased by 12% compared to the previous financial year, reflecting improved energy performance across Ofgem's estate.

Scope 3 emissions cover a range of value chain activities. Ofgem measures emissions from business travel and reports qualitatively on progress in areas such as waste reduction and sustainable procurement. All emissions are reported as gross totals, and carbon offsets are not used.

During 2025-26, Scope 3 business travel emissions totalled 203 kg CO_2e – a decrease of 24% compared to the prior year. Ofgem's travel provider has enhanced its booking platform to highlight more sustainable travel and accommodation options, including estimated emissions data, supporting more informed decision making. Ofgem will continue to work with its travel provider to promote these features and encourage lower-emission travel choices.

While Scope 3 commuting emissions are not currently measured, Ofgem has taken steps to support lower-carbon commuting, including improvements to active travel facilities at its Glasgow office, such as the introduction of heated lockers and hair dryers. Plans are in place to increase oversight of commuting emissions to allow for evaluation of their materiality under GHG Protocol guidance. Ofgem have engaged in cross-Government forums to share best practice on the relative significance of emissions categories and their associated decarbonisation opportunities.

Waste

Waste across Ofgem's estate is managed in line with a zero-to-landfill policy, supporting the efficient use of resources and reducing environmental impact. In the London and Cardiff offices, waste data is calculated at the building level and apportioned based on Ofgem's estate occupancy, meaning that performance reflects shared facilities and is influenced by the behaviour of all building tenants. Waste figures for the Glasgow office are not available and are difficult to estimate – this office has therefore been omitted from waste calculations. In 2025-26, total reported waste increased by 8%.

During the year, Ofgem purchased 119,653 consumer single-use plastic (CSUP) items, representing a 25% increase compared to the previous year – primarily driven by high-volume hygiene and kitchen consumables. In response, Ofgem has revised its cleaning contract to reduce reliance on single-use items and will continue to explore opportunities for plastic-free alternatives and bulk packaging solutions in collaboration with suppliers.

Operational improvements have also been implemented to enhance waste management across the estate. A new compost waste stream has been introduced at the London office, enabling the processing of bioplastics and plant-based packaging in addition to food waste. Waste signage has been refreshed to improve clarity, strengthen recycling rates, and reduce waste contamination. This is expected to have a positive outcome, as recycled waste tonnage now exceeds energy-from-waste tonnage at the London office.

In the Glasgow office, existing waste streams remain in place. However, all signage has been updated using resources from Zero Waste Scotland (Scotland's circular economy public body) to improve understanding of waste segregation and encourage more effective recycling behaviours. In Cardiff, additional recycling facilities are available for Ofgem colleagues, including coffee cup recycling and options for glass, batteries, crisp packets and other materials.

Ofgem also continues to utilise charitable donation schemes to divert lost property and other items from entering waste streams, reducing overall waste volumes and supporting progress aligned to Sustainable Development Goal 12 (ensure sustainable consumption and production patterns).

Finite resource consumption and water use

Ofgem monitors water consumption across its estate based on purchased water, apportioned by occupancy, to provide a consistent measure of usage and performance over time.

In 2025-26, water usage increased to 1 cubic metre per FTE. In September, a major leak was identified at the London office, caused by a crack in pipework. Remedial works were completed promptly, including replacement of the affected pipework, to restore operations and support the ongoing reliability of the building's water infrastructure. In support of Sustainable Development Goal 6 (ensure availability and sustainable management of water and sanitation for all) Ofgem continues to promote efficient water use through the adoption of water-efficient appliances across kitchens and bathroom facilities within its estate.

Awareness and behavioural change are also supported through staff engagement. Training programmes, including Water Literacy, have been promoted through the sustainability network to increase understanding of the environmental impact of water consumption. In addition, regular communications encourage staff to report leaks or faults promptly, supporting timely identification and resolution of water-related issues and improving overall efficiency.

In 2025, the focus of the Government's annual upskilling campaign was artificial intelligence (AI) use. Ofgem recognises that while AI is an increasingly relevant tool, its widespread use is linked to increased finite resource consumption. Ofgem is committed to raising awareness regarding sustainable AI use, and guidance on ethical AI use in the energy sector has been developed to support this. Internally, staff training on Microsoft Copilot promotes the use of specific and direct prompts, as well as encouraging the use of prompts that gather information from internal knowledge bases rather than generic sources.

Procuring sustainable products and services

Ofgem is committed to sustainable procurement in line with Government frameworks, ensuring that environmental and social considerations are embedded within its purchasing activities.

Following the introduction of the Procurement Act 2023, Ofgem has strengthened the social value criteria within its tendering processes and engages regularly with key suppliers to review delivery against their commitments. This approach provides increased oversight of value chain impacts, including access to emissions data and carbon reduction plans from selected suppliers, supporting the oversight of our Scope 3 value chain emissions.

During the year, Ofgem undertook a laptop refresh programme across the organisation. The selected supplier operates a circular economy model, refurbishing and reusing returned IT equipment or recovering components for use in new products through approved downstream processors. In addition, the supplier provided amnesty collections for personal IT devices, enabling staff to recycle old phones and laptops responsibly. A total of 2,500 units of IT kit (4,464 kg) were refurbished for resale, with a return value of £100,335. A further 26 IT units (53 kg), alongside 116kg of scrap materials (cables, general electrical waste) were recycled for the manufacture of new products. All returned units and components were recovered, with none sent to landfill or incinerated.

These activities support a circular approach to technology management, reducing electronic waste and promoting the efficient use of resources, while aligning with Ofgem's broader sustainability and procurement objectives.

Biodiversity and nature recovery

While Ofgem does not have significant landholdings, we recognise the intrinsic value of biodiversity and the critical role that natural capital plays in climate resilience. On an annual basis, employees receive three days of volunteer leave. Employees are encouraged to participate in local initiatives for causes they care about that align with Ofgem's corporate objectives, including supporting nature recovery and biodiversity across the UK.

Conservation volunteering at Barnes Common

On a bright spring day, members of the London Enquiries and Engagement Team took part in conservation work at Barnes Common in south-west London.

Colleagues built a "dead hedge" to surround a pond and transported logs to create habitats for local wildlife.

The day brought together practical volunteering, teamwork and time in nature, enabling colleagues to support biodiversity while boosting wellbeing through time spent outdoors.

Adapting to climate change

Ofgem's estate-level approach to climate change adaptation is informed and guided by the Government Property Agency (GPA)'s Climate Adaptation Strategy, first published in 2024 following a UK-wide impact assessment. In 2025-26, a significant Building Management System (BMS) upgrade was delivered at the London office. This is expected to improve the monitoring and control of building conditions, supporting occupant comfort in the event of extreme temperature variations and weather risks. A 12-month monitoring programme is now in place, with Ofgem continuing to participate in GPA tenant forums to provide feedback on estate performance and improvements.

Financial and Non-Financial Indicators of Sustainable Performance

Total FTE	**1,246**	**1,485**	**1,885**	**2,247**	**2,267**
Energy	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Non-financial indicators (MWh)					
Total energy consumption	847	1,189	1,166	1,368	1,200*
Gas	28	143	158	123	107*
Electricity	819	1,046	1,008	1,245	1,093*
Financial indicators (£000)					
Total energy costs	-	-	296*	347*	348*
Gas	-	-	8*	6*	7*
Electricity	-	-	288*	341*	341*
Water	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Non-financial indicators (m3)					
Water consumption	1,207	1,795	1,982	2,250	2,523
Financial indicators (£000)					
Water supply costs	3	5*	9	26*	11*
Waste	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Non-financial indicators (tonnes)					
Total waste	19	6	10	13	14
Energy from waste	4	3	5	6	6
Recycled	15	3	4	6	6
Composted	-	-	>1	1	2
ICT	-	-	-	>1	>1
Financial indicators (£000)					
Total disposal cost	-	-	-	18*	6*
Travel	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Non-financial indicators (000 km)					
Total distance travelled	335	1,607	4,347	3,777	3,420
Domestic rail travel	285	1,160	3,385	3,138	3,026
International rail travel	2	6	31	20	18
Domestic air travel	35	354	463	328	184
Continental air travel	>1	37	68	124	63
International air travel	12	50	400	167	128
Financial indicators (£000)					
Total expenditure	-	-	652	620	596

Greenhouse gas emissions	2021-22	2022-23	2023-24	2024-25	2025-26
Non-financial indicators (tonnes CO_2e)					
Scope 1: direct	5	4	12	10	7
Scope 2: energy indirect	174	223	226	271	239
Scope 3: other indirect	23	143	368	267	203
Paper use	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Non-financial indicators (reams)	-	-	402	515	481

1 Estimated figures in the table are denoted by "*". For 2025-26, where utility billing data was unavailable, costs are estimated using a unit rate assumption of 6.50p/kWh for gas, 31.23p/kWh for electricity, £4.24/cubic metre of water, and £457.81/tonne of waste. Unit rate assumptions are derived using apportioned landlord costs and commercial benchmarks.
2 Where historical data was not available and a reasonable estimate could not be provided, this is denoted by "-". This includes financial data that our landlords were unable to supply due to the nature of our multi-tenancy agreements.

Tim Jarvis
Interim Chief Executive and Accounting Officer
10 July 2026

Accountability Report

Ofgem Annual Report and Accounts | 2025-26

Accountability Report

The purpose of the accountability section of the annual report is to meet key accountability requirements to Parliament, who are the primary user of the annual report and accounts, explain Ofgem's corporate governance – similar to the requirements of Companies Act for medium-large groups and companies.

Financial Review

During the year, Ofgem used its budget to support the 2025-26 Forward Work Programme and spent within approved budget limits (referred to as 'control totals'). An overview of Ofgem's costs and income (on a resource budgets basis), measured against approved budgets is presented below:

Activity (admin plus programme)	Total Cost £m	Total Income £m	Net spend £m	Net budget £m	Net underspend £m
Core regulation and supporting activities	169.4	(172.2)	(2.8)	30.0	32.8
Schemes, excluding Green Gas	69.7	(62.3)	7.4	9.6	2.2
Green Gas	28.2	(76.4)	(48.2)	7.9	56.1
Subtotal	**267.3**	**(310.9)**	**(43.6)**	**47.5**	**91.1**
Levelisation	64.0	(64.0)	-	-	-
Total (RDEL)	**331.3**	**(374.9)**	**(43.6)**	**47.5**	**91.1**

Ofgem's regulatory work and supporting functions are funded by a licence fee which is paid by industry initially and then passed to consumers through energy pricing. Ofgem schemes are either funded from Government (for example, the Department for Energy Security and Net Zero (DESNZ) funds Ofgem's administration costs of the Renewable Heat Incentive scheme) or are funded by industry (for example, the Green Gas Support Scheme is funded by the Green Gas Levy). For most of these areas, Ofgem has a small net budget because the income will largely offset the expenditure.

Ofgem's net spending is broken down into different spending totals, for which Parliament's approval is sought. The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("Resource DEL"): a net limit comprising day-to-day running costs, less income as set out in the ambit; and
- Capital Departmental Expenditure Limit ("Capital DEL"): investment in capital equipment and software such as IT and systems.
- Non-budget Expenditure Limit: to account for Prior Period Adjustments ("PPA"). In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require Ofgem to pay out cash in year.

The Statement of Parliamentary Supply (SOPS) and its supporting notes on pages 82 to 101 present a formal summary of Ofgem's performance against approved budgets. These show that in 2025-26 Ofgem spent £242.8 million on administration costs to perform its regulatory work (£169.4 million) and administer environmental schemes (£69.7 million). In addition, Green Gas Support Scheme costs of £28.2 million (of which £3.7 million is administration costs) resulted in a total resource expenditure of £267.3 million, (£266.8 million per note 3 of the accounts plus £0.5 million finance expense per SOPS2). This expenditure was offset by resource income of £310.9 million (as stated at SOPS2, excludes £2.7 million of CDEL income to the total income of £313.6 million per note 4) resulting in net income (outturn) for the year of £43.6 million (2024-25: £40.4 million).

Notional income and expenditure in relation to Levelisation process (decision on adjusting standing charges for prepayment customers), introduced on 1 April 2024 and classified as tax and spending equates to £64.0 million of expenditure and offsetting income for 2025-26. Further detail is included in SOPS2.

The resource outturn represents a £91.1 million underspend (2024-25: £52.2 million underspend) on an approved budget estimate of £47.5 million (2024-25: £92.6 million), mainly due to the value of financial legal provisions (£32.8 million underspend) and Green Gas expenditure (£56.1 million underspend) being lower than estimated:

- Ofgem's decisions may be subject to legal challenge, and, as part of Ofgem's budget setting process, each year there is an estimation of the potential financial impact of anticipated challenge to current and future decisions. The budget was higher than the outturn this year because: some decisions were not challenged, some decisions were delayed into future financial years, one challenge was successfully defended and on some decisions, the likelihood of successful defence looks sufficiently high.
- Green Gas Support Scheme (GGSS) payments are demand driven (dependent on registrations and biomethane injections). Any in year surplus or deficit will be factored into the calculation of the following year's Green Gas Levy (GGL) rate; funds will remain available for GGSS payments and reduce obligated suppliers' future payments.

The Statement of Comprehensive Net Expenditure/(Income) (SOCNE) on page 97 presents Ofgem's income and expenditure on an accruals accounting basis. These are prepared in accordance with the relevant accounting standards adopted in the Government Financial Reporting Manual. The figures presented in the SOCNE differ from the SOPS because the accounting treatment for some items such as the valuation of assets and financial instruments is different from the way these items are treated in Government budgeting. SOPS2 reconciles the budgetary outturn shown in SOPS1 to the net operating income of £46.3 million (2024-25 net operating expenditure of £32.3 million) shown in the SOCNE. The overall shift to net operating income from net operating expenditure is largely because of the increase in green gas levy income by £66.0 million. As the levy is designed to recover the full cost of scheme payments and administration, higher projected expenditure (driven by increased deployment of biomethane plants) combined with timing adjustments and prior year true ups, has resulted in a higher per meter charge for 2025-26 (rate of 0.821p per meter per day compared with 2024-25 rate of 0.105p per meter per day GGL: rates and exemptions - GOV.UK).

Ofgem's main source of income is licence fees collected from consumers through energy bills. Any surplus (over recovery of fees, where spend is less than budget) is repaid to the consumers. This year's increase in licence fee income of £16.0 million (2025-26: £154.4 million; 2024-25: £138.4 million) has been agreed through the spending review to fund Ofgem's growing role in regulating energy networks and supporting the transition to net zero. As set out in note 11 of the resource accounts under 'deferred licence fees', there is a £2.7 million surplus from the 2025-26 licence fee charged to the sector (2024-25: £3.3 million surplus) and this will be returned.

Over the last four years, the cost of Ofgem's work on regulation of energy markets has increased as a result of our work to strengthen protection for energy consumers. In addition, supporting the development of energy infrastructure including new connections to the grid and increased grid capacity as we work towards Net Zero means there is an upwards trend in the cost of regulating energy networks. The performance report covers Ofgem's new responsibilities in more detail and trends over the last three years can be found in section 1.7 of Ofgem 2026-27 Main Estimate Memorandum. The new 'Core Tables' at Appendix 4 provide a multi-year presentation.

The majority (64%) of Ofgem's costs are staff costs. Total operating expenditure of £266.8 million (2024-25: £259.8 million) represents a £7.0 million increase (6%) which is largely in pay (£15.7 million) including an annual pay award, employer's NIC increase and a small increase in FTE (see Staff report 'average number of people employed').

Capital spend mainly consisted of IT equipment (£2.5 million, note 5), leases (£1.1 million, SOPS3) and the development of bespoke software to support Ofgem administered schemes (note 6 and SOPS2). Net spend was £3.6 million compared to a net budget of £5.1 million.

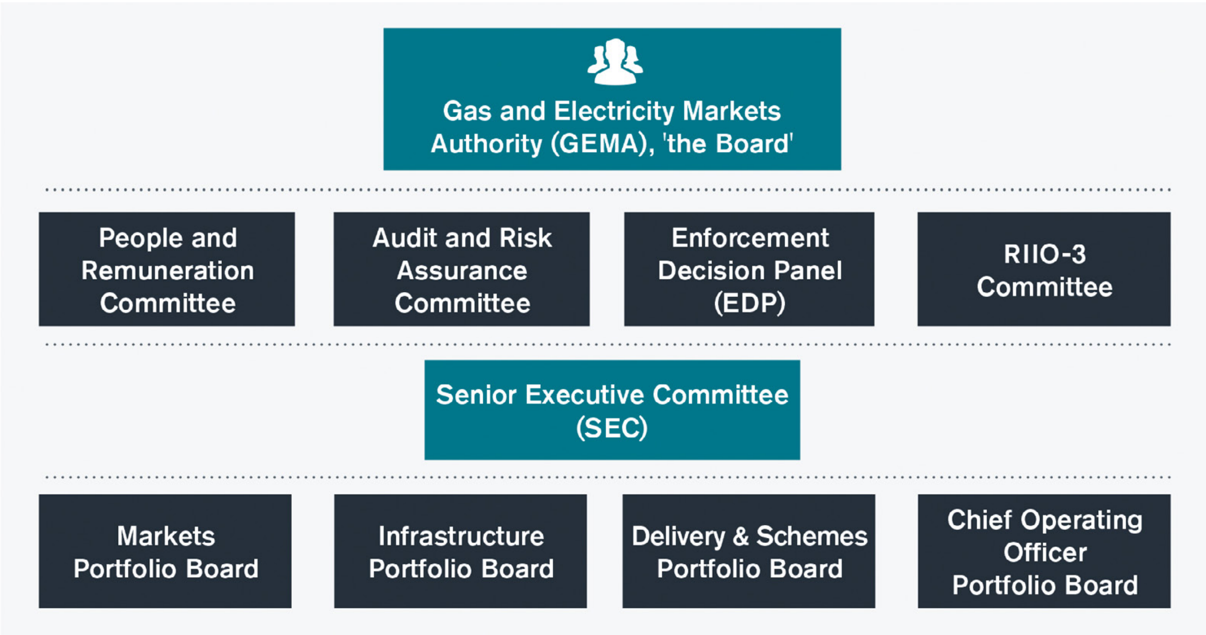
Corporate Governance Report

Directors' Report

There are no company directorships or other significant interests held by members of Ofgem's Board which may conflict with their management responsibilities.

A register of interests for Ofgem's Board and Senior Executive Committee members is published on our website.

No personal data related incidents were formally reported to the Information Commissioner's Office (ICO) during the year.



The Ofgem Board

Role of the Board

The Gas and Electricity Markets Authority (GEMA) is Ofgem's Board. It is made up of non-executive members, including a non-executive Chair, and one executive member in the Chief Executive. Senior Executive Committee members attend Board meetings, and other Ofgem staff attend for specific items, as required. Details of the members of the Ofgem Board are provided on the Ofgem website: Our structure and leadership | Ofgem.

The Board's powers and duties derive from statute. Legislation speaks of Ofgem as 'the Authority', and when it refers to the Authority it means the Chair and the other members of the Ofgem Board. This means that whenever legislation gives Ofgem a particular power, it is the Board of Ofgem who must exercise that power, unless there is a valid delegation in place.

GEMA appointments

The Secretary of State for the Department of Energy Security and Net Zero appoints the non-executive members of the Authority after consulting the Chair. The executive members of the Authority are appointed by the Secretary of State in line with the Civil Service Management Code.

On 1 April 2025 Nick Winser was appointed as a non-executive member of the Authority for one year, via the exceptional appointment process. During 2025-26 we ran a recruitment exercise for a non-executive member with energy sector technical expertise and on 13 February 2026, Nick Winser was appointed for a five-year period commencing on 1 April 2026.

Following Jonathan Brearley's appointment as Permanent Secretary to the Department for Energy Security and Net Zero, his appointment as a member of the Authority expired on 23 March when he stepped down as CEO of

Ofgem. Tim Jarvis was appointed interim CEO of Ofgem by the Ofgem Board and on 17 March 2026, following a request from the Chair, the Secretary of State appointed Tim Jarvis to the Authority.

Division of responsibilities

The Board has reserved certain decisions for itself. These are set out in a schedule to the Board's Rules of Procedure and are known as the 'Reserved Functions'.

Decisions relating to any of these Reserved Functions must be decided by the Board, unless the Board specifically delegates that decision to an employee of Ofgem, or to one of the Committees of the Board.

A delegation by the Board may be subject to any conditions. Any additional Board delegation is recorded in the Board's minutes. The only exception to this is the making of a Statutory Instrument, which – by law – the Board cannot delegate. All functions of the Board which are not Reserved Functions, delegated to a Committee of the Board, or delegated by HM Treasury to the Accounting Officer, are referred to as 'General Functions' and have been delegated to members of staff.

The Board's Rules of Procedure, including its Reserved Matters, are published on the Ofgem website.

Board Committees

The Board has established a number of committees to support its work. These are: the Audit and Risk Assurance Committee, chaired by Jonathan Kini, the People and Remuneration Committee, chaired by Warren Buckley, the RIIO-3 and ED3 Committee, chaired by Graham Mather, and the Enforcement Decision Panel, chaired by David Ashbourne.

Further information about the responsibilities and work of GEMA's Committees is provided later in this section of this report.

Board meetings

The Board meets approximately 10 times a year for formal meetings. In addition, ad hoc meetings and decisions by correspondence are used when urgent matters arise between meetings.

In its meetings, the Board typically considers a range of matters. This normally includes updates from the Chief Executive, updates from the Chairs of its Committees on any recent meetings, discussions on Ofgem's strategy and the wider landscape, organisational matters, and decisions on specific matters that have not been delegated including in relation to certain regulatory issues.

In the last year, a non-exhaustive list of the matters the Board has considered included the following:

- providing steers or taking a number of significant regulatory decisions in line with our Consumer Interest Framework, including e.g.:
    - for the Electricity Distributions (ED3) Price Control Framework, agreeing the ED3 price control period of five years, the ED3 objective and underpinning principles for the framework;
    - approving the making of the Code Manager Selection (Competitive) Regulations 2025 statutory instrument and the final Statutory Instrument for Smart Meter Guaranteed Standards of Performance SoP 1–3; and
    - plans for Ofgem's Debt Strategy and Ofgem's Market's Strategy;
- reviewing Ofgem's principal risks and approving Ofgem's risk appetite statement;
- approving Ofgem's Forward Work Programme and monitoring delivery; and
- approving the replacement of Ofgem's corporate systems to allow for improved internal processes.

In addition, and normally preceding each formal meeting, the Chair has a less formal briefing session which other Board members are invited to attend. These briefings provide an opportunity to discuss emerging issues, to have briefings on particular aspects of Ofgem's work, and to hear from stakeholders on topical issues.

This year the Board was pleased to welcome a number of stakeholders to its meetings, including the Money Advice Trust, Citizens Advice, Institute of Customer Service, the Heat Network, DESNZ and the Energy Ombudsman.

The Board minutes and agendas are published on the Ofgem website.

Board attendance

The Chair and other members play a full part in Board business. They attended Board meetings and Committee meetings as follows:

Members	Gas and Electricity Markets Authority	Audit and Risk Assurance Committee	People and Remuneration Committee	RIIO-3 & ED-3 Committee
Alena Kozakova	10/10			8/8
Barry Panayi	10/10			
Graham Mather	10/10			8/8
Jonathan Brearley (CEO)	8/10	3/5	5/5	7/8
Jonathan Kini	10/10	5/5		
Mark McAllister (Chair)	10/10	5/5	4/4	8/8
Nick Winser	8/10			8/8
Tony Curzon-Price	9/10	5/5		
Warren Buckley	10/10		5/5	

In addition to the regular schedule of meetings listed above, the Board met on a number of occasions at short notice to address urgent and strategic issues.

Board and governance evaluation

The effectiveness of the Board is reviewed annually with an externally facilitated Board Effectiveness Review taking place at least once every three years. Campbell Tickell carried out an externally facilitated review in late 2024 and throughout 2025 Ofgem responded to the recommendations made.

We have started the process for the next annual review of the Board's effectiveness which will consider the structure, processes and people, how it interacts with the executive and stakeholders and whether respective roles are clear. Feedback and perspectives will be sought from members of the Board and other stakeholders.

Identifying and managing conflicts of interest

Ofgem has a conflicts of interest policy and further guidance to staff is also available on the Ofgem staff intranet. The policy is reviewed annually. Under the policy, all staff are required to notify us of any potential conflicts when they join the organisation and annual declarations thereafter, or where there has been a change in circumstances which could lead to potential conflicts. The policy applies to all staff, whether they are permanent, casual, fixed-term, agency or contractor and Board members. Board members are also required to comply with the Code of Conduct for Board Members of Public Bodies on the handling of any conflicts. In practice, conflicts and potential conflicts, as well as proposed mitigations for managing those conflicts are discussed and agreed with the Chair. A register of interests for our Board members is published on the Ofgem website.

Any potential conflicts are assessed by the Business Assurance team, who consider whether a conflict exists – and if there is one, what to do about it, and a timescale for action. The policy also states that disciplinary action will be taken against any member of staff who is found not to have complied with these arrangements.

Staff involved in procurement must declare any potential conflicts of interest with suppliers. Conflicts are managed in a proportionate and effective way, typically by excluding affected staff from evaluation of bids. Procurement training ensures that this requirement is properly understood. Suppliers are also asked to formally declare any conflicts as part of the process.

When staff leave the organisation, we have a process in place to consider whether an application under the Business Appointments Rules is required before they accept a new appointment outside the Civil Service. This is to ensure that when a former member of staff takes up an outside appointment or employment there should be no cause for justified public concern, criticism or misinterpretation.

Business Appointment Rules

Ofgem takes a structured approach to managing post-employment requirements. When an employee decides to leave, the move is assessed to ensure the core civil service values of integrity, honesty, impartiality and objectivity are maintained. The assessment considers factors such as the individual's role in policy development, access to sensitive or privileged information, and any official contact with their prospective employer.

Where needed, the departing employee must complete a formal Business Appointment Rules (BAR) application. This helps identify any relevant risks and determine proportionate actions or conditions, agreed with management and supported by HR.

Business Appointment Rules statistics for 2025-26	
Number of exits from the Senior Civil Service (SCS)	7 assessments 2 subsequent BAR applications
Number of BAR applications submitted to the department over the year (by grade – SCS2, SCS1, and delegated grades)	14
Number of BARs applications approved by the department over the year (by grade – SCS2, SCS1, and delegated grades)	14
Number of BARs applications where conditions were set by the department over the year (by grade – SCS2, SCS1, and delegated grades)	14
Number of applications that were found to be unsuitable for the applicant to take up by the department over the year (by grade – SCS2, SCS1, and delegated grades)	0
Number of breaches of the rules in the preceding year	0

In compliance with Business Appointment Rules (BARs), the department is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments is published on gov.uk (Business appointment rules advice | Ofgem).

The Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is comprised of non-executive members of GEMA. ARAC was chaired by Jonathan Kini during 2025-26. Additional members of the committee during this period were Mark McAllister and Tony Curzon Price. The ARAC has four substantive meetings a year, as well as a dedicated meeting to review the annual report and accounts in draft. The Chief Executive, Chief Operating Officer, General Counsel, Chief Finance Officer, Performance and Planning and Deputy Director of Finance, Procurement and Risk are invited to attend Committee meetings, as are other staff as required.

Representatives of Ofgem's External Auditors, the National Audit Office, and representatives of Ofgem's Internal Auditors, Forvis Mazars, are also invited to attend all meetings of the ARAC. Both the Internal and External Auditors have regular discussions and direct access to the Chair of the ARAC.

Purpose and responsibilities

The ARAC has terms of reference, which are reviewed each year and published on the Ofgem website. Its key responsibilities are to advise the Accounting Officer and Board in relation to the effectiveness of Ofgem's internal controls, risk management and governance. It will examine the manner in which Ofgem ensures and monitors the adequacy of the financial control systems and recommend any necessary improvements.

The ARAC advises the Board and makes recommendations in relation to the annual programme of audit reviews covering key financial and control processes, taking into account the current risks facing Ofgem. This includes advising on the accounting policies, the accounts, including the process for reviewing the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors.

Activities during the year

During the year, the ARAC's main areas of activity were:

- reviewing and advising on Ofgem's risk appetite;
- undertaking thematic risk deep dives;
- continuing to challenge Ofgem to enhance, embed and review progress against its improvements to risk management framework;
- review of the Ofgem Annual Report and Accounts 2024-25 and oversight of the planning for the 2025-26 documents;
- consideration of the NAO audit plan and audit completion report;
- monitoring the progress of the Internal Audit plan for 2025-26, and reviewing Internal Audit reports and management responses; and
- reviewing the draft Internal Audit plan for 2026-27.

Reporting

A summary of ARAC proceedings is shared with the Board at subsequent meetings, and the Chair of the Committee is provided with an opportunity to update the Board on any matters they wish to raise.

The People and Remuneration Committee

The People and Remuneration Committee (PRC) is comprised of non-executive members of GEMA. During 2025-26 PRC was chaired by Warren Buckley. An additional members of the committee during this period was Mark McAllister.

The Chief Executive, Chief Operating Officer, Chief People Officer, and Executive Director of Communications and Engagement are also invited to attend the PRC, as are other staff as required.

Purpose and responsibilities

The PRC terms of reference are reviewed annually and published on the Ofgem website. The key responsibilities of the PRC are to advise the Board and Chief Executive in relation to Senior Civil Service remuneration, and to consider policies on people-related matters that impact Ofgem's performance and success. PRC routinely reviews Ofgem's Workforce Strategy and how this is being embedded.

Activities during the year

During the year, the PRC's main areas of activity were:

- approving the Ofgem executive team's remuneration and annual objectives;
- approving the Remuneration and Staff Report elements of the Annual Report and Accounts;
- reviewing the performance of the Ofgem executive team;
- reviewing the Workforce Strategy;
- reviewing work on health, safety and wellbeing;
- approving applications made under the Business Appointment Rules, by SCS2 or SCS3 staff, or any other application from a Senior Civil Servant; and
- undertaking thematic deep dives on people matters and reviewing people-related policies, including performance management, learning and development and change management.

PRC welcomed some of Ofgem's staff networks to its meetings, which have included the Jewish, Muslim, Mental Health and Social Mobility employee networks and Trade Union representatives.

Reporting

A summary of PRC proceedings is shared with the Board at its subsequent meeting, and the Chair of the Committee is provided with an opportunity to update the Board on any matters they wish to raise.

The RIIO-3 & ED3 Committee

In November 2024, GEMA established a new committee to support the Board's decision making in relation to RIIO-3 and ED3 network price control programmes. The committee is advisory only and comprises both non-executive and executive members. The committee met for the first time in February 2025 and is chaired by Graham Mather. Mark McAllister, Alena Kozakova, Nick Winser and Jonathan Brearley (until 22 March 2026) are also members of the committee. Staff are invited to attend the RIIO-3 and ED3 committee as required.

Purpose and responsibility

The RIIO-3 and ED3 committee has terms of reference which are reviewed annually and published on the Ofgem website. The purpose of the committee is to provide guidance and steer to the RIIO-3 and ED3 programmes and advise GEMA before it makes decisions.

Activities during the year

During the year the RIIO / ED3 Committee:

- provided leadership and steer across complex and often conflicting policy areas in electricity transmission, gas transmission and gas distribution;
- played a critical governance role in developing the RIIO-3 price control that went live on 1 April 2026; and
- began work on the design of the framework that will underpin ED3.

Reporting

A summary of RIIO-3 and ED3 committee proceedings is shared with the Board at its subsequent meeting, and the Chair of the Committee is provided with an opportunity to update the Board on any matters they wish to raise.

Enforcement Decision Panel (EDP Secretariat)

The Enforcement Decision Panel (EDP) is chaired by David Ashbourne. The Panel's members and its secretariat are employees of Ofgem who are independent from the case team.

The EDP meet on a case-by-case basis, in order to make decisions on case-specific matters. They also meet quarterly to discuss a range of policy and enforcement issues and to discuss lessons learned from closed cases.

Settlement Committees are formed from EDP members, alongside a member of Ofgem staff at Senior Civil Service level. Settlement Committees decide on cases suitable for formal settlement.

Purpose and responsibility

The EDP has been in place since June 2014 to take enforcement decisions on the Board's behalf. It was established to take decisions in enforcement cases through dedicated specialists so that there is a visible separation between the investigation and decision-making functions. The terms of reference of the EDP and Settlement Committee are published on the Ofgem website.

The key responsibilities of the EDP are to take decisions on behalf of GEMA as to whether there has been a breach of licensee obligations, competition laws, REMIT regulations, or Network and Information Systems (NIS) regulations, or other relevant statutory or regulatory requirements, including those relating to heat networks and carbon capture usage and storage. Where a breach is established, the Panel decides whether a penalty or redress package should be imposed and, if so, the level of any penalty or redress.

The key responsibility of the Settlement Committee is to make authorisation decisions on behalf of GEMA. These enable case teams to follow the settlement procedure.

Activities during the year

This year the EDP has met quarterly to discuss a range of policy and enforcement issues. The EDP also received updates relating to Ofgem's strategy and policy direction. Mark McAllister has attended to provide members with an update on the strategic priorities and risk appetite from GEMA. Senior Ofgem staff have also attended to provide updates.

Topics covered during the reporting period included updates on the enforcement case pipeline and future workload, cyber and NIS regulatory matters, and the outcomes of audit and assurance activity within the Enforcement function. The EDP also considered relevant developments across other areas, including heat networks and the Ofgem Reset Review. Wider governance, process and operational issues relevant to enforcement decision making were also considered.

Reporting

The EDP chair must provide an annual report to the Board, providing a commentary on cases considered in the previous year. This report is for internal use only.

The Senior Executive Committee (SEC)

The SEC and four Portfolio Boards (Markets, Infrastructure, Delivery and Schemes, and Corporate Services Portfolio board) support the Chief Executive in the running of the organisation and may be supported by a sub-committee.

The SEC is chaired by the Chief Executive. Alongside its meetings, which took place usually twice-monthly during 2025-26, SEC also had an informal weekly meeting and ad hoc meetings as required. Members of the SEC are listed on the Ofgem website. Other Ofgem staff are invited to attend the SEC meetings as required.

Purpose and responsibility

SEC provides a management forum for constructive and collective ownership of Ofgem's overall performance and delivery. It primarily provides guidance, oversight and strategic direction and advises the Chief Executive on specific matters set out in its terms of reference and the Management Controls. The Portfolio Boards are chaired by the relevant Director General or Director to that portfolio, meeting at least monthly and providing regular updates to SEC on decisions taken. Membership is at SCS 1 and 2 level depending on the structure of the group.

The Portfolio Boards (and sub-committees) are management forums for constructive and collective ownership of the areas for which the chair is responsible, including oversight of performance and delivery, group strategy development, risk management and assurance. Key issues which fall within the Portfolio Boards' remit are discussed allowing for cross-group understanding of the impact on the group's work.

Activities during the year

SEC discusses both regulatory issues and organisational matters.

During the year, SEC's main areas of activity were advising the Chief Executive in respect of:

- reviewing significant or crosscutting policy or regulatory proposals, including use of statutory powers, compliance and enforcement strategy, heat networks regulation, security of supply, biodiversity duty compliance, and market interventions;

- financial planning, management and delivery assurance against Forward Work Programme commitments;
- approval of annual budget allocations and consideration of the budgetary position;
- reviewing and implementing Ofgem's principal risks and the mitigation actions;
- consideration of management responses to, and monitor progress in implementing recommendations from, Internal Audit and other assurance reports;
- consideration of significant people-related issues, including the organisation's diversity and inclusion strategy and policies;
- providing steers on Ofgem's role, risk management, and engagement with DESNZ and other stakeholders, and how major programmes should be positioned and communicated to the Board and externally; and
- reviewing relevant management papers to be submitted to the Board or one of the Committees of the Authority.

Reporting

The CEO provides a report to each Board meeting, summarising high-profile and topical issues facing the organisation, including the activities of SEC and the Directorate Portfolio Boards as appropriate. The CEO usually reports quarterly on delivery against Ofgem's multiyear strategy priorities.

Ofgem's presence in Scotland

Ofgem's commitment to the Scottish energy sector remains steadfast, with close to a thousand staff operating out of Commonwealth House in Glasgow's Merchant City. The skill, expertise and passion of our Scottish colleagues are critical across all of Ofgem's workstreams.

Throughout this year Ofgem has embraced collaboration in Scotland, providing regulatory leadership while also regularly engaging external bodies to best understand the challenges faced by consumers and industry alike. Whether monthly calls with consumer groups and charities or working with NESO to ensure Scottish projects remain central to Clean Power 2030, the voices of Scottish stakeholders have been fortified in our work and are critical to the success of our shared aims in Scotland and across GB.

Ofgem's work continues to support investment in Scotland's energy infrastructure and industries:

- **RIIO 3 Final Determinations:** RIIO-3 unlocked £5.4 billion investment to upgrade electricity transmission network in Scotland.
- **Early Construction Funding (ECF):** Ofgem approved ECF requests for eight Scottish Hydro Electric Transmission Plc (SHET) electricity transmission projects, including six onshore and two offshore transmission links.

The Ofgem Board and Senior Executive Committee regularly visit Scottish energy sites as part of their strategic stakeholder engagement. This year visits included Coire Glas Hydropower Scheme, Loco Home Retrofit, a Glasgow-based non-profit intermediary for low-carbon domestic retrofit, and Flexitricity's site in Edinburgh, where Ofgem representatives assessed their operations and evaluated their technology solutions – with a particular focus on AI, market practices and regulatory compliance. The insights they gathered have informed Ofgem's policy development in the energy flexibility market.

Ofgem has continued to enjoy and value close working with the Scottish Government. A key area where this can be seen is in collaboration regarding the Radio Teleswitch Service (RTS) and the ongoing work to upgrade these outdated heating systems. This is a clear example of collaboration between the energy regulator, UK and devolved governments, industry, and consumer groups. The intelligence that our regular calls with the Scottish Government provide us with have helped to drive meter replacements, particularly in rural communities, and factor in local considerations across Scotland. Ofgem remain committed to a strong working relationship with the Scottish Government, achieving our shared ambition of clean, secure and affordable energy while providing the most robust consumer protections possible.

Ofgem's presence in Wales

In 2025-26 Ofgem continued to engage across Wales to ensure that Welsh communities and experiences are considered as we make our regulatory decisions.

In February 2025 representatives of the Ofgem Board visited Cesla Steel to better understand the challenges facing energy intensive industrial stakeholders and discuss the challenges faced by the steel industry.

This trip was followed by a visit by Mark McAllister, Chair and Jonathan Brearley, CEO, who visited Tata Integrated Iron and Steel works in Port Talbot to find out more about their opportunities and understand how Ofgem's policy could help to support growth at the site as well as consider opportunities for similar large scale decarbonisation projects.

The introduction of the Regional Energy Strategic Plan (RESP) framework, which will be delivered by NESO, will create the conditions to amplify the voices of local residents, businesses, and local authorities to directly inform regional energy system investments, including those in Wales.

Ofgem's work continues to support investment in Welsh energy infrastructure and industries:

- **Advanced Procurement Mechanism (APM):** The APM allowed transmission owners to access early funding for equipment purchases aimed at unblocking grid constraints. This was highly relevant to Wales, where transmission bottlenecks affect offshore wind, onshore renewables and rural connections.
- **Long Duration Electricity Storage (LDES) cap-and-floor regime:** This cornerstone announcement for long-term system resilience and renewables integration is enabling the development of this industry in Wales.

Ofgem also oversaw the £164 million Project Union allocation to accelerate the UK's hydrogen backbone included funding for the HyLine Gogledd project from Deeside to Wrexham in North Wales, developed by Wales and West Utilities to help heavy industry decarbonise.

Ofgem has continued to embrace the opportunity for close working with the Welsh Government throughout 2025-26. Whether through Ministerial meetings or collaborating with Government officials, the positive contribution these have made – particularly to the vital issue of fuel poverty – has yet again reinforced the importance of Ofgem's commitment to represent all communities of GB in our work. With major energy projects both planned and underway across Wales, alongside our ongoing focus on the challenges facing consumers, we look forward to continued close working with colleagues in Wales throughout 2026-27.

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed Ofgem to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Ofgem and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable, and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed the Chief Executive as Accounting Officer of Ofgem. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances, for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Ofgem's assets, are set out in Managing Public Money published by the HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information, and to establish that Ofgem's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement

The Governance Statement describes Ofgem's framework of internal controls, which is designed in line with HM Treasury and Cabinet Office requirements. Details of the governance arrangements, including their structure and operation and how they support delivery of the department's strategic priorities, are set out in the Corporate Governance Report above. Matters relating to finance, audit, risk and assurance are covered in the sections that follow.

Ofgem applies the three lines of defence model recommended by HM Treasury and used across central Government. Directors and Directors General are accountable for maintaining effective controls within first line activities. This is supported and supplemented by oversight, monitoring and challenge from portfolio level governance arrangements and Ofgem's central corporate functions. Ofgem's outsourced Internal Audit function provides further assurance over the effectiveness of risk management and internal control. The framework is illustrated below.

Assurance, Risk Management and Internal Control arrangements in 2025-26

Ofgem takes a clearly defined and pragmatic approach to risk management, ensuring that risks are identified, understood and managed effectively. Clear roles, responsibilities and support arrangements enable consistent and proportionate risk management across the organisation.

Risk and assurance arrangements provide structured insight into Ofgem's key strengths and opportunities for improvement, and support strong accountability. Through sustained focus and leadership commitment, they encourage senior leaders to set the tone from the top and embed engaged, accountable ways of working across the organisation.

Internal sources of assurance

The Assurance Framework presents the Accounting Officer and the Board with an integrated view of assurance that draws on evidence from first line delivery teams on how effectively risks are managed, supported by second line oversight from portfolio leaders, central corporate functions and a small number of targeted internal reviews. Together, these sources provide coverage across all of Ofgem's Principal Risks and key corporate internal control themes, including the effectiveness of governance and assurance arrangements.

- **Compliance with corporate policies:** Corporate policies are generally well understood and followed across the organisation. A small number of isolated instances of non-compliance were identified, highlighting opportunities to strengthen clarity of ownership, monitoring arrangements, and supporting training and guidance.
- **People and Culture Controls:** Reviews of internal controls relating to People and Culture risks show that arrangements are generally working well across directorates. Effective processes are in place for performance management, employee engagement and standards of conduct, with opportunities to improve consistency, particularly in training uptake.
- **Information Management and Data Governance:** Reviews found that governance structures and policies for information management and data handling are in place and generally operating as intended. First line practices are effective overall, although differences in maturity between directorates highlight opportunities to strengthen data stewardship and improve consistency of application.
- **Financial Management, Expenses, and Procurement:** Financial management remains strong, with budgets managed within approved limits. Targeted assurance over expenses, travel and procurement activity identified generally good compliance, while highlighting opportunities to further strengthen preventative controls and procurement planning.
- **Cyber Security, Resilience, and Technology Risks:** Arrangements for managing cyber and technology risks are in place, with evidence of regular oversight and business continuity planning. Some areas of inconsistent operation and monitoring were identified, indicating opportunities to enhance assurance and strengthen resilience.
- **Declaration of Interests:** Oversight of conflicts of interest is well established through the annual declaration process and is now reinforced through mandatory training, providing greater assurance over awareness, compliance and consistent management of potential conflicts.

Government Functional Standards

Government departments and arm's length bodies are required to comply with the Cabinet Office functional standards. Ofgem adopts a structured approach to meeting these requirements, with each functional standard assigned an operational lead responsible for ensuring the standard is applied in practice. Operational leads confirmed that Ofgem operated in line with all Cabinet Office functional standards throughout the year.

In addition to internal assessments, the Public Sector Fraud Authority reviewed compliance with Government Functional Standard 13: Counter-Fraud during 2025-26 and concluded that we have some good operational practices but have provided recommendations for further improvement. Recommendations from this review are being reflected in a strengthened fraud action plan for 2026-27.

Risk management

Ofgem's risk management arrangements provide a clear and pragmatic approach to identifying and managing risks across the organisation. They are designed to ensure that risks which could affect the delivery of strategic objectives or operational effectiveness are identified, understood and addressed in a proportionate way.

During the year, risk registers were regularly updated to reflect Ofgem's evolving responsibilities, and to strengthen how risks are identified, monitored and mitigated.

His Majesty's Treasury Orange Book principles – Comply or Explain

Ofgem's risk management practices fully comply with all five of the Principles of the Orange Book.

Principle A: **Risk management shall be an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels.**	Principle A underpins how Ofgem is directed, managed and controlled at all levels, and Ofgem fully complies with its requirements. Robust arrangements are in place to review, challenge and escalate Principal and Strategic risks to the SEC and GEMA. The ARAC also undertakes regular deep dives into principal risks and areas of challenge. This approach supports Ofgem's commitment to transparency whilst encouraging professionally managed risk taking. Areas for continued improvement include further embedding this approach across the organisation and increasing the frequency of assessments of the effectiveness of risk management, helping ensure that all staff feel confident in raising risks and that improvements are identified at an early stage.
Principle B: **Risk management shall be an integral part of all organisational activities to support decision making in achieving objectives.**	Ofgem fully complies with Principle B. Risk management is fully integrated into the strategic planning cycle, linking risks with strategy development, work planning and budget setting. Monthly Portfolio Boards oversee delivery and maintain a focus on the alignment between risk management and performance. An enhanced project risk management approach is being introduced to further strengthen this alignment, with a focus on priority (Tier 1) projects. As this approach is embedded, it will support more effective management of Principal Risks.
Principle C: **Risk management shall be collaborative and informed by the best available information and expertise.**	Ofgem fully complies with this principle. Risk is considered regularly by GEMA, the ARAC, the SEC and Portfolio Boards, each of which receives routine risk reporting and allocates dedicated time for risk discussion. Principal Risk deep dives provide a forum for constructive challenge, including direct engagement with Principal Risk Owners at SEC level. An area for continued improvement is the further development of Ofgem's risk reporting platform, to improve access to high-quality data and enable more focused challenge – particularly on the effectiveness of mitigating actions and the interdependencies between risks.

Principle D: Risk management processes shall be structured to include: a. risk identification and assessment to determine and prioritise how the risks should be managed; b. the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level; c. the design and operation of integrated, insightful and informative risk monitoring; and d. timely, accurate and useful risk reporting to enhance the quality of decision making and to support management and oversight bodies in meeting their responsibilities.	Ofgem fully complies with Principle D. GEMA sets the organisation's risk appetite levels and themes, enabling risk owners to implement appropriate mitigating actions and determine when escalation is required where risks cannot be maintained within appetite. Clear accountabilities are defined across the governance structure, including ownership of risks and the frequency of review. Risk reporting is proportionate to risk exposure. The ARAC receives quarterly reports on Principal Risks, supported by information on key strategic risks and the critical actions required to keep risks within appetite. They also perform deep dives into Principal Risks. The SEC also routinely reviews Principal Risks, while Portfolio Boards receive monthly risk reports, including strategic and operational risks, and any project risks escalated from Project Delivery Boards. This ensures that risk information is considered at the right level and at the right time, supporting effective prioritisation and decision making across the organisation.
Principle E: Risk management shall be continually improved through learning and experience.	Ofgem fully complies with this principle. A multi-year risk maturity action plan supports continuous improvement in risk management capability, recognising that levels of experience and expertise vary across roles and grades. There is a clear organisational commitment to development, supported by a range of training opportunities, including accredited and non-accredited risk courses through Civil Service Learning and targeted internal workshops to strengthen understanding of risk appetite, tolerance and their application within Ofgem. In line with this principle, Ofgem's risk management arrangements were reviewed during 2025-26.

This year we introduced a number of additional measures to further embed robust risk management across Ofgem, and have detailed the most significant improvements below:

- Control Testing of Principal Risks: A programme has been developed to review and test all the controls linked to our Principal risks. This programme will continue to be developed, leading to the review of controls.
- Strengthening fraud risk controls: We have developed enhanced oversight, improved data driven detection controls, and tightened key preventative controls across core payment processes. We refreshed our fraud risk assessment, reinforced clear accountability for control ownership, and increased staff awareness through targeted training. These improvements ensure a more robust control environment, better visibility of emerging risks, and greater assurance that public funds are protected.

- We have strengthened resources in the first line and as a consequence, improved second line oversight.
- We enhanced the format of risk reporting and principal risk deep dives to further strengthen oversight of the mitigating actions being undertaken and the links between risks and decision making.
- Risk is now more fully embedded in strategic planning, development of the Forward Work Programme and budget setting.

During the year, the Board reviewed and agreed changes to Ofgem's risk appetite. This appetite continued to be applied to individual risks, with any risks outside appetite reported to the Executive to ensure appropriate oversight and management.

Detailed below is an overview of Ofgem's most significant risks and the key actions that have been undertaken to control and mitigate these.

Principal Risks

Consumer Harm

We undermine trust in Ofgem and markets by failing to anticipate or respond to consumer harms.

Controls/Mitigations

- Active monitoring of industry performance, engagement with consumer groups and charities, and better use of data to identify emerging consumer harms.
- Developing our approach to outcomes based regulation and to GSOPs, to ensure we and the sector are focused on the issues that matter most to consumers.
- Taking forward regulatory work to address potential consumer harms including work on smart meters, load limiting, and debt pathways.
- Developing new regulatory regimes to expand consumer protections to new and growing sectors including heat networks, aggregators, and TPIs.
- Work with DESNZ on further policy needed to close remaining gaps in heat networks regulation, including price protections, GSoPs, unbundling, and debt socialisation.
- Proactive compliance activities to encourage licensees to take early action to address consumer harms and risks, with robust enforcement action deployed as necessary to incentivise compliance and deter poor practices.

Delivering good outcomes for consumers

Our overall regulatory regime deters innovation and investment, undermining the ability of retail markets to deliver good outcomes for consumers.

Controls/Mitigations

- Published Ofgem's Markets Strategy, underpinned by a delivery plan, which identified Investability and Innovation as key priorities to improve consumer outcomes in the retail market.
- Strengthened internal governance, including a DG chaired monthly Markets Delivery Board.
- Key workstreams include:
  - developing a Debt Strategy, setting priorities and plans to address growing energy debt;
  - evaluating the financial resilience regime, which will assess how recent policy changes are working and whether they continue to strike the right balance between consumer protection and supplier profitability;
  - examining the future of price protection to ensure it can meet the challenges of a changing retail market;
  - agreeing Ofgem's approach and priority actions to enable Consumer-led Flexibility; and
  - implementing Energy Code Reform (ECR) in order to enable energy codes to better facilitate innovation and consumer value.

Resilience of the energy sector

The current regulatory framework has supported a secure and resilient energy system for Great Britain. However, as the energy system evolves, there is a need to continue strengthening and adapting regulatory safeguards and standards to incentivise resilience and maintain security of supply for consumers.

Controls/Mitigations

- To ensure our infrastructure remains resilient to the growing cyber threat we are expanding the scope, scale, and sophistication of our cyber regulatory activity, building on our existing responsibilities under the Network and Information Systems Regulation 2018 (NIS). This work is being taken forward under the Energy Sector Cyber Security Strategy published in May, by DESNZ, Ofgem, the National Cyber Security Centre, and NESO.
- Established an internal Ofgem Resilience Board from December 2025 and the Resilience Hub from April 2026, which serves to build a coherent view of Ofgem's approach to system-wide energy resilience, bringing together relevant resilience workstreams at Ofgem to identify areas of overlaps, synergies, tensions and gaps.
- Feeding into the DESNZ Energy Resilience Strategy from a consumer protection perspective, due to be published in the autumn.
- Setting funding routes and approaches to mitigate High-Impact Points of Failure (HIPFs), alongside DESNZ and NESO.
- Continued implementation of our financial resilience standards to drive up the financial resilience of energy suppliers, alongside enhanced financial monitoring of networks.
- Established two new programmes of work (jointly with DESNZ and the system operators) to better understand the security of supply medium-term risks and to identify the interventions required to mitigate these risks.
- Launched an asset health inspectorate to provide additional assurance that network operators are appropriately maintaining the resilience of their networks.

Energy Market Performance

Infrastructure companies' performance failures and/or excessive profits will result in the public losing confidence in Ofgem's regulation of energy infrastructure resulting in reputational damage.

Controls/Mitigations

- Strong narrative for RIIO-3 and case for investment (not investing would be more harmful to consumers).
- Inflation windfall; fixing forward through RIIO-3 and ED3, pushing companies to be prudent on gearing.
- Effective controls built into RIIO-2 and to be strengthened in RIIO-3/ED3.
- Investing in our monitoring and compliance function for networks, and explore how a supervisory approach could augment this.
- Rigorous ongoing review of network company financial and output performance, holding companies to account for non-delivery.
- Holding network companies to account for timely delivery through ASTI and quaRIIO-3 mechanisms, and for implementation of connections reform.
- NCSC, Ofgem, DESNZ tripartite established to agree roles and responsibilities and develop a coordinated strategy.

Infrastructure investment

Failure to enable time-critical investment in industry infrastructure to meet future system needs, prioritise and accelerate necessary infrastructure investment and build, leading to delays in the delivery target of Net Zero.

Controls/Mitigations

- Putting in place long-term plans to guide how the energy system develops across Great Britain, both nationally and regionally.
- Working with Government and industry to shape market reforms and ensure policies are aligned.
- Updating regulatory frameworks to support investment, protect consumers and reflect changing energy needs, including new technologies such as hydrogen.

- Improving infrastructure planning and delivery, including steps to speed up investment and strengthen supply chains.
- Developing future network regulation, so that electricity and gas networks can support the energy transition in a coordinated way.
- Working with partners on key strategic issues, such as electricity market reform, connections to the grid, and future gas supply.
- Maintaining key programmes that support investment in energy infrastructure, including interconnectors, long duration storage and major projects such as offshore transmission and carbon capture.

Regulating innovation in infrastructure

Failure of our regulatory frameworks to be set up, keep track of or capitalise on the opportunities of changes in technologies and innovation in infrastructure assets or the digitalisation or market structures.

Controls/Mitigations

- Developing robust consumer consent framework for data sharing.
- Recruitment/retention of technology experts and investment in training in new technologies.
- Published "AI Guidance".
- Running a Regulation Lab on a regular basis to test and evolve guidance and innovative solutions.
- Developing the next set of AI Guidance, including joint consumer guidance with other regulators for consultation.
- Developing an AI Risk Management framework (an "AI Monitoring Regime"), including potential guidance by April 2026.
- Reforming data centre queue entry criteria to include higher project maturity and financial levy at application to disincentive significant influx of speculation.
- Introduction of a Government Data Centre Plan with regional and technology caps.

Environmental and social scheme delivery

Failure to deliver social and environmental schemes efficiently, effectively and compliantly leads to lack of uptake of the schemes, fraud, loss of reputation and Government trust.

Controls/Mitigations

- The risk management strategy for schemes is agreed with funding bodies and aligned to Ofgem's wider strategy to ensure alignment in our objectives and goals. There is regular engagement with funding bodies and performance KPIs in place to support early identification of potential issues.
- Regular cycle of budget review and approval conducted with funders, with strong governance over any change requests.
- Tailored, robust training is provided to ensure our staff have the capability to deliver our schemes effectively, and there are detailed standard operating procedures in place and reviewed regularly.
- Mature and well-embedded risk and assurance framework in place for schemes. This includes clear risk governance and escalation, regular risk discussions, deep dive workshops conducted on Strategic risks and issues, and an internal assurance programme of work in place that focuses on key risk areas with regular deep dives. There are also a quarterly cycle of horizon scanning to regularly identify threats and opportunities early and help resilience.
- For projects, changes and new schemes there is governance through a programme management office, dedicated legal support in place to assist in delicate legislative matters and detailed Feasibility Studies completed as part of new scheme delivery decisions, which enable us to be confident in administrating the schemes effectively.

People and Culture

Ofgem failing to position itself as a dynamic, inclusive, high-performing employer.

Controls/Mitigations

- Increasing and improving our learning and development offer to ensure we have the required skills to deliver our mission and include more "on-the-job" learning, secondments to industry and other organisations, and opportunities for further management development.

- A new performance management framework, launched in April 2026; this includes increased support for managers to create high-performing teams.
- Following a successful pay flex case, we will continue to review our reward strategy to ensure we can attract and retain the talent required to deliver our mission.
- Greater usage of the apprenticeship levy in England, and increased recruitment activity in Glasgow and Cardiff, to ensure we continue to grow a diverse and socially mobile workforce that represents the consumers we serve.

Internal Audit Assurance Opinion

Our Internal Auditor, Forvis Mazars LLP, delivered an agreed programme of internal audit reviews during 2025-26. The programme was developed through a risk based internal audit planning process, informed by engagement with Ofgem management and the Audit and Risk Assurance Committee.

On the basis of their audit work, Forvis Mazars' opinion on the framework of governance, risk management, and control is Moderate in its overall adequacy and effectiveness. This assessment reflects the findings from the work completed in 2025-26.

While the annual internal audit opinion remains unchanged from the previous year, it is important to note that no Limited assurance opinions were issued in 2025-26, and three Substantial assurance opinions were issued, compared to two in 2024-25, indicating a positive trend. The rest of the assurance opinions for the year were Moderate.

Certain weaknesses and exceptions were highlighted by the audit work. No 'High' priority findings have been raised; however a total of 19 'Medium' priority findings have been raised. These matters have been discussed with management, to whom the internal auditors have made several recommendations. All of these have been, or are in the process of being addressed.

During the year, three internal audits received a 'Substantial' assurance opinion:

- Strategic Innovation Fund
- Workforce Strategy, and
- Retail Compliance: Horizon Scanning Framework

All other completed internal audit reviews concluded with 'Moderate' assurance opinions. No Limited or Unsatisfactory assurance opinions were issued during 2025-26.

However, internal audit identified a number of control weaknesses and areas for improvement. Whilst no high priority findings were raised, a total of 35 medium priority actions were reviewed as part of the 2025-26 follow-up activity, covering previously agreed management actions. These matters were discussed with management, and appropriate recommendations were agreed. All actions have either been implemented or are in the process of being addressed, with progress monitored through Ofgem's internal tracking arrangements.

Common themes emerging from internal audit work during 2025-26 included:

- **governance and documentation discipline,** including the quality of audit trails, clarity of approvals, and centralised storage of key records;
- **embedding lessons learned,** particularly ensuring learning from past activity is consistently captured and applied; and
- **assurance over the implementation and closure of agreed actions,** with follow-up work spanning areas such as data integrity, contract management, declarations of interest, enforcement activity, ePMO, and REGO.

In contrast, areas of **good practice** were evident in the audits receiving Substantial assurance, including:

- **comprehensive and well-maintained documentation,** supported by clear guidance and procedures;
- **established training and induction arrangements** for staff within scope; and

- **clear governance structures,** with defined roles, responsibilities and oversight mechanisms.

In December 2024, an External Quality Assessment (EQA) of Forvis Mazars was completed in accordance with the Global Internal Audit Standards. The assessment concluded that Forvis Mazars 'generally conform' with professional standards, which is the highest rating available. In line with the Standards, the results of this EQA remain valid for a five-year period.

Quality Assurance of analytical models

Ofgem continued to subject the department's analytical work to quality assurance. This involves supporting policy teams to develop and review their analytical work, including business critical models, other models, evaluation, cost benefit analysis, and impact assessments. Ofgem's quality assurance procedures follow the guidance issued by HM Treasury in their 2013 review. This continues to ensure Ofgem's analytical work is accurate, robust, and produced to the highest standards.

Quality of data used by the Board

The Board considers the quality of data it receives is acceptable to allow it to meet its duties. Throughout the year, the Board receives a wide range of information, including financial and non-financial data, performance metrics, and operational updates. Ahead of submission to the Board, papers and performance dashboards undergo a quality assurance processes overseen by executive directors and senior management teams. Continuous improvements are made to reporting formats and metrics to ensure that the Board has access to high-quality, relevant, and timely data to support its decision-making.

Internal whistleblowing cases in Ofgem

Ofgem's internal whistleblowing policy is a process for staff to raise any whistleblowing concerns and supports our culture of employees feeling confident to speak up about issues of concern in a safe and supportive environment. Our policy aligns with the recommendations and good practice published by the Civil Service and Protect. Three issues were raised under this policy during the year.

Information requests and correspondence

Ofgem must also comply with statutory requirements relating to freedom of information and subject access requests, as well as environmental information regulations. In 2025-26, Ofgem responded to 93% of FOI/EIR requests within either the original deadline or with a permitted extension note. For subject access requests, the deadline was met 90% of the time and for parliamentary correspondence, 48% of the time.

Complaints to the Parliamentary Ombudsman

There were 47 primary investigation cases accepted by the Parliamentary and Health Service Ombudsman during 2025-26, with one case remaining open from the previous year. No cases were upheld in part or in full. 31 cases were not upheld. 16 primary investigation cases are still ongoing in 2026.

Compliance with Corporate Governance in Central Government Departments: Code of Good Practice

The Board's composition, sub-committee structure, internal risk controls, and reporting mechanisms fully comply with the principles and guidance in the Corporate governance in central government departments: code of practice. The effectiveness of the Board is reviewed annually with an externally facilitated Board Effectiveness Review taking place at least once every three years. Campbell Tickell carried out an externally facilitated review in late 2024 and throughout 2025 Ofgem responded to the recommendations made.

Ministerial directions

Ofgem did not receive any Ministerial Directions during 2025-26.

Independent reviews

As noted in the Performance Report, a review of Ofgem by DESNZ was announced in December 2024, with findings published in April 2026. A Board Effectiveness review was carried out during 2024-25. Further details are included in the Directors' Report on page 45.

Change in Accounting Officer

Jonathan Brearley was accountable for Ofgem's activities until 23 March 2026, and I was appointed Interim Chief Executive and assumed the Accounting Officer role from that date. Based on an internal assessment of the effectiveness of governance and internal control arrangements up to 23 March 2026, I received assurance from Jonathan Brearley to support my conclusion on the effectiveness of governance and internal control for the full financial year.

Conclusion

Principal Risk Owners report a high level of confidence in the effectiveness of Ofgem's governance arrangements, supported by a range of internal and external assurance and monitoring activities across the organisation's key risk areas.

Assurance over compliance with corporate policies and processes was generally assessed as moderate during the year. This reflects positive progress made despite increasing workload and competing priorities. Areas previously assessed as less mature in risk management strengthened their approach during the year, resulting in greater consistency across the organisation. While there remains scope for further improvement, the overall control environment remains effective.

The internal control system has been in place for the year under review and up to the date of approval of the annual report and accounts.

I have considered the evidence supporting this Governance Statement, including assurance from the department's governance arrangements, the assurance provided by Jonathan Brearley during the handover of the Accounting Officer role, and the independent advice of the Audit and Risk Assurance Committee and Internal Audit. Overall, I am satisfied that Ofgem managed its risks effectively and strengthened its assurance arrangements during 2025-26, and I conclude that the department has satisfactory governance and risk management systems in place.

Tim Jarvis
Interim Chief Executive and Accounting Officer
10 July 2026

Remuneration and Staff Report

Remuneration report

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit through fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Remuneration Policy

The remuneration of all employees is set out in their contracts and is subject to annual review in line with awards agreed by Cabinet Office and, for senior civil servants, as recommended by the Senior Salaries Review Body. Apart from the Chair our senior employees are permanent members of staff. None of them have a notice period longer than six months.

Each permanent member of staff of the Senior Leadership Team is eligible to participate in the Senior Civil Servant bonus scheme that is in line with Cabinet Office guidelines. The bonus is based on the individual's performance. Bonus payments are non-consolidated and non-pensionable.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior management (i.e., Board members) of the department.

Single total figure of remuneration (Audited)

	Salary (£000) 2025-26	Salary (£000) 2024-25	Bonus Payments (£000) 2025-26	Bonus Payments (£000) 2024-25	Benefits in kind (to nearest £00) 2025-26	Benefits in kind (to nearest £00) 2024-25	Pension Benefits (to nearest £000) 2025-26*	Pension Benefits (to nearest £000) 2024-25*	Total (£000) 2025-26	Total (£000) 2024-25
Members of the Senior Executive Committee – SEC (Note 1)										
Jonathan Brearley (note 1)	205-210	205-210	10-15	5-10	-	-	41,000	94,000	260-265	310-315
Melinda Johnson (note 2)	370-375	190-195	-	0-5	-	-	12,000	149,000	380-385	340-345
Tim Jarvis (note 3)	150-155	145-150	10-15	5-10	-	-	47,000	138,000	210-215	290-295
Akshay Kaul	155-160	150-155	-	5-10	-	-	60,000	59,000	215-220	215-220
Neil Lawrence	160-165	155-160	-	0-5	-	-	62,000	61,000	225-230	215-220
Neil Kenward	140-145	135-140	10-15	10-15	-	-	51,000	151,000	205-210	300-305
Priya Brahmbhatt-Patel	140-145	135-140	10-15	10-15	-	-	52,000	143,000	205-210	290-295
Sinead Murray (note 4)	140-145	140-145	10-15	10-15	-	-	33,000	118,000	185-190	270-275
Jonathan Curtiss	60-65	-	-	-	-	-	16,000	-	75-80	-
Non-executive members of the Authority										
Mark McAllister (Chair)	170-175	170-175	-	-	-	-	-	-	170-175	170-175

*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Bonuses are based on performance levels attained as part of the Senior Civil Service performance management arrangements set centrally by Cabinet Office. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2025-26 relate to performance in 2024-25 and the comparative bonuses reported for 2024-25 relate to the performance in 2023-24. Bonus levels for Directors are approved by Ofgem's People and Remuneration Committee.

Note 1: Jonathan Brearley left Ofgem on 23 March 2026. The full year equivalent salary is £205,000-£210,000.

Note 2: Melinda Johnson left Ofgem on 7 November 2025. The full year equivalent basic salary for 2025-26 is £195,000-£200,000. Compensation for loss of office information is included on page 73; alongside basic pro-rata salary of £115,000 to £120,000 this brings salary reported in 2025-26 to £370,000-£375,000 and the total to £380,000-£385,000.

Note 3: Tim Jarvis held the role of Director General, Markets until his appointment as interim Chief Executive Officer from 25 March 2026, with a full year equivalent salary is £185,000-£190,000.

Note 4: Sinead Murray's prior-year pension benefits figure has been restated. This reflects a correction to the calculation of accrued pension value previously reported. The restatement increases the pension benefits disclosed for 2024-25 by £23,000, with a corresponding adjustment to total remuneration. The 2024-25 CETV is shown on page 71.

Jonathan Curtiss was appointed as interim Chief Operating Officer from 3 November 2025. Amounts disclosed in the table relate to the period from appointment to 31 March, with a full year equivalent salary of £145,000-£150,000.

Remuneration of other non-executive members of the Authority (Audited)

	Honorarium 2025-26	Allowance 2025-26	Honorarium 2024-25	Allowance 2024-25
Myriam Madden	-	£0	£20,000	£3,000
Barry Panayi	£20,000	£0	£20,000	£0
Warren Buckley	£20,000	£3,000	£20,000	£3,000
Tony Curzon Price	£20,000	£0	£20,000	£0
Jonathan Kini	£20,000	£0	£20,000	£0
Alena Kozakova	£20,000	£0	£20,000	£0
Graham Mather	£20,000	£0	£20,000	£0
Nick Winser	£20,000	£0	N/A	N/A
John Crackett	-	-	£1,720	£0

Myriam Madden ended her term on 31 March 2025; the annualised equivalent figure is £20,000 honorarium plus £3,000 allowance.

Nick Winser was appointed to the Board on 1 April 2025, having previously served as an adviser to the Board.

John Crackett ended his term on 1 April 2024. The annualised equivalent figure was £20,000 honorarium plus £0 allowance.

Remuneration of members of the Enforcement Decision Panel (EDP) (Audited)

	2025-26 (£000)	2024-25 (£000)
Megan Forbes	0-5	0-5
Peter Hinchliffe	0-5	10-15
Dr Ulrike Hotopp	0-5	5-10
Ali Nikpay	0-5	0-5
Andrew Ellam	5-10	0-5
Juliet Lazarus	0-5	5-10
David Ashbourne	15-20	15-20
Ann Pope	5-10	-
Frances Warburton	0-5	-
Lesley Halliday	0-5	-
Andrew Taylor	0-5	-

The following members ended their term on the EDP: Ali Nikpay on 12 March 2025; Juliet Lazarus on 1 May 2025; Megan Forbes on 9 April 2025 and Ulrike Hotopp on 21 January 2026.

The following members joined the EDP: Ann Pope on 29 April 2025; Frances Warburton on 30 June 2025; Lesley Halliday on 30 June 2025 and Andrew Taylor on 15 September 2025.

The Enforcement Decision Panel (EDP) operates with authority delegated from the Authority; therefore, members of the EDP are appointed as Ofgem employees.

The Members of the EDP will be appointed for terms ranging between three and five years. The total time commitment is expected to be in the region of up to 25 days per year, depending on the number of contested cases. Members are remunerated based on hours worked (but earning at least £5,000 per year on a full year basis). As employees, EDP members automatically join the civil service Alpha pension scheme (with the option to opt out). There are no minimum earnings requirements to be a member of the Alpha pension scheme.

In addition to remuneration shown in the table above, to the nearest £'000, Juliet Lazarus received pension benefits of £nil (2024-25: £2,000), and David Ashbourne received pension benefits of £nil (2024-25: £6,000).

Salary

"Salary" includes gross salary; overtime; private office allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and as recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument.

Bonuses (audited)

Bonuses are based on performance levels attained and made as part of the appraisal process.

Bonuses relate to the performance in the year in which they become payable to the individual. The end of year performance bonuses paid in 2025-26 relate to performance in 2024-25, and the comparative bonuses paid in 2024-25 relate to the performance in 2023-24. In 2025-26, there were 2,051 staff (2024-25: 1,663 staff) who received an in-year and/or end of year bonus. The average bonus payment was £1,141 (2024-25: £1,169), and the total amount paid in bonuses equalled £2,339,737 (2024-25: £1,944,292). Two individuals received the largest total bonus payment of £12,500 (2024-25: one individual received the largest bonus of £10,590).

Pay multiples (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce. The banded full year equivalent remuneration of the highest-paid director in the financial year 2025-26 was £220,000-£225,000 (2024-25: £215,000-£220,000); this represents a 2.41% salary % change (£207.5k to £212.5k) and 66.67% bonus % change (£7.5k to £12.5k). Total remuneration in this section does not include severance payments (Fair pay disclosures application guidance).

The below table shows the ratios of the mid-point of the banded remuneration of the highest-paid director, to the pay and benefits figures of the employees whose pay and benefits are on the 25th, 50th and 75th percentiles of Ofgem employees (Note 1).

	25th Percentile (Lower Quartile) Pay Ratio	50th Percentile (Median) Pay Ratio	75th Percentile (Upper Quartile) Pay Ratio
2025-26	6.11:1	4.39:1	3.40:1
2024-25	6.14:1	4.39:1	3.40:1

Pay ratios have remained static or reduced compared to 2024-25. This can be attributed to the overall increase in pay and benefits for the Ofgem's employees taken as a whole being higher than the remuneration increase of the highest paid director.

The 2025-26 total pay and benefits, and the salary component of total pay and benefits, of the employees on the 25th, 50th and 75th percentiles are shown below (Note 1):

	25th Percentile (Lower Quartile) £	50th Percentile (Median) £	75th Percentile (Upper Quartile) £
Total pay and benefits 2025-26	36,855	51,303	66,148
Total pay and benefits 2024-25	35,036	49,015	63,318
Salary component of total pay and benefits 2025-26	35,232	50,748	62,699
Salary component of total pay and benefits 2024-25	34,350	47,895	61,446

In 2025-26, there was an increase from 2024-25 in the full year equivalent salary and allowances of the highest-paid director. The average percentage change from 2024-25 in the salary and allowances of Ofgem employees taken as a whole was an increase of 4.45%, and in performance pay and bonuses payable, an increase of 18.39%.

In 2025-26, none (2024-25: none) of Ofgem's employees received remuneration in excess of the highest-paid director (excluding compensation for loss of office).

Employee remuneration ranged from £25,854 to £220,000 - £225,000 (2024-25: £20,000 to £215,000 - £220,000).

Note 1: The total pay award for delegated grades in 2025-26 is 4.95%. Of the total, 3.25% has been paid to eligible staff. An additional 1.7% has been accrued but the distribution across individual staff and grades has not yet been agreed, therefore it has not been reflected in the calculation of pay quartiles. The quartile analysis is therefore based on salaries as at 31 March 2026. Once agreed, the final pay award will affect staff remuneration in future periods.

Pension benefits (Audited)

	Accrued pension at pension age as at 31/3/26 and related lump sum (£000)	Real increase in pension and related lump sum at pension age (£000)	CETV at 31/3/26 (£000)	CETV at 31/3/25* (£000)	Real increase in CETV (£000)
Jonathan Brearley	60 - 65 plus a lump sum of 130 - 135	2.5 - 5 plus a lump sum of 0	1,300	1,207	15
Melinda Johnson	65 - 70	0 - 2.5	1,429	1,393	0
Tim Jarvis	65 - 70	2.5 - 5	1,348	1,238	32
Akshay Kaul	30 - 35	2.5 - 5	441	378	39
Neil Kenward	55 - 55 plus a lump sum of 115 - 120	2.5 - 5 plus a lump sum of 0	1,082	987	34
Neil Lawrence	15 - 20	2.5 - 5	253	195	40
Priya Brahmbhatt Patel	50 - 55	2.5 - 5	901	822	28
Sinead Murray**	55 - 60 plus a lump sum of 75 - 80	0 - 2.5 plus a lump sum of 0	1,078	1,008	15
Jonathan Curtiss	5 -10	0 - 2.5	119	99	11
Juliet Lazarus	0 - 5	0 - 2.5	3	3	0

*Taking account of inflation, the CETV funded by the employer has decreased in real terms.

The pension benefits of any members affected by the public service pensions remedy which were reported in 2022-23 based on alpha membership for the period between 1 April 2015 and 31 March 2022 have been reported since 2023-24 based on PCSPS membership for the same period.

** Sinead Murray's pension benefits for 2024-25 have been restated, as can be seen in note 4 on page 67.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis. All newly appointed civil servants, and the majority of those already in service, are in alpha. The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account. In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

The accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal pension age is 60 for members of classic, premium, and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages. When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members. As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as "rollback". For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2025 and 31 March 2026, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

For 2025-26, employers' contributions of £31,211,648 were payable to the PCSPS (2024-25: £29,563,560) at the rate of 28.97% of pensionable earnings. The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal and General Master trust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). Employers' contributions of £393,398 (2024-25: £383,603) were paid to one or more of the panel of three appointed stakeholder pension providers. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% £15,699 (2024-25: £15,348) of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement). Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

Staff costs include an accrual for a pay award not finalised at the reporting date (see note 1 on page 70). Pension disclosures are based on information provided by the pension scheme and reflect pensionable pay recognised at 31

March. As a result, the accrued pay award is not reflected in pension benefit figures.

Contributions due to the partnership pension providers at the balance sheet date were £73,999 (2024-25: £52,780). Contributions prepaid at that date were nil (2024-25: nil).

Zero persons (2024-25: zero persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to nil (2024-25: nil).

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office (Audited)

Melinda Johnson left under Voluntary Exit terms on 7 November 2025. She received a compensation payment of £252,983.56.

Staff report

Average number of people employed (audited)

The average number of whole-time equivalent people employed during the year was:

	Permanently employed staff 2025-26 (FTE)	Others 2025-26 (FTE)	Total 2025-26 (FTE)	Total 2024-25 (FTE)
Regulatory	909	40	949	899
Delivery & Schemes	689	34	723	749
Corporate and Central Services	523	72	595	599
Total	**2,121**	**146**	**2,267**	**2,247**

There was an average of 102 (2024-25: 98) whole-time equivalent people in the SCS grade during the year. Of these, 76 (2024-25: 72) were in pay band 1, 23 (2024-25: 22) in pay band 2, and 4 (2024-25: 4) in pay band 3.

Comparative figures for the average number of people employed in 2024-25 have been restated from a headcount basis (2,276) to a full-time equivalent (FTE) basis (2,247).

Staff costs (audited)

Staff costs comprise:

	Permanently employed staff 2025-26 (£000)	Others 2025-26 (£000)	Total 2025-26 (£000)	Total 2024-25 (£000)
Wages and salaries	113,278	15,533	128,811	119,562
Social security costs	15,466	736	16,202	12,356
Other pension costs	30,492	1,452	31,944	29,358
Other staff costs	205	-	205	177
Apprenticeship Levy (tax expense)	587	-	587	539
Total	**160,028**	**17,721**	**177,749**	**161,992**

Consultancy expenditure

Our expenditure on consultancy services in 2025-26 was £5.2 million, per note 3 of the accounts (2024-25: £8.7 million). In line with the Chancellor's expectations we have introduced controls to ensure that money is only spent where it has been challenged and assessed as essential. We attempt to minimise our reliance on external support by running targeted recruitment campaigns for the skills required to deliver our strategy. We continue to use professional service support to obtain access to specialists who provide professional or legal advice in relation to the delivery of our portfolio of work, as well as those that provide specialist delivery support where it is not economical to maintain this expertise in-house.

Off-payroll appointees

Highly paid off-payroll worker engagements as at 31 March 2026, earning £245 (note 1) per day or greater:

	Number
No. of existing engagements as of 31 March 2025	-
Of which, no. that existed:	
less than one year	-
for between one and two years	-
for between two and three years	-
for between three and four years	-
for four or more years	-

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2026, earning £245 per day or greater:

	Number
No. of temporary off-payroll (note 2) workers engaged during the year ended 31 March 2026	-
Of which:	
Not subject to off-payroll legislation	-
Subject to off-payroll legislation and determined as in-scope of IR35	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	-
No. of engagements reassesses for compliance or assurance purposes during the year	-
Of which: No. of engagements that saw a change to IR35 status following review	-

For any off-payroll engagement of Board members, and/or senior officials with significant financial responsibility, between 1 April 2025 and 31 March 2026:

	Number
No. of off-payroll engagements of Board members and/or senior officials with significant financial responsibility, during the financial year	-
Total no. of individuals on payroll and off-payroll that have been deemed 'Board members and/or senior officials with significant financial responsibility', during the financial year	3

Note 1: The £245 threshold is set to approximate the minimum point of the pay scale for a Senior Civil Servant.

Note 2: A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation, and the entity must undertake an assessment to determine whether that worker is in-scope of Intermediaries legislation (IR35) or out of scope for tax purposes.

Reporting of civil service and other compensation schemes – exit packages (audited)

Exit package cost band	Number of compulsory redundancies 2025-26	Number of other departures agreed 2025-26	Total number of exit packages by cost band 2025-26	Number of compulsory redundancies 2024-25	Number of other departures agreed 2024-25	Total number of exit packages by cost band 2024-25
<£10,000	-	4	4	-	-	-
£10,000-£25,000	-	10	10	-	-	-
£25,000-£50,000	-	3	3	-	-	-
£50,000-£100,000	-	4	4	-	4	4
£100,000-£150,000	-	-	-	-	-	-
£150,000-£200,000	-	-	-	-	-	-
£200,000-£250,000	-	1	1	-	-	-
Total number of exit packages	-	22	22	-	4	4
Total cost £000	-	958	958	-	323	323

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. The table above shows the total cost of exit packages agreed and accounted for in 2025-26 (2024-25 comparative figures are also given).

Settlement agreements are considered separately from exit payments made under the Civil Service Compensation Scheme (CSCS).

During the year, Ofgem entered into one settlement agreement with a total value of £65k (2024–25: £65k). The payment falls outside of the CSCS and has been accounted for in accordance with Cabinet Office guidance on the management of public money. The payment related to a settlement reached following conciliation in July 2025, in order to resolve a potential employment-related claim and was subject to appropriate approval in line with delegated authority limits. Where required, approval was sought from HM Treasury. Ofgem is satisfied that these payments represent value for money, taking into account the legal advice received, the risks of proceeding to litigation, and the associated costs that would otherwise have been incurred. No severance payments included in this disclosure are included within the CSCS exit package table shown above.

Where the department has agreed early retirements, the additional costs are met by the department, not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and not included in the table.

Staff composition

The table below shows staff composition as at 31 March 2026:

Staff composition (as of 31 March 2026)	Total women	Percentage	Total men	Percentage
All employees	1,069	47%	1,195	53%
Of which:				
SCS Payband 1	39	51%	37	49%
SCS Payband 2	12	55%	10	45%
SCS Payband 3	0	0%	2	100%

Employee involvement

Employee Engagement Index (EEI) is a measure used to ensure that employees are committed to their organisation's goals and values, and are motivated to contribute to organisational success. The Civil Service People Survey uses five questions to measure employee engagement, and combine all responses (positive, neutral and negative) into a summary index score, to tell departments where they sit on a scale of very disengaged (0%) through to very engaged (100%).

Our overall engagement score is 59%, which is compared to 62% in 2024. The Civil Service benchmark for 2025 is 65%.

A breakdown of Ofgem's result against the five areas is as follows:

During the year, Ofgem completed a further programme of policy review and development to ensure our people policies remain fair, inclusive and up to date.

We introduced and strengthened guidance to better support colleagues at significant life events, including new or enhanced policies covering fertility treatment, bereavement, terminal illness, neonatal care and disability leave, reinforcing our commitment to being a supportive employer.

We also updated core people policies, including anti-bullying and harassment, disciplinary and dispute resolution arrangements, and flexible working, ensuring continued alignment with legislative changes and best practice, including developments in relation to sexual harassment.

Alongside this, we modernised a number of operational policies covering pay and reward, attendance, leave and flexible working, helping to ensure our people processes remain clear, consistent and fit for a changing workforce.

Culture transformation at Ofgem

Ofgem continues to progress its culture transformation alongside significant organisational change and the Government's Plan for Change. The evolving demands of the energy system, alongside the conclusions of the Government's review of Ofgem's role, remit and powers, underline the need for the organisation to continue adapting. Strengthening Ofgem (SP5) is therefore central to delivering our multi-year strategy and will be shaped by the future statutory framework and duties set by Government.

Over the past 18 months, we have advanced a programme of organisational development to shape the culture, to articulate and embed clearer expectations of behaviours and performance required for a more complex, fast-moving environment. Our shared cultural principles focus on Predictability, Agility, Collaboration and being Technology-enabled. To embed these in practice, we are piloting a high-performing teams approach, alongside a coordinated communications and engagement programme and the development of a network of change champions. Together, these initiatives are focused on creating a more coherent, high-performing organisation – better able to prioritise, act at pace, and deliver for consumers.

In parallel, and ahead of the publication of the Ofgem Review in April 2026, early work commenced to define Ofgem's future Vision and Mission, providing an important anchor for ongoing cultural, organisational and operating model change. A Culture and Skills Implementation Plan is also in development. The Ofgem-Workforce-Strategy-2024-2029-final, is being updated to reflect this plan and additional outcomes from the Review, complementing the multi-year strategy by focusing on how we will help transform the organisation to support delivery of our long-term objectives.

Diversity and inclusion

In Ofgem's dual role as an employer and a regulator, we are committed to meeting our legal obligations and promoting equality and diversity among our workforce, in the way we work and in the industry we regulate. This section explains how Ofgem has had 'due regard' to the three aims of the Public Sector Equality Duty (PSED) under the Equality Act 2010, being to:

a. Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;

b. Advance the equality of opportunity between people who share a protected characteristic and people who do not share it; and

c. Foster good relations between people who share a protected characteristic and people who do not share it.

Further details are available at: Equality and diversity | Ofgem.

We promote equality and diversity at work: in recruitment, employment, training and career development. No one should suffer discrimination because of age, disability, gender reassignment, pregnancy or maternity, race, religion or belief, sex or sexual orientation. We do not tolerate discrimination, bullying or harassment.

Our score for inclusion and fair treatment in the 2025 staff engagement survey was 81%, a decrease of 4% compared to 2024. In 2022-23, we refreshed our Equity, Diversity and Inclusion Strategy, and one of the key priorities of this has been a focus on building a diverse and inclusive workforce, and an inclusive culture

Since the launch of the strategy, we have developed a robust data dashboard to report on our workforce representation by protected characteristics and the socioeconomic background of our staff improved data declaration rates via an internal campaign. We started capturing data on the socio-economic background of our people and 74% of our people have declared, this which allows us to do meaningful analysis on this alongside protected characteristics. We continue to make good progress against our aspirational targets and maintained a 50:50 gender balance at senior levels of the workforce, and we continue to focus on increasing representation of ethnic minority and disabled staff via specific action plans for race and disability.

As part of the race and disability action plans we launched our first Senior Civil Service (SCS) Sponsorship Programme for Black, ethnic minority, and disabled colleagues centred around strengthening senior accountability and sponsorship of under-represented talent, with clear alignment to succession planning and leadership capability. Sponsors from our Senior Executive Committee were matched with six successful candidates from across the business. A second cohort is underway which includes candidates from a low socio-economic background. We also launched a reverse mentoring programme to improve knowledge and understanding of differences and the barriers faced by under-represented groups.

We have launched a new social mobility action plan this year. We have continued social mobility outreach work with Tower Hamlets and Glasgow Councils and have partnerships with two local schools. We have participated in a Welsh Government social mobility programme with local schools in South Wales, supporting early engagement and broadening future talent pools. We have continued working with the Ministry of Justice in their cross-Government Catapult Mentoring programme, providing mentors and mentorship to existing civil servants from a low socioeconomic background. We are also part of Catapult's Graduate Aspiration Programme (GAP).

We won the Business Disability Forum's 2025 Disability Smart Inclusive Workplace Experience Award (250+ employees) for our digital Optimal Working Passport. It is the first of its kind in the Civil Service, which streamlines how employees request reasonable adjustments and workplace accommodations.

We have also rolled out line manager training centred on inclusive leadership and developed guidance on inclusive communications, meetings and events.

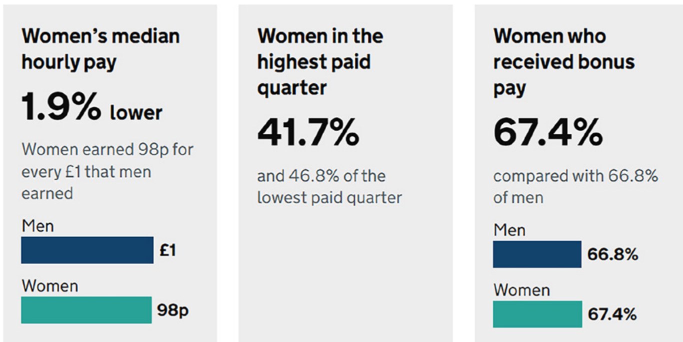
In addition, Ofgem has continued to support our diversity and inclusion staff-led networks covering age, disability and carers, ethnicity and race, Jewish faith, LGBT+, mental health, Muslim faith, social mobility and women.

As at 31 March 2026:

- 9% (2024-25: 9%) of staff were known to have a disability;
- 47% (2024-25: 46%) of staff were women;
- 44% (2024-25: 43%) of staff in managerial grades (Level 3 to SCS3) were women;
- 51% (2024-25: 48%) of Senior Civil Service members in Ofgem were women;
- 28% (2024-25: 31%) of staff were known to be of ethnic minority origin; and
- 17% (2024-25: 17%) of staff in managerial grades (Level 3 to SCS3) are from an ethnic minority background.

Our policy statement on equal opportunity is available to all employees.

Ofgem's gender pay gap data can be found at: [Gender pay gap reports for Ofgem – Gender pay gap service (gender-pay-gap. service.gov.uk).]



Promoting health and safety at work

Ofgem continues to actively manage health, safety and wellbeing and during 2025-26 took steps to strengthen its health and safety management systems through refreshed guidance and documentation.

Key actions included bringing health and safety together with wellbeing under a revised a Health, Safety and Wellbeing Committee, recognising the shared crosscutting themes of mental health and work-related stress. New overseas travel insurance was introduced, providing colleagues with emergency medical support while they are on work related trips abroad. Training was provided for new First Aiders and Mental Health First Aiders across all locations alongside a reduction in the backlog of display screen assessments. This ongoing work has raised the profile of health and safety within the organisation, with colleagues showing greater engagement and increased participation in related activities.

Trade union relationships

The recognised Trade Unions within Ofgem are PCS and FDA. Joint Negotiation Committee (JNC) meetings are held monthly, with ad hoc meetings added when necessary to discuss an urgent or specific topic. A HR policy subgroup has also been established including Trade Union representatives to agree new or significant changes to HR policies which has been working well with 21 policies having been refreshed or launched in 2025-26.

All efforts are made to promote and maintain the best possible working relationship between Ofgem and the Trade Unions. During 2025-26 PCS union has been in dispute with Ofgem on areas such as pay reform, job security and negotiation and consultation requirements which resulted in two periods of strike action by PCS members during the year. Ofgem and PCS engaged with the Advisory, Conciliation and Arbitration Service (ACAS) to help support this resolution and as a result many of the areas of dispute have been resolved. We continue to work through the remaining issues such as pay reform as part of ongoing negotiations on our successful pay flexibility case. Our goal remains clear: to foster open, respectful, and forward-looking relationships with all our trade unions, relationships that support our people and our mission.

Days lost because of absence

In 2025-26, Ofgem lost an average of 6.9 days a year per employee (2024-25: 5.2 days) to absence. This compares favourably with the Civil Service rate of 8.2 days a year per employee (as at 31 March 2025).

Staff turnover

In 2025-26, staff turnover was 12.6% (2024-25:12.9%). This compares to a reported Civil Service average of 7.1% (as at 31 March 2025). Our high turnover is in part due to the competitive market for talent in the energy sector and also due to pay disparity when compared with other regulators and parts of Government. We launched our Workforce Strategy in 2024 and accompanying action plan which has helped address turnover and we have seen a slight reduction since last year. Our aim is to reduce our turnover further to 10% or lower.

Tim Jarvis
Interim Chief Executive and Accounting Officer
10 July 2026

Parliamentary Accountability and Audit Report

Ofgem Annual Report and Accounts | 2025-26

Parliamentary Accountability and Audit report

Statement of Outturn against Parliamentary Supply (SOPS)

Summary of resource and capital outturn 2025-26

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the department to prepare a Statement of Outturn against Parliamentary Supply (SoPS) and supporting notes.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons. The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SoPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating (income)/expenditure in the SOCNE, to tie the SoPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and, an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 43, in the financial review section of the performance report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

The SoPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Accountability Report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SoPS disclosures.

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Further detail is included in Appendix 4 (Common Core Tables).

Summary tables – mirrors part 1 of the Estimates

Summary table 2025-26, all figures presented in £000's

Type of Spend	SOPS note	Outturn Voted	Outturn Non-Voted	Outturn Total	Estimate Voted	Estimate Non-Voted	Estimate Total	Outturn vs Estimate, saving Voted	Outturn vs Estimate, saving Total	Prior Year Outturn Total 2024-25
Departmental Expenditure Limit – Resource	1.1	(43,616)	-	(43,616)	47,480	-	47,480	91,096	91,096	40,340
Departmental Expenditure Limit – Capital	1.2	3,583	-	3,583	5,050	-	5,050	1,467	1,467	4,087
Total Budget Expenditure		**(40,033)**	**-**	**(40,033)**	**52,530**	**-**	**52,530**	**92,563**	**92,563**	**44,427**
Non-Budget Expenditure		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Budget and Non-Budget		**(40,033)**	**-**	**(40,033)**	**52,530**	**-**	**52,530**	**92,563**	**92,563**	**44,427**

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Net cash requirement 2025-26, all figures presented in £000's

Type of spend	SOPS note	Outturn	Estimate	Outturn vs Estimate, saving	Prior year outturn total 2024-25
Net cash requirement	3	(19,021)	93,500	112,521	(4,392)

Administration costs 2025-26, all figures presented in £000's

Type of spend	SOPS note	Outturn	Estimate	Outturn vs Estimate, saving	Prior year outturn total 2024-25
Administration costs	1.1	4,631	39,552	34,921	12,583

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

The Department has Prior Period Adjustments (PPAs) resulting from recognition of imputed tax and spend in relation to the Supplier of Last Resort (SoLR) levy.

It is proper for the department to seek Parliamentary authority for PPAs arising from the decision by the Office of National Statistics to change the classification of SoLR levy decisions. PPAs have been included within voted Supply in Ofgem's Estimate.

Decisions for "true-up" adjustments to previous SoLR levy claim decisions including further claims allowed (consented amount) and previous claims requiring to be repaid to consumers (recovery amount, which includes interest calculated by Ofgem) are treated as PPAs.

In the Last Resort Supply Payment (LRSP) claims minded-to positions 2025 cycle, Ofgem approved a net £(86.53) million LRSPs, consisting of £0.03 million of further claims allowed and £(86.56) million of previous claims requiring to be repaid administrator repayments, (2024-25: net £(19.25) million, consisting of £2.40 million further claims allowed and £(21.65) million of previous claims requiring to be repaid).

The imputed tax and spend related to these "true-up" claims have been reported as a PPA to the 2022-23 budgets (with a net impact of nil, shown as a token £1,000 to enable Parliament to vote the PPA). This has no impact on the financial statements, it is purely a budgetary (Outturn) adjustment.

Notes to the Statement of Outturn against Parliamentary Supply, 2025-26 (£000's)

SOPS1. Outturn detail, by Estimate Line

SOPS1.1 Analysis of resource outturn by Estimate Line

	Resource Outturn							Estimate				
Type of Spend (Resource)	Administration Gross	Administration Income	Administration Net total	Programme Gross	Programme Income	Programme Net total	Total	Total	Virements	Total including virements	Outturn vs Estimate, saving	Prior year outturn total 2024-25
Spending in Departmental Expenditure Limits (DEL)												
Voted expenditure												
A Gas and Electricity Markets Authority: administration	169,409	(172,255)	(2,846)	-	-	-	(2,846)	30,000	-	30,000	32,846	7,575
B Ofgem Delivery & Schemes: administration	69,752	(62,275)	7,477	-	-	-	7,477	9,552	-	9,552	2,075	5,008
C Ofgem Green Gas: administration	3,677	(3,677)	-	24,486	(72,733)	(48,247)	(48,247)	7,928	-	7,928	56,175	27,757
D Levelisation: Programme	-	-	-	64,043	(64,043)	-	-	-		-	-	-
Total resource	**242,838**	**(238,207)**	**4,631**	**88,529**	**(136,776)**	**(48,247)**	**(43,616)**	**47,480**	**-**	**47,480**	**91,096**	**40,340**

SOPS1.2 Analysis of capital outturn by Estimate Line

Type of spend (capital)	Outturn Gross	Outturn Income	Outturn Net total	Estimate Total	Estimate Virements	Estimate Total including virements	Outturn vs Estimate, saving	Prior year outturn total 2024-25
Spending in Departmental Expenditure Limits (DEL)								
Voted expenditure								
A Gas and Electricity Markets Authority: administration	3,583	-	3,583	5,050	-	5,050	1,467	4,087
B Ofgem Delivery & Schemes: administration	2,672	(2,672)	-	-	-	-	-	-
C Ofgem Green Gas: administration	-	-	-	-	-	-	-	-
Total capital	**6,255**	**(2,672)**	**3,583**	**5,050**	**-**	**5,050**	**1,467**	**4,087**

SOPS2 Reconciliation of outturn to net operating income

Item	Reference	Outturn total £000	Prior year outturn total, 2024-25 £000
Total Resource Outturn	SOPS1.1	**(43,616)**	**40,340**
Add: Capital income from DESNZ	SOPS1.2	(2,672)	(8,062)
Less: Lease interest expense	7.3	(529)	(504)
Add: Interest income	SoCNE	942	1,244
Net Operating Expenditure/(Income) in Statement of Comprehensive Net (Income)/Expenditure	SoCNE	**(45,875)**	**33,018**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure/(income), linking the SOPS to the financial statements.

Capital income is budgeted as capital DEL but accounted for as income on the face of the SoCNE and therefore is a reconciling item between total resource outturn and net operating expenditure/(income).

Interest income is budgeted as resource DEL but is included as finance income on the face of the SoCNE and therefore is also a reconciling item between total resource outturn and net operating expenditure/(income).

The following have been classified as a form of imputed tax and spend. Under IFRS, these do not meet the recognition criteria to be income and expenditure for Ofgem:

- In February 2024, Ofgem made the decision to adjust standing charges between prepayment meter and Direct Debit customers (levelisation). This reduced standing charges for prepayment meter customers and increased them for Direct Debit customers under the energy price cap. This was implemented from April 2024 and the value of the net transfers between suppliers (made via an industry body) is recognised in Ofgem budgets.
- Supplier of Last Resort (SoLR) levy was classified during 2022-23 by the Office for National Statistics. SoLR levy claims (approved by Ofgem after date of the classification decision) are recognised in budgets in the year which the decision relates to.

As there are no economic inflows or outflows to Ofgem and so these are not recognised in Ofgem's Statement of Comprehensive Net Income or the associated notes.

SOPS3 Reconciliation of net resource outturn to net cash requirement

Item	Reference	Outturn total £000	Estimate £000	Outturn vs Estimate, saving/ (excess) £000
Total Resource outturn	SOPS1.1	(43,616)	47,480	91,096
Total Capital outturn	SOPS1.2	3,583	5,050	1,467
Adjustments to remove non-cash items: Depreciation and amortisation	3	(10,568)	(15,111)	(4,543)
Adjustments to remove non-cash items: New provisions and adjustments to previous provisions	3	(1,919)	(39,000)	(37,081)
Adjustments to remove non-cash items: IFRS 16 additions and disposals	7.1	(1,084)	-	1,084
Adjustments to remove non-cash items: Other non-cash items		(746)	(300)	446
Adjustments to reflect movements in working balances: Increase/(decrease) in receivables	10	20,059	59,531	39,472
Adjustments to reflect movements in working balances: (Increase)/decrease in payables	11	(21,840)	35,850	57,690
Adjustments to reflect movements in working balances: Use of provisions	12	34,492	-	(34,492)
Adjustments to reflect movements in working balances: Capital element of payments in respect of leases	7.4	2,618	-	(2,618)
Net cash requirement		**(19,021)**	**93,500**	**112,521**

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

The outturn represents a £112.5 million saving against the estimate of £93.5 million, mainly in relation to:

- Resource underspend largely related to green gas outturn and legal provisions, with further information within the financial review on page 43.
- Saving in payables of £57.7 million due to an increase in accruals, in particular in relation to green gas support scheme.

SOPS4 Analysis of income to the Consolidated Fund

SOPS4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the department, the following income is paid to the Consolidated Fund.

		Outturn total		2024-25	
Item	Reference	Accruals	Cash basis	Accruals	Cash basis
Income outside the ambit of the Estimate		-	533	-	
Excess Cash surrenderable to the Consolidated Fund	SOCiTE, N11	61,021	17,546	17,546	37,161
Excess cash surrendered to the Consolidated Fund		-	(18,079)	-	(37,161)
Total amount payable to the Consolidated Fund		**61,021**	**-**	**17,546**	

This income relates to the recovery of legal defence costs previously funded by Exchequer resources therefore this income has been surrendered to the Consolidated Fund.

SOPS4.2 Consolidated Fund Income

Consolidated Fund income shown in SOPS 4.1 above does not include any amounts collected by the department where it was acting as agent for the Consolidated Fund rather than as principal.

The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from the financial statements) were:

Item	Outturn total	Prior year outturn total*, 2024-25
Fines and penalties	8,715	-
Amount payable to the consolidated fund	**8,715**	**-**
Balance held at the start of the year	-	27
Payments into the Consolidated Fund	(8,715)	(27)
Balance held on trust at the end of the year	**-**	**-**

* £27,003 was received during 2023-24 in relation to a penalty imposed during 2019-20. The original penalty was for £200,000, but the organisation went into liquidation and only a portion of the penalty value was received. £27,003 was paid to the Consolidated Fund during 2024-25.

Parliamentary Accountability Disclosures (audited)

Regularity of expenditure

Expenditure of Ofgem was applied for the purposes intended by Parliament. Ofgem has nothing to report in respect of the following:

- special payments;
- losses;
- fees and charges disclosure; and
- long term expenditure trends.

Remote contingent liabilities

In addition to the legal provisions disclosed in Note 12 and the contingent liabilities disclosure in Note 13 to the financial statements, the Authority has identified other legal risks for which the likelihood of a material outflow of economic benefit is considered remote.

These matters do not meet the disclosure requirements of IAS 37; however, they are reported here in accordance with HM Treasury's Managing Public Money for the purposes of parliamentary accountability.

Accordingly:

- no provision has been recognised; and
- no IAS 37 contingent liability disclosure has been made in respect of these items.

As the outcome of these proceedings would be unknown, the potential exposure associated with these matters cannot be quantified; the probability of crystallisation is considered remote.

The Authority will continue to monitor these matters and update its assessment as appropriate.

Compliance with Government Functional Standards (unaudited)

The organisation confirms that it has substantially complied with the applicable Government Functional Standards throughout the year.

Self-assessments against the Government Functional Standards are currently being completed across the organisation.

Where areas of partial compliance are being identified – these primarily relate to functions not yet consistently meeting the "Good" baseline, including gaps in the maturity of documentation, documentation being overly detailed, complex or disjointed, or consistency of process – the Business Assurance function is working with each area to identify and implement targeted improvements.

Reporting and action plans are being developed and refined, with progress monitored through the organisation's governance and assurance framework.

I am satisfied that appropriate arrangements are in place to ensure ongoing monitoring and continuous improvement in compliance with the standards.

Tim Jarvis
Interim Chief Executive and Accounting Officer
10 July 2026

The certificate and report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Office of Gas and Electricity Markets (Ofgem) for the year ended 31 March 2026 under the Government Resources and Accounts Act 2000.

The financial statements comprise Ofgem's:

- Statement of Financial Position as at 31 March 2026;
- Statement of Comprehensive Net (Income)/Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of Ofgem's affairs as at 31 March 2026 and its net income for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2026 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom* (2024). My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I am independent of Ofgem in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Ofgem's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Ofgem's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for Ofgem is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of Ofgem and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by Ofgem or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Ofgem from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing Ofgem's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Ofgem will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of Ofgem's accounting policies, key performance indicators and performance incentives.
- inquired of management, Ofgem's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Ofgem's policies and procedures on:

  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Ofgem's controls relating to Ofgem's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;
- inquired of management, Ofgem's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Ofgem for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of Ofgem's framework of authority and other legal and regulatory frameworks in which Ofgem operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Ofgem. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2025 and relevant employment law and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
14 July 2026

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Resource Accounts

Ofgem Annual Report and Accounts | 2025-26

Statement of Comprehensive Net (Income)/Expenditure for the year ended 31 March 2026

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2025-26 £000	2024-25 £000
Operating income	4	(312,670)	(226,745)
Total operating income		**(312,670)**	**(226,745)**
Staff costs	3	177,749	161,992
Other operating expenditure	3	89,046	97,771
Total operating expenditure	3	**266,795**	**259,763**
Net operating (income)/expenditure	2	**(45,875)**	**33,018**
Finance income	4	(942)	(1,244)
Finance expense	7.3	529	504
Net (income)/expenditure for the year		**(46,288)**	**32,278**
Comprehensive net (income)/expenditure for the year		**(46,288)**	**32,278**

The notes on pages 101-121 form part of these financial statements.

Statement of Financial Position as at 31 March 2026

This statement presents the financial position of the department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note		2025-26 £000		2024-25 £000
Non-current assets: Property, plant and equipment	5	4,350		3,839	
Non-current assets: Right-of-use assets	7.1	13,309		14,469	
Non-current assets: Intangible assets	6	16,652		20,351	
Total non-current assets			**34,311**		**38,659**
Current assets: Trade and other receivables	10	43,616		23,557	
Current assets: Cash and cash equivalents	9	61,021		17,546	
Total current assets			**104,637**		**41,103**
Total assets			**138,948**		**79,762**
Current liabilities: Trade and other payables	11	(113,270)		(47,955)	
Current liabilities: Lease liabilities	7.2	(2,229)		(2,077)	
Current liabilities: Provisions	12	(15,983)		(48,214)	
Total current liabilities			**(131,482)**		**(98,246)**
Total assets less current liabilities			**7,466**		**(18,484)**
Non-current liabilities: Lease liabilities	7.2	(11,627)		(12,827)	
Non-current liabilities: Provisions	12	(1,344)		(1,642)	
Total non-current liabilities			**(12,971)**		**(14,469)**
Total assets less total liabilities			**(5,505)**		**(32,953)**
Taxpayers' equity: General fund		(5,505)		(32,953)	
Total equity			**(5,505)**		**(32,953)**

The notes on pages 101-121 form part of these financial statements.

Tim Jarvis
Interim Chief Executive and Accounting Officer
10 July 2026

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2026

This statement shows the movement in the year on the different reserves held by the department, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

	Note	General fund £000
Balance at 31 March 2024		**3,674**
Auditors' remuneration	3	155
Comprehensive net expenditure for the year	SoCNE	(32,278)
Net Parliamentary Funding – deemed		-
Net Parliamentary Funding – drawn down		13,154
Excess cash payable to the Consolidated Fund	11	(17,546)
Other reserve movements		(112)
Balance at 31 March 2025		**(32,953)**
Auditors' remuneration		181
Comprehensive net income for the year	SoCNE	46,288
Net Parliamentary Funding – deemed		-
Net Parliamentary Funding – drawn down		42,000
Excess cash payable to the Consolidated Fund	11	(61,021)
Balance at 31 March 2026		**(5,505)**

The notes on pages 101-121 form part of these financial statements.

Statement of Cash Flows for the year ended 31 March 2026

The Statement of Cash Flows shows the changes in cash and cash equivalents of the department during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the department's future public service delivery.

	Note	2025-26 £000	2024-25 £000
Cash flows from operating activities:			
Net operating income/(expenditure)*	SoCNE	45,875	(33,018)
Adjustments for non-cash transactions		12,704	48,193
Increase in trade and other receivables		(19,984)	(1,434)
Increase/(decrease) in trade and other payables		66,593	(19,046)
less movements in payables relating to items not passing through the SoCNE		(43,475)	19,615
Use of provisions	12	(34,492)	(126)
Net cash inflow from operating activities		**27,221**	**14,184**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(3,777)	(624)
Purchase of intangible assets	6	(2,672)	(8,062)
Finance income		867	1,244
Net cash outflow from investing activities		**(5,582)**	**(7,442)**
Cash flows from financing activities:			
From the Consolidated Fund (Supply) – current year	SoCiTE	42,000	13,154
Capital element of payments in respect of leases	7.4	(2,618)	(2,350)
Advances from the Contingencies Fund		49,000	42,000
Payments to the Contingencies Fund		(49,000)	(42,000)
Net financing		**39,382**	**10,804**
Net increase in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund		**61,021**	**17,546**

	Note	2025-26 £000	2024-25 £000
Payments of amounts due to the Consolidated Fund	SoCiTE	(17,546)	(37,161)
Net decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	9	**43,475**	**(19,615)**
Cash and cash equivalents at the beginning of the period	9	17,546	37,161
Cash and cash equivalents at the end of the period	9	**61,021**	**17,546**

*of which proceeds from disposal of property, plant and equipment is £80,000.

The notes on pages 101-121 form part of these financial statements.

Notes to the departmental resource accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. Where the FReM permits a choice of accounting policy, Ofgem has selected the accounting policy which is judged to be most appropriate to the particular circumstances for the purpose of giving a true and fair view. The particular policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

As well as the primary statements prepared under IFRS, the FReM requires the department to prepare one additional primary statement. The Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes show outturn against estimate in terms of the net resource requirement and the net cash requirement, and are included in the Parliamentary Accountability and Audit Report section starting on page 77.

1.1 Accounting convention

These accounts have been prepared on a going concern basis under the historical cost convention. The accounts are presented to the nearest £'000.

Going concern

In common with other Government departments, the future financing of our liabilities is to be met by future grants of supply and the application of future income, both to be approved annually by Parliament. Approval for amounts required for 2026-27 has already been given and there is no reason to believe that future approvals will not be granted. We expect to continue to deliver services into the future. We have therefore considered it appropriate to adopt a going concern basis for the preparation of these financial statements.

1.2 Operating income

Operating income is income that relates directly to Ofgem's operating activities. It principally comprises licence fees, and fees and charges for services provided on a full-cost basis.

- Licence fees – In each financial year, Ofgem is required to balance its expenditure with its income. Ofgem is required to raise income from the sector it regulates such that it covers the costs to be incurred by Ofgem in regulating that sector. Therefore, Legislation provides the enforceability on both parties to enable Ofgem to recover its costs from third parties. The performance obligations relate to the underlying work to be undertaken by Ofgem as regulator of the

Gas and Electricity Market, and as set out in the published Forward Work Programme. Revenue is recognised in the year the performance obligation (cost) is incurred.

- Income from DESNZ and Scheme funded recharges – Under service level agreements/contracts with the Department for Energy Security and Net Zero and other Government bodies, Ofgem administers energy and environmental schemes on their behalf. These services are provided on a full-cost basis. Income is recognised on an accruals basis as the performance obligations outlined within the service level agreements/contracts are satisfied over time. Administration costs funded directly by DESNZ, rather than by the scheme itself or by other governments, is separated out in Note 4 and explained in Note 14.
- Green Gas Levy – The Green Gas Levy places obligations on licensed gas suppliers, including a requirement to make quarterly levy payments, in order to fund the Green Gas Support Scheme, a Government environmental scheme that provides financial incentives for new anaerobic digestion biomethane plants to increase the proportion of green gas in the gas grid. There are no obligations to transfer goods or services to those who pay the levy (it is treated as a type of taxation), because those funds will be used to pay for Green Gas Support Scheme payments and running costs. The FReM adapts IFRS 15 to require that taxation revenue received which is wholly non-refundable and leads to no obligations, should be recognised when: an equivalent to a taxable event has occurred; the revenue can be measured reliably; and it is probable that the assisted economic benefits from the taxable event will flow to the collecting entity. These criteria are considered to be met for the Green Gas Levy at the end of each quarter. Revenue is therefore recognised on a quarterly basis, based on meter point data submitted by suppliers.
- Other income – Other income is accounted for on an accruals basis.

1.3 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme (CSOPS). These are described in the Remuneration and Staff Report. Both schemes are non-contributory and unfunded. The schemes are multi-employer defined benefit schemes and the Department is unable to identify its share of the underlying assets and liabilities. Accordingly, the schemes are accounted for as defined contribution schemes in these financial statements, in accordance with IAS 19. Employer contributions are recognised as expenditure in the period in which they are incurred.

Departments, agencies and other bodies covered by both schemes meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. Liability for payment of future benefits is a charge on the schemes. There is a separate scheme statement for the PCSPS and the CSOPS as a whole.

1.4 Early departure costs

Ofgem are required to meet the additional cost of benefits beyond the normal PCSPS and CSOPS benefits for employees who retire early. The full cost is provided for when the early retirement programme has been announced and is binding.

1.5 Property, plant, equipment and depreciation

All categories of Property, plant and equipment are held at depreciated historical cost as a proxy for current value in existing use. This approach has been adopted as Ofgem property, plant and equipment are deemed to be short life or low in individual value and therefore:

- the difference between depreciated historical cost and current value is not material;
- depreciation reflects the consumption of economic benefits over the asset's useful life; and
- the cost and effort of revaluing the assets would outweigh any benefit to users of the accounts.

Revaluations would not result in a material change to carrying values.

- **Leasehold improvements**: Life of the lease
- **Office equipment, furniture and fittings:** Four years
- **IT equipment:** Three years

The minimum level for the capitalisation of property, plant and equipment is £2,000. IT equipment and furniture, where individual assets may cost less than £2,000, are capitalised on a grouped basis.

1.6 Intangible assets and amortisation

Intangible assets relating to bespoke software developed by Ofgem for use in the running of various schemes, are recognised at historic cost and amortised over their useful lives.

Useful lives are estimated annually as the lower of five years or the expected remaining duration the software will be used for the particular scheme.

Whilst being developed, the assets are classified as assets under construction and are not amortised until they are commissioned.

Development costs that are directly attributable to the design and testing of the bespoke software are capitalised when they meet the criteria specified in IAS 38 Intangible Assets (as adapted by the FReM). Expenditure which does not meet the criteria is expensed as incurred.

1.7 Leases

IFRS 16 Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset meets the IFRS 16 criteria to be classified as of "low value". Ofgem has determined low value to be in line with the capitalisation threshold for property, plant and equipment of £2,000.

For both leases of 12 months or less duration and leases of low value assets, the lease payments are recognised as an expense on a straight-line basis over the lease term.

IFRS 16 requires that assets and liabilities are recognised initially at the discounted value of the minimum lease payments over the applicable lease term. Ofgem applied HM Treasury's discount rate of 0.95% as the incremental borrowing rate when calculating the discounted value on initial application of IFRS 16 on 1 April 2022. Where future lease payments are changed due to a change in an index or rate or rent review, the existing lease liabilities are remeasured using an unchanged discount rate. A revised discount rate is used for existing leases which are appropriately modified such as a partial termination. Where existing leases are modified it is determined whether the arrangement constitutes a separate lease.

There were no lease modifications or new leases during 2025-26 or 2024-25.

Right-of-use assets are subsequently measured using the cost measurement model in IFRS 16 as an appropriate proxy for current value in existing use or fair value. This is because the leases have terms to update lease payments to market rates. Further, the-right-of use assets have shorter useful lives than their respective underlying assets.

After initial recognition, right-of-use assets are depreciated on a straight-line basis over the expected lease term and interest is recognised on the liabilities. Both costs are recognised in the Statement of Comprehensive Net (Income)/ Expenditure. Lease payments are offset against the outstanding lease liabilities. Irrecoverable VAT is expensed in the period to which it relates and therefore not included in the measurement of the lease liabilities and consequently the value of the right-of-use assets.

Ofgem's material leases relate to property rentals for office space.

1.8 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprises cash at bank and in hand. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash only.

1.9 Provisions

Where Ofgem has a legal or constructive obligation to meet certain costs, Ofgem will make a provision based on a management estimate of the value, probability and timing of future payments. Although there is a higher degree of estimation uncertainty associated with legal and GGSS provisions, management will make their best estimate based on information available.

Where the time-value of money is material, the provision is discounted to its present value using HM Treasury's standard discount rate (currently a nominal rate of 5.60% for post-employment benefit liabilities, a nominal rate of 3.64% for short term general provisions and a nominal rate of 4.22% for medium term general provisions). Each year the financing charges in the Statement of Comprehensive Net (Income)/Expenditure include the adjustments to amortise one year's discount and restate liabilities to current price levels.

1.10 Value added tax

Amounts are shown net of value added tax (VAT), except:

- irrecoverable VAT is charged to the Statement of Comprehensive Net (Income)/ Expenditure and included under the heading relevant to the type of expenditure; and
- irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset.

The amount due to/from HM Revenue and Customs for VAT is included in payables/ receivables within the Statement of Financial Position.

1.11 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction.

1.12 Financial risks

Ofgem has no significant exposure to liquidity, interest rate or currency risks. Due to the nature of its activities and the way in which Ofgem is financed, it is not exposed to the degree of financial risk faced by business entities.

1.13 Contingent assets and liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, certain statutory and non-statutory contingent liabilities are reported for parliamentary reporting and accountability purposes. This occurs where management deem the likelihood of a transfer of economic benefit as remote, but where the liabilities have been reported to parliament in accordance with the requirements of Managing Public Money.

A contingent asset is a potential asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Ofgem. A contingent asset is disclosed where an inflow of economic benefits is probable.

1.14 Assets belonging to third parties

Assets belonging to third parties as disclosed in Note 15 (such as money held in relation to the Renewables Obligation and Feed-In Tariff schemes) are not recognised in the Statement of Financial Position since Ofgem have no beneficial interest in them.

1.15 Adoption of new and revised accounting standards

- **IFRS 18**

IFRS 18 Presentation and Disclosure in Financial Statements will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of IFRS 18 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

- **IFRS 19**

IFRS 19 Subsidiaries without Public Accountability: Disclosures allows eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements and is effective for annual reporting periods beginning on or after 1 January 2027 in the private sector. The impact of IFRS 19 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

1.16 Critical accounting judgements and estimation uncertainty

- **Provisions**

Provisions rely on the application of professional judgement, historical experience and other factors expected to influence future events. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised. Further information is disclosed in Notes 1.9 and 12.

- **Lease terms**

Under IFRS 16, Ofgem assesses the likelihood of exercising break clauses or extension options within lease terms. This estimate determines the length of the lease term impacting the lease liabilities and right-of-use assets. Such assessments are reviewed if there is a significant event or significant change of circumstances.

2. Statement of operating expenditure/(income) by operating segment

2025-26

	Regulatory Activities £000	Delivery & Schemes* £000	Corporate and Central Services £000	Total £000
Gross expenditure	91,686	97,917	77,192	266,795
Income	(91,686)	(141,357)	(79,627)	(312,670)
Net operating income	**-**	**(43,440)**	**(2,435)**	**(45,875)**

2024-25

	Regulatory Activities £000	Delivery & Schemes* £000	Corporate and Central Services £000	Total £000
Gross expenditure	86,049	101,705	72,009	259,763
Income	(86,049)	(77,003)	(63,693)	(226,745)
Net operating expenditure	**-**	**24,702**	**8,316**	**33,018**

Segmental reporting is undertaken on an activity basis, in line with monthly reporting to decision makers within the organisation.

* This operating segment also includes Green Gas.

3. Expenditure

	Note	2025-26 £000	2024-25 (reclassified) £000
Staff costs*: Wages and salaries		128,811	119,562
Staff costs*: Social security costs		16,202	12,356
Staff costs*: Other pension costs		31,944	29,358
Staff costs*: Apprenticeship Levy		587	539
Other staff costs		205	177
		177,749	**161,992**
Non-cash items: Auditors' remuneration and expenses**		181	155
Non-cash items: Depreciation – property, plant and equipment	5	1,952	1,483
Non-cash items: Depreciation – right-of-use assets	7	2,244	1,921
Non-cash items: Amortisation – intangible assets	6	6,372	4,509
Non-cash items: Holiday pay accrual adjustment		77	337
		10,826	**8,405**
Other expenditure: Consultancy****		5,185	8,683
Other expenditure: Office and IT supplies and services****		23,002	16,800
Other expenditure: Professional services****		9,818	8,866
Other expenditure: Scheme payments		30,223	6,951
Other expenditure: Accommodation costs		2,950	2,922
Other expenditure: Recruitment and training		2,405	2,070
Other expenditure: Travel and subsistence		1,485	1,703
Other expenditure: Staff related costs		557	547
Other expenditure		676	587
		76,301	**49,129**
Provisions: Movement in provisions***	12	1,919	40,237
		266,795	**259,763**

* This is net of the £1.1 million (£5.0 million in 2024-25) capitalised as part of the total additions to intangible assets under construction in Note 6. Further analysis of staff costs is located in the Remuneration and Staff Report on page 65.
** There was no auditor remuneration for non-audit work.
*** This figure excludes £0.044 million (£0.040 million in 2024-25) provided in the year for dilapidations which has been capitalised in the right-of-use assets in Note 7, in line with IFRS 16.
**** Comparative reclassification: During the year, a review of the classification of externally procured support costs was undertaken; it was determined that some expenditure previously disclosed within consultancy is more appropriately office and IT services or professional services, reflecting the underlying nature of the services received.
Accordingly, prior year comparatives have been reclassified to conform with the current year presentation. This change is a reclassification only and does not affect the total of other expenditure set out in Note 3 or the total comprehensive net expenditure or the reported financial position.

The impact of the reclassification on the prior year is set out below:

	2024-25 (as reported)	Reclassification	2024-25 (reclassified)
Consultancy	15,753	(7,070)	8,683
Office and IT supplies and services	10,198	6,602	16,800
Professional services	8,398	468	8,866
	34,349	**-**	**34,349**

4. Income

	2025-26 Income £000	2025-26 Full costs £000	2025-26 Surplus/ (Deficit) £000	2024-25 Income £000	2024-25 Full costs £000	2024-25 (Deficit)/ Surplus £000
Licence fees	154,444	154,444	-	138,441	138,441	-
Other*	158,226	112,351	45,875	88,304	121,322	(33,018)
Total Operating	**312,670**	**266,795**	**45,875**	**226,745**	**259,763**	**(33,018)**
Finance income/ expense	942	529	413	1,244	504	740
Total Net	**313,612**	**267,324**	**46,288**	**227,989**	**260,267**	**(32,278)**

* Other income includes:	Note	2025-26 £000	2024-25 £000
Offshore Transmission Tender Recharge		3,564	3,427
Department for Energy Security and Net Zero	14	64,278	61,420
Scheme-funded recharges		11,746	10,800
Green Gas Levy		75,625	9,660
Recovery of Regulatory programme costs		2,076	2,282
Gain on disposal of property, plant and equipment		62	-
Miscellaneous*		875	715
		158,226	**88,304**

*Miscellaneous income includes licence application fees, legal cost recoveries, income from other Government departments and central Government bodies, and other minor items.

5. Property, plant and equipment

	Furniture £000	Office equipment £000	IT £000	Leasehold improvements £000	Total £000
Cost or valuation At 1 April 2025	216	274	8,099	3,265	11,854
Cost or valuation Additions	-	-	2,487	12	2,499
Cost or valuation Disposals	-	-	(3,442)	-	(3,442)
Cost or valuation At 31 March 2026	**216**	**274**	**7,144**	**3,277**	**10,911**
Depreciation At 1 April 2025	212	248	4,812	2,743	8,015
Depreciation Charged in year	1	19	1,692	240	1,952
Depreciation On disposals	-	-	(3,406)	-	(3,406)
Depreciation At 31 March 2026	**213**	**267**	**3,098**	**2,983**	**6,561**
Carrying amount at 31 March 2026	**3**	**7**	**4,046**	**294**	**4,350**
Carrying amount at 31 March 2025	4	26	3,287	522	3,839

	Furniture £000	Office equipment £000	IT £000	Leasehold improvements £000	Total £000
Cost or valuation At 1 April 2024	231	283	6,345	3,310	10,169
Cost or valuation Additions	-	9	2,233	8	2,250
Cost or valuation Disposals	(15)	(18)	(479)	(53)	(565)
Cost or valuation At 31 March 2025	**216**	**274**	**8,099**	**3,265**	**11,854**

	Furniture £000	Office equipment £000	IT £000	Leasehold improvements £000	Total £000
Depreciation At 1 April 2024	226	228	4,079	2,562	7,095
Depreciation Charged in year	1	36	1,212	234	1,483
Depreciation On disposals	(15)	(16)	(479)	(53)	(563)
Depreciation At 31 March 2025	**212**	**248**	**4,812**	**2,743**	**8,015**
Carrying amount at 31 March 2025	**4**	**26**	**3,287**	**522**	**3,839**
Carrying amount at 31 March 2024	5	55	2,266	748	3,074

All property, plant and equipment is owned by Ofgem.

6. Intangible assets

Intangible assets are internally generated bespoke computer software assets for use in the running of various Ofgem schemes. They are initially classified as assets under construction and are not amortised until they are available for use.

	Computer software £000	Assets under construction £000	Total £000
Cost At 1 April 2025	20,722	7,994	28,716
Cost Additions	-	2,672	2,672
Cost Reclassifications	8,671	(8,671)	-
Cost at 31 March 2026	**29,393**	**1,995**	**31,388**
Amortisation at 1 April 2025	8,364	-	8,364
Amortisation Charged in year	6,372	-	6,372
Amortisation at 31 March 2026	**14,736**	**-**	**14,736**
Carrying amount at 31 March 2026	**14,657**	**1,995**	**16,652**
Carrying amount at 31 March 2025	12,357	7,994	20,351

	Computer software £000	Assets under construction £000	Total £000
Cost At 1 April 2024	12,335	8,318	20,653
Cost Additions	-	8,062	8,062
Cost Reclassifications	8,386	(8,386)	-
Cost at 31 March 2025	**20,721**	**7,994**	**28,715**
Amortisation at 1 April 2024	3,855	-	3,855
Amortisation Charged in year	4,509	-	4,509
Amortisation at 31 March 2025	**8,364**	**-**	**8,364**
Carrying amount at 31 March 2025	**12,357**	**7,994**	**20,351**
Carrying amount at 31 March 2024	8,480	8,318	16,798

7. Leases

7.1 Right-of-use assets

Ofgem's lease contracts comprise leases of operational buildings.

	Buildings £000
Cost at 1 April 2025	20,169
Cost Remeasurement – existing leases	1,084
Cost at 31 March 2026	**21,253**
Depreciation at 1 April 2025	5,700
Depreciation Charged in year	2,244
Depreciation at 31 March 2026	**7,944**
Carrying amount at 31 March 2026	**13,309**
Carrying amount at 31 March 2025	14,469

	Buildings £000
Cost at 1 April 2024	18,332
Cost Remeasurement – existing leases*	1,837
Cost at 31 March 2025	**20,169**
Depreciation at 1 April 2024	3,779
Depreciation Charged in year	1,921
Depreciation at 31 March 2025	**5,700**
Carrying amount at 31 March 2025	**14,469**
Carrying amount at 31 March 2024	14,553

* new category of remeasurement used where previously recorded as additions.

7.2 Lease liabilities

Analysis of expected timing of discounted cash flows:	Buildings 2025-26 £000	Buildings 2024-25 £000
Not later than one year	2,229	2,077
Later than one year and not later than five years	8,863	8,118
Later than five years	2,764	4,709
Balance at 31 March	**13,856**	**14,904**

7.3 Amounts recognised in the Statement of Comprehensive Net (Income)/Expenditure

	2025-26 £000	2024-25 £000
Depreciation	2,244	1,921
Interest expense	529	504
Non-recoverable VAT	42	63
Total charged to the Statement of Comprehensive Net (Income)/Expenditure	**2,815**	**2,488**

7.4 Amounts recognised in the Statement of Cash Flows

	2025-26 £000	2024-25 £000
Repayment of principal on leases	2,618	2,350
Total cash outflow for leases	**2,618**	**2,350**

8. Financial instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore usually exposed to little credit, liquidity or market risk.

The securities and letters of credit described in Note 15 are held to manage risk in the Offshore tender auction process and Green Gas Levy which Ofgem undertakes on behalf of Government. Ofgem has no risk exposure to the securities it holds in relation to this process.

9. Cash and cash equivalents

	2025-26 £000	2024-25 £000
Balance at 1 April	17,546	37,161
Net change in cash balances	43,475	(19,615)
Balance at 31 March	**61,021**	**17,546**
The following balances at 31 March are held at:		
Government Banking Service	61,021	17,546
Balance at 31 March	**61,021**	**17,546**

In addition to the cash and cash equivalents disclosed above, Ofgem holds third-party assets of cash and letters of credit relating to offshore tender developer securities, the Renewables Obligation, the Feed-in Tariffs funds, the Renewable Heat Incentive, the Green Gas Support schemes and the Boiler Upgrade Scheme. These are described in Note 15.

10. Trade receivables and other current assets

	2025-26 £000	2024-25 £000
Amounts falling due within one year:		
Accrued income	32,135	12,595
Trade receivables	7,945	8,156
VAT receivable	121	
Prepayments	3,395	2,778
Other receivables	20	28
Balance at 31 March	**43,616**	**23,557**

Other receivables represent staff loans outstanding, such as those relating to the cycle to work scheme.

11. Trade payables and other current liabilities

	2025-26 £000	2024-25 £000
Amounts falling due within one year:		
Excess cash payable to the Consolidated Fund	61,021	17,546
Deferred licence fees	2,655	3,348
Other deferred income	277	74
Accruals	34,616	15,533
Other payables	4,311	4,248
Taxation and social security	9,460	6,331
VAT payable	-	119
Trade payables	930	756
Balance at 31 March	**113,270**	**47,955**

Ofgem encourages staff to use their full holiday entitlement for each year. However, staff can carry over up to ten days of untaken leave into the next year. Amounts untaken as at 31 March are accrued within "other payables".

Other payables include the staff creditor only.

12. Provisions for liabilities and charges

	Early retirement £000	Voluntary exit £000	Dilapidations £000	Legal £000	Green Gas Support Scheme £000	Other £000	Total £000
Balance at 31 March 2025	51	514	1,605	10,300	37,297	89	49,856
Provided in the year	-	1,429	44	6,750	3,327	73	11,623
Provisions not required written back	-	-	-	(600)	(9,064)	(3)	(9,667)
Provisions utilised in the year	(16)	(514)	-	(9,000)	(24,962)	-	(34,492)
Impact of discounting	3	-	4	-	-	-	7
Balance at 31 March 2026	**38**	**1,429**	**1,653**	**7,450**	**6,598**	**159**	**17,327**

	Early retirement £000	Voluntary exit £000	Dilapidations £000	Legal £000	Green Gas Support Scheme £000	Other £000	Total £000
Balance at 31 March 2024	62	336	1,560	2,800	4,917	30	9,705
Provided in the year	-	400	40	9,600	32,380	59	42,479
Provisions not required written back	-	(118)	-	(2,100)	-	-	(2,218)
Provisions utilised in the year	(22)	(104)	-	-	-	-	(126)
Impact of discounting	11	-	5	-	-	-	16
Balance at 31 March 2025	**51**	**514**	**1,605**	**10,300**	**37,297**	**89**	**49,856**

Analysis of expected timing of discounted cash flows as at 31 March 2026	Early retirement £000	Voluntary exit £000	Dilapidations £000	Legal £000	Green Gas Support Scheme £000	Other £000	Total £000
Not later than one year	9	1,429	338	7,450	6,598	159	15,983
Later than one year and not later than five years	20	-	108	-	-	-	128
Later than five years	9	-	1,207	-	-	-	1,216
Balance at 31 March 2026	**38**	**1,429**	**1,653**	**7,450**	**6,598**	**159**	**17,327**

Analysis of expected timing of discounted cash flows as at 31 March 2025	Early retirement £000	Voluntary exit £000	Dilapidations £000	Legal £000	Green Gas Support Scheme £000	Other £000	Total £000
Not later than one year	14	514	-	10,300	37,297	89	48,214
Later than one year and not later than five years	28	-	338	-	-	-	366
Later than five years	9	-	1,267	-	-	-	1,276
Balance at 31 March 2025	**51**	**514**	**1,605**	**10,300**	**37,297**	**89**	**49,856**

Early retirement
The department meets the additional costs of benefits beyond the normal PCSPS benefits for employees, who worked in the Leicester office of Ofgem, by paying the required amounts monthly to the PCSPS.

Voluntary exit
Severance provisions relate to voluntary exits which have been discussed with the impacted member of staff prior to 31 March 2026 but are not expected to happen until 2026-27.

Dilapidations
Dilapidations provisions are an anticipation of the future cost to return the department's leased properties to their condition as at the commencement of the lease.

Legal
Legal risks can arise as a result of Ofgem's decisions taken. The provision value has been estimated based on the assessment by legal professionals of both the likelihood of challenge and potential success of a challenge. The cost estimate considers factors such as the level of complexity, estimated resource involved in responding to a challenge and potential third party costs. During 2025-26, £9 million of the 2024-25 provision was utilised in relation to one particular risk. A further £6.75 million was provided in relation to decisions taken during 2025-26.

Green Gas Support Scheme
The Green Gas Support Scheme (GGSS) makes payments to registered participants. There is a three stage application process before participants can be registered. The provision recognises applicants who are at the final stages of the process, are likely to be registered onto the scheme in the future, and where it is probable that future payments would be backdated to cover up to 31 March 2026. The provision value is based on estimated outputs and estimated eligibility date.

Other provisions
Other provisions include outstanding costs relating to a historic shortfall in pension contributions for some members of staff and former staff as well as tax penalties.

13. Contingent liabilities disclosed under IAS 37

From time to time we will be subject to legal challenge and judicial review of decisions made in the normal course of our business as regulator of the gas and electricity markets. Legal judgements could give rise to liabilities for legal costs but these cannot be quantified as the outcome of proceedings would be unknown. There is therefore considerable uncertainty about the nature and extent of any subsequent liability.

We are not aware of any contingent liabilities requiring disclosure under IAS 37.

14. Related party transactions

During the year, we transferred £33.701 million to the Department for Business & Trade (DBT) for 2025-26 advocacy services and £1.143 million for 2025-26 metrology services. These funds are collected by Ofgem through the licence fee, on behalf of DBT. In 2024-25, £17.860 million was transferred to DBT for 2024-25 advocacy services and £1.073 million accrued as at 31 March 2025 for 2024-25 metrology services (subsequently transferred to DBT during 2025-26).

We administer environmental programmes on behalf of the Department for Energy Security and Net Zero (DESNZ). Total income from DESNZ recognised in year amounted to £64.278 million, of which £5.679 million was accrued at 31 March 2026 (£61.420 million income in 2024-25 with £5.896 million accrued at 31 March 2025).

We administer the Northern Ireland Renewable Heat Incentive on behalf of the Department for the Economy (DfE), and administer the Northern Ireland Renewables Obligation on behalf of the Northern Ireland Authority for Utility Regulation (NIAUR). £1.433 million of income was recognised in year from DfE, of which £0.325 million was accrued at 31 March 2026 (£1.018 million income in 2024-25 with £0.238 million accrued at 31 March 2025). Income of £2.535 million was recognised in year from NIAUR, of which £0.172 million was accrued at 31 March 2026 (£2.277 million income in 2024-25 with £0.117 million accrued at 31 March 2025). This income is included within the Scheme Funded Recharges figure in Note 4.

In addition, we have had a small number of transactions with other Government departments and central Government bodies.

The non-executive director, Graham Mather, is the President and a director, of the European Policy Forum Limited. Ofgem belongs to the Infrastructure Forum, which is part of this organisation. For 2025-26, Ofgem paid a membership fee of £9,000 to the European Policy Forum Limited (2024-25 fee: £7,500). In 2025-26, Ofgem also paid the European Policy Forum Limited £450 to attend the Regulation Forum Chair Summit (2024-25: £nil).

None of the other Authority members, key managerial staff or other related parties has undertaken any material transactions with Ofgem during the year except for remuneration which is included on page 65.

15. Third-party assets

Offshore Tender Developer Securities

Along with the Government, we have established the competitive offshore transmission regulatory regime to appoint an Offshore Transmission owner through competitive tendering.

We are responsible for managing the competitive tender process through which offshore transmission licences are granted.

Granting licences to operate new offshore transmission assets via a competitive tender process means that generators are partnered with the most efficient and competitive players in the market. This should result in lower costs and higher standards of service for generators and, ultimately, consumers.

Part of Ofgem's risk management strategy for the competitive tender process is to hold securities for the purposes of recovering costs in the event of an incomplete tender process. These securities are in the form of a letter of credit or cash. At 31 March 2026 Ofgem held £14.300 million in letters of credit and £nil in cash (31 March 2025: £8.450 million in letters of credit, £nil in cash).

Renewables Obligation

The Renewables Obligation (RO) is one of the main support mechanisms for large-scale renewable electricity projects in the UK, and the scheme is administered by Ofgem. The scheme closed to applicants in 2017. More about the Renewables Obligation can be found at https://www.ofgem.gov.uk/environmental-programmes/ro/about-ro

Several bank accounts are used to administer the scheme:

- Buyout funds – Suppliers can meet their renewables obligation by paying into the buyout fund. The proceeds of the buyout fund are paid back pro-rata to those suppliers who discharged their obligation in full.
- Late payments – Any payments received after 31 August will be late payments. These are subject to an annualised daily interest penalty (5% + Bank of England base rate).

- Mutualisation – Where there is an overall shortfall in the obligation amount, suppliers are required to make payment towards mutualisation. The mutualisation funds are redistributed to suppliers who discharged their obligation in full.

Bank balances held in relation to RO at 31 March 2026 totalled £65.983 million (31 March 2025: £3.628 million). Income of £7.779 million was recognised in 2025-26 in relation to RO schemes (£7.505 million income in 2024-25). This income is included within the Scheme Funded Recharges figure in Note 4.

Feed-in Tariff levelisation funds

The Feed-in Tariff (FIT) scheme is a Government programme introduced on 1 April 2010 designed to promote the uptake of small-scale renewable and low-carbon electricity generation technologies.

Ofgem administers the scheme on behalf of the Department for Energy Security and Net Zero (DESNZ), who is responsible for the FIT scheme policy and legislation, while Licensed Electricity Suppliers (FIT Licensees) operate the front-facing aspect of the scheme. If a householder, community or business has an eligible installation, they are paid a tariff for the electricity they generate and a tariff for the electricity they export back to the grid by their FIT Licensee.

The levelisation process operated by Ofgem redistributes the cost of the scheme amongst all Licensed Electricity Suppliers, based on their share of the GB Electricity Market and any FIT Payments they have made to accredited installations. This is a quarterly process, with an annual reconciliation process that is completed by September each year. The balance in the levelisation fund is typically a small value at the end of each financial year.

Bank balances held in relation to FIT at 31 March 2026 totalled £1.806 million (31 March 2025: £0.285 million).

Domestic and non-domestic renewable heat incentive (RHI)

The Domestic RHI is a Government financial incentive to encourage a switch to renewable heating systems. It's a way to help the UK reduce carbon emissions and is for households both off and on the gas grid.

The Non-Domestic RHI is a Government environmental programme that provides financial incentives to increase the uptake of renewable heat by businesses, the public sector and non-profit organisations.

Ofgem administers both schemes on behalf of DESNZ in Great Britain, and administers Non-Domestic RHI in Northern Ireland on behalf of DfE. Bank balances held in relation to the schemes at 31 March 2026 were: Domestic RHI: £3.049 million; Non-domestic RHI Great Britain: £19.581 million; Non-domestic RHI Northern Ireland: £0.788 million (31 March 2025: £2.703 million; £0.600 million; £0.710 million).

Green Gas Support Scheme

The Green Gas Support Scheme (GGSS) is a Government environmental scheme that provides financial incentives for new anaerobic digestion biomethane plants to increase the proportion of green gas in the gas grid. The scheme opened to participants on 30 November 2021 and is open to applications until 31 March 2028. Registered participants are paid quarterly payments over a period of 15 years, which are based on the amount of eligible biomethane that a participant injects into the gas grid.

Under the Green Gas Support Scheme Regulations 2021, the Green Gas Levy (GGL) places obligations on licensed gas suppliers, including a requirement to make quarterly levy payments to Ofgem in order to fund the GGSS. Licensed gas suppliers must also provide credit cover, either in the form of cash or by lodging a valid letter of credit, to help ensure funds are collected in a timely manner and to reduce the likelihood of mutualisation events being required. Credit cover must be provided for a minimum duration of a quarter and the following four weeks. Once in place, suppliers' credit cover may be drawn down on by Ofgem in instances where a supplier fails to pay whole or part of a levy or mutualisation payment by the relevant due date. As at 31 March 2026, Ofgem held £9.414 million in cash credit cover and £16.100 million in letters of credit (31 March 2025: £1.425 million in cash credit cover, £3.500 million in letters of credit).

The GGSS, and associated GGL, policy is set by DESNZ but the scheme is administered by Ofgem.

Boiler Upgrade Scheme

The Boiler Upgrade Scheme (BUS) is a Government environmental scheme which supports the decarbonisation of heat in buildings. It provides upfront capital grants to support the installation of heat pumps and biomass boilers in homes and non-domestic buildings in England and Wales. The scheme opened in 2022 and has been extended until 2030. Ofgem is the scheme administrator, whilst DESNZ is responsible for the scheme policy and legislation set out in the Boiler Upgrade Scheme (England and Wales) Regulations 2022. The bank balance held in relation to the scheme at 31 March 2026 was £11.613 million (31 March 2025: £11.068 million).

16. Financial penalties

The Gas and Electricity Markets Authority is responsible for taking enforcement action, including imposing financial penalties, in respect of the energy companies it regulates. These amounts are collected by us for payment into the Consolidated Fund (SOPS 4.2).

17. Contingent assets

No contingent assets exist as at 31 March 2026. At 31 March 2025 there was a contingent asset of £9.0 million in relation to reimbursement from another Government department for legal costs; this materialised in 2025-26.

18. Events after the reporting period

The Accounting Officer duly authorised the issue of these financial statements on the date of the Comptroller and Auditor General's audit certificate. The financial statements do not reflect events after this date.

Appendices

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Appendix 1

Investigations and Enforcement Action

Details of our cases are available on our website in accordance with our policy as set out in our Enforcement Guidelines. We will usually publish brief details of the facts and nature of the investigations on our website, although the policy is different for cases relating to the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and Network and Information Systems (NIS).

Below you can find details of the published investigations that we have completed this year. In investigations where we secured redress, the companies made payments either directly to consumers and/or to programmes and funds that would benefit them.

Company	Issue	Decision	Date of decision
Farringdon Energy Limited ("Farringdon")	Investigation into Farringdon related to allegations that Farringdon had taken/was taking Direct Debit payments for supply from customers it was either no longer supplying electricity to or had not commenced supplying.	On 16 June 2025 Ofgem confirmed its proposal to impose a financial penalty on Farringdon of £214,580 for breaching Standard Licence Condition 4A, operational capability. The penalty was in addition to £9,096.00 of goodwill payments made by Farringdon to affected customers by way of apology. This equates to a total payment of £223,676.	June 2025

Company	Issue	Decision	Date of decision
Scotia Gas Networks Ltd ("SGN Group") – previously reported as "Undisclosed" in 2024-25 accounts	Investigation into whether certain practices by SGN Group infringed the Chapter II prohibition of the Competition Act 1998. Ofgem was concerned that SGN Group had engaged in conduct that may have abused its dominant position by refusing to adopt above seven barg connections (higher pressure connections used at Non-Domestic premises) provided by third parties in SGN Group's Distribution Network Area.	On 2 December 2025, following our statutory consultation, we decided to accept binding commitments from SGN Group. We received one representation in response to our consultation, in support of the proposed commitments. The commitments address the competition concerns that we had provisionally identified during the course of the investigation. The commitments took effect from 2 December 2025, and remain in force for a period of five years from that date. Ofgem notes that entering into of commitments does not constitute a finding by Ofgem of any infringement(s), nor the admission of any infringement(s) by the SGN Group.	December 2025

Below are details of redress that Ofgem has secured through alternative action or compliance work. This gives a company a chance to put things right swiftly for consumers without us exercising our statutory enforcement powers.

Company	Issue	Decision	Date of decision
Totalenergies Gas and Power Limited ("Totalenergies")	Totalenergies were objecting wrongly to Micro-Business customers (MBC) switching providers between July 2022 to June 2024 due to incorrectly applied IT protocols.	Alternative action, no formal finding of breach. Totalenergies agreed to pay £1,040,807 in refunds to customers, £360,793 in goodwill payments to customers, £300,000 to Ofgem's Energy Industry Voluntary Redress Fund and refunded £66,850 to the Energy Bills Relief Scheme / Energy Bills Discount Scheme. This equates to a total payment of £1,701,600.	April 2025
Good Energy Limited ("Good Energy")	Good Energy failed to send final bills to PPM customers within six weeks of the supply end date, as required by SLC 27.17. As a consequence of final bills not being issued, a number of customers did not receive notification of credit balances, nor refunds of their credit balances and/or compensation payments. Good Energy has updated its billing processes and systems to resolve the issue.	Alternative action, no formal finding of breach. Good Energy agreed to pay £22,108 in refunds to customers, £33,173 in goodwill payments to customers and £94,786 to Ofgem's Energy Industry Voluntary Redress Fund. This equates to a total payment of £150,067.	May 2025
Octopus Energy Limited ("Octopus")	An issue impacting customers with 'Restricted Meter Infrastructure' was identified following a compliance review by Ofgem. Some customers were erroneously charged more than was allowed under the price cap between January 2019 and September 2024.	Alternative action, no formal finding of breach. Octopus Energy agreed to pay £2,636,884 in refunds to customers and £546,278 in goodwill payments to customers. This equates to a total payment of £3,183,162.	May 2025

Company	Issue	Decision	Date of decision
Ovo Energy Limited ("Ovo")	An issue impacting customers with Restricted Meter Infrastructure was identified following a compliance review by Ofgem. Some customers were erroneously charged more than was allowed under the price cap between January 2019 and September 2024.	Alternative action, no formal finding of breach. Ovo Energy agreed to pay £602,066.05 in refunds to customers and £280,068.73 in goodwill payments to customers. This equates to a total payment of £882,134.78.	May 2025
So Energy Limited ("So Energy")	An issue impacting customers with Restricted Meter Infrastructure was identified following a compliance review by Ofgem. Some So Energy customers were erroneously charged more than was allowed under the price cap between January 2019 and September 2024.	Alternative action, no formal finding of breach. So Energy agreed to pay £266,041.16 in refunds to customers and £58,285.85 in goodwill payments to customers. This equates to a total payment of £324,327.01.	May 2025
Utility Warehouse Limited ("Utility Warehouse")	An issue impacting customers with Restricted Meter Infrastructure was identified following a compliance review by Ofgem. Some Utility Warehouse customers were erroneously charged more than was allowed under the price cap between January 2019 and September 2024.	Alternative action, no formal finding of breach. Utility Warehouse agreed to pay £2,043,098.84 in refunds to customers and £453,960 in goodwill payments to customers. This equates to a total payment of £2,497,058.84.	May 2025
Market Compliance Review – Prepayment Meters	Following a Market Compliance Review by Ofgem of issues relating to Prepayment Meters, Ofgem identified concerns regarding the practices of eight energy suppliers when seeking to recover debt through involuntary installations of prepayment meters.	Alternative action, no formal finding of breach. Eight energy suppliers agreed to pay £18,600,000 in direct compensation payments to customers and to write off the debt of 40,000 customers.	May 2025

Company	Issue	Decision	Date of decision
Cadent Gas Limited ("Cadent")	Ofgem opened an investigation into Cadent Gas Ltd's alleged non-compliance with its obligations contained within Standard Special Condition D10 2(h) by failing to attend at least 97% of gas escapes in the prescribed timescales for the reporting period 2022-23.	Alternative action, no formal finding of breach. Cadent Gas Ltd agreed to pay £1,500,000 to Ofgem's Energy Industry Voluntary Redress Fund.	May 2025
Scotland Gas Networks Plc ("SGN")	Ofgem opened an investigation into Scotland Gas Networks Plc's alleged non-compliance with its obligations contained within Standard Special Condition D10 2(h) by failing to attend at least 97% of gas escapes in the prescribed timescales for the reporting period 2022-23.	Alternative action, no formal finding of breach. Scotland Gas Networks Plc agreed to pay £700,000 to Ofgem's Energy Industry Voluntary Redress Fund.	May 2025
Southern Gas Networks Plc ("Southern Gas")	Ofgem opened an investigation into Southern Gas Networks Plc's alleged non-compliance with its obligations contained within Standard Special Condition D10 2(h) by failing to attend at least 97% of gas escapes in the prescribed timescales for the reporting period 2022-23.	Alternative action, no formal finding of breach. Southern Gas Networks Plc agreed to pay £5,800,000 to Ofgem's Energy Industry Voluntary Redress Fund.	May 2025
Utilita Energy Limited ("Utilita")	Between 2023 and 2024, Utilita Energy failed to pass on the mandatory Warm Home Discount payments to more than 4,000 customers within the required timeframe because of an internal error in processing payments.	Alternative action, no formal finding of breach. Utilita Energy agreed to pay £277,000 in goodwill payments to customers.	June 2025

Company	Issue	Decision	Date of decision
Octopus Energy Limited ("Octopus")	Ofgem opened an investigation into Octopus Energy's alleged non-compliance with its obligations. Octopus did not issue final bills for the majority of their prepayment customers. Therefore, a number of customers did not receive notification of credit balances left on their accounts, nor refunds of their credit balances and/or compensation payments relating to Octopus' failure to comply with the Guaranteed Standards of Performance Regulations.	Alternative action, no formal finding of breach. Octopus Energy agreed to pay £1,271,000 in refunds to customers and £212,000 to Ofgem's Energy Industry Voluntary Redress Fund. This equates to a total payment of £1,483,000.	July 2025
Ovo Energy Limited ("Ovo")	Ovo Energy self-reported an issue in relation to its ability to bill customers with specific metering arrangements, namely customers that have a single supply point, but with multiple meters behind the initial supply to the property.	Alternative action, no formal finding of breach. Ovo Energy agreed to pay £2,152,447.85 in goodwill payments to customers.	July 2025
SEFE Energy UK ("SEFE")	SEFE Energy failed to address the requirements of Gas Supplier Licence Conditions for Micro Business Rule 7A.10B (a) and (c) did not occur, i.e. notifying the customer of the date the fixed term is due to end.	Alternative action, no formal finding of breach. SEFE Energy agreed to pay £377,299 in refunds to customers and £264,037 to Ofgem's Energy Industry Voluntary Redress Fund. This equates to a total payment of £641,336.	September 2025
Ovo Energy Limited ("Ovo")	Ovo Energy failed to provide Warm Home Discount (WHD) rebates to 11,646 customers by the statutory deadline of 31 March 2024. These customers did not receive their WHD rebate until November 2025 – more than 19 months late.	Alternative action, no formal finding of breach. Ovo Energy agreed to pay £2,765,200 in goodwill payments to customers.	January 2026

Company	Issue	Decision	Date of decision
Ovo Energy Limited ("Ovo")	Since January 2024, Ovo Energy billed customers using the wrong split of heating, off peak, and peak rates resulting in many customers being charged above the price cap.	Alternative action, no formal finding of breach. Ovo Energy agreed to pay £370,949.96 in refunds to customers and £116,702.29 in goodwill payments to customers. This equates to a total payment of £487,652.25.	February 2026
Good Energy Limited ("Good Energy")	Good Energy self-reported that during 2023 they had been billing 533 gas customers using metric rather than imperial conversion factors. Of the total customers affected, 492 had been undercharged and 41 had been overcharged.	Alternative action, no formal finding of breach. Good Energy agreed to pay £311,243.84 in refunds to customers and £19,828.45 in goodwill payments to customers. This equates to a total payment of £331,072.29.	March 2026
National Grid Electricity Transmission plc ("National Grid")	Investigation into National Grid's compliance with section 9(2) of the Electricity Act 1989 and Standard Licence Condition B72 of its transmission licence.	National Grid agreed to pay £20,000,000 to Ofgem's Energy Industry Voluntary Redress Fund.	March 2026
Farringdon Energy Limited ("Farringdon")	Investigation into Farringdon's compliance with Standard Licence Conditions: 0A Treating Non-Domestic Customers Fairly; 4A Operational Capability; 4C Ongoing Fit and Proper requirements; 5 Provision of information to the Authority; 7A Supply to Micro Business Consumers; 19C Customer supply continuity plan; 21B Billing based on meter readings; 21BA Backbilling.	Farringdon agreed to pay £525,000 into to Ofgem's Energy Industry Voluntary Redress Fund.	March 2026

In addition to this, other compliance engagements resulted in the following.

Type of impact	Value
Refunds paid to customers	£97,998.88
Compensation payments to consumers	£57,222.68
Redress payments to the Voluntary Redress Fund	£2,650.00
Total	**£157,871.56**

Open cases

Below are the open investigations as at the end of March 2026. Please note, the opening of an investigation does not imply that we have made any finding(s) about non-compliance. Ofgem does not publish information on all open investigations, in particular when Ofgem is conducting investigations into potential failures to comply with REMIT requirements or NIS regulations. As a general rule, we do not comment further on these investigations, including who we are investigating, unless we consider it necessary to do so in the interests of consumers or market confidence.

Company	Date opened	Issue
British Gas Trading Limited ("BG")	February 2023	Investigation into BG's compliance with Standard Licence Conditions ("SLCs") 0, 13.1 (a) and (d), 27, 28 and 28B.1 of the Gas and Electricity Supply Licences. These SLCs relate to the Standards of Conduct, arrangements for access to customer premises, disconnections, prepayment meters and the installation of prepayment meters under a Relevant Warrant.
Ovo Energy Limited ("Ovo")	May 2023	Investigation into four licensed supply entities which sit within the parent company of Ovo, and their compliance with Standard Licence Conditions ("SLCs") 0.3(c)(d), 26.4, 26.5(d)(f), 27A and 28.1A, B of the Gas and Electricity Supply Licences. These SLCs relate to treating domestic customers fairly, obligations to customers on the Priority Services Register, and ensuring customers' Prepayment Meters are safe and reasonably practicable in all circumstances.
Ruby Electricity Ltd and Ruby Gas Ltd ("Ruby"), formerly BES Commercial Electricity Ltd and Business Energy Solutions Ltd	November 2023	Investigation into whether Ruby are in compliance with Standard Licence Condition ("SLC") 7.3 of the Gas and Electricity Supply Licences. Where a customer is supplied based on a deemed contract relationship, the supplier is required by SLC 7.3 to take all reasonable steps to ensure that the terms of its deemed contracts are not unduly onerous.

Company	Date opened	Issue
Utilita Energy Limited ("Utilita")	February 2024	Investigation into whether Utilita is in compliance with Standard Licence Conditions ("SLCs") 4A, 11B, 12 and 12A of its Electricity Supply Licence. These SLCs relate to Operational Capability, the Retail Energy Code, Matters relating to Electricity Meters, and Matters relating to Theft of Electricity.
Utilita Energy Limited ("Utilita")	November 2024	Investigation into whether Utilita is in compliance with Standard Licence Conditions ("SLCs") 0, 4A, 23, 26, 27, 27A, 28, and 28B of the Gas and Electricity Supply Licences. The SLCs relate to treating domestic customers fairly, operational capability, notification of Domestic Supply Contract Terms, the Priority Services Register, disconnections, self-disconnections, prepayment meters and the installation of prepayment meters under a Relevant Warrant.
Maxen Power Supply Limited ("Maxen")	April 2025	Investigation into whether Maxen is in compliance with Standard Licence Conditions ("SLCs") 0A, 12 and 12A of the gas and electricity supply licences. These SLCs relate to the fair treatment of businesses and matters relating to energy theft. Subsequent to opening the investigation, we expanded its scope to include SLCs 4A, 4C and 5A. These SLCs relate to operational capability, ongoing fit and proper director requirements and the principle to be open and cooperative with Ofgem.
Moray Offshore Windfarm (East) Limited ("Moray Offshore Windfarm")	April 2025	Investigation into whether Moray Offshore Windfarm is in compliance with the requirements of condition 20A of the Electricity Generation Standard Licence Conditions (known as the Transmission Constraint Licence Condition).
Smart DCC Ltd ("DCC")	July 2025	Investigation into whether DCC is in compliance with Standard Licence Conditions ("SLCs") 11.6-11.9 and 16.4-16.6. SLCs 11.6-11.9 require that the Licensee (DCC), when undertaking any activity, must not unduly prefer itself or any affiliate. SLCs 16.4-16.6 require that the Licensee (DCC) must procure relevant service capability from external service providers on a competitive basis.

Company	Date opened	Issue
National Grid Electricity Transmission plc ("National Grid")	July 2025	Investigation into whether National Grid is in compliance with its obligations under Section 9(2) of the Electricity Act 1989 and Standard Licence Condition B7(1) of its Electricity Transmission Licence in relation to the North Hyde substation and the condition of their assets at that location (which led to the loss of all supplies from North Hyde 275kV substation, impacting thousands of customers, including Heathrow Airport). Section 9(2) of the Electricity Act 1989 requires National Grid Electricity Transmission to develop and maintain an efficient, co-ordinated and economical system of electricity transmission and facilitate competition in the supply and generation of electricity. In addition, we are investigating potential breaches of Standard Licence Condition B7(1) of the Transmission Licence which relate to the licensees' obligation to secure that it has available resources to ensure that it is at all times able to properly and efficiently carry on the transmission business and to comply in all respects with its obligations under the Electricity Transmission licence and the Electricity Act that apply to the transmission business.

Final Orders (FO)

No Final Orders were imposed, proposed, or concluded during the year April 2025 to March 2026.

Provisional Orders (PO)

Below you can find details of the Provisional Orders imposed during the year from April 2025 to March 2026, we issued two Provisional Orders. These two cases were also concluded within the same period.

Provisional Order (PO) ended	Company	Concern	Outcome
November 2025	Tomato Energy Limited ("Tomato")	A PO was issued to Tomato on 10 April 2025 in accordance with Section 25(2) of the Electricity Act 1989. It appeared that Tomato was contravening, or was likely to contravene Standard Licence Condition ("SLC") 4A, SLC 4B.1 and SLC 4B.8 of the electricity supply licence. The PO was confirmed on 9 July 2025.	Tomato ceased trading on 5 November 2025 and its licence to supply electricity was subsequently revoked. As a result, the provisions of the PO ceased to have effect.
December 2025	Maxen Power Supply Limited ("Maxen")	A PO was issued to Maxen on 12 September 2025 in accordance with Section 25(2) of the Electricity Act 1989 and 28(2) of the Gas Act 1986. It appeared that Maxen was contravening, or was likely to contravene, Standard Licence Condition ("SLC") 12A.12(g) of the gas supply licence and SLC 12A.11(h) of the electricity supply licence.	Having assessed information received subsequently, Ofgem was satisfied that Maxen had taken necessary steps to secure compliance. Ofgem therefore decided not to confirm the PO. The PO lapsed and ceased to have effect on 12 December 2025.

Appendix 2

Annual report on carbon dioxide transport and storage functions under Section 41 of the Energy Act 2023

Section 41(1)(a) of the Energy Act 2023 requires that the Authority makes a report (the "annual T and S report") to the Secretary of State on the exercise of its functions under Part 1 of the Energy Act 2023 during the relevant reporting year, including a general survey of developments in respect of matters falling within the scope of those functions.

This report covers the period 2025-26 and is the first full reporting year in which the Authority has exercised its enduring statutory functions as the economic regulator for licensed carbon dioxide transport and storage networks. The Authority's functions under Part 1 of the Energy Act 2023 commenced during the 2024-25 reporting year.

The 2025-26 year marked a transition for the carbon dioxide transport and storage sector from policy design to early delivery. Final Investment Decisions taken by Government for initial clusters enabled licensed projects to progress into construction, bringing the regulatory framework established under the Energy Act 2023 into active use.

During the year, the Authority's focus shifted towards embedding effective licence monitoring, regulatory assurance and stakeholder engagement, whilst ensuring that regulatory decisions are taken in a manner that protects users and supports the delivery of Government decarbonisation objectives.

Section 41(2)(a) of the Energy Act 2023 requires that the annual T and S report for each year must include a report on the progress of the projects described in the transport and storage forward work programme for that year.

The Authority's projects relating to the regulation of carbon dioxide transport and storage were set out in the Multi-Year Strategy published in March 2024, the 2024-25 Forward Work Programme and further developed under Strategic Priority 2 in both the 2025-26 and 2026-27 Forward Work Programme "Enabling infrastructure for net zero at pace".

Progress against Objective 8.2 in the 2024-25 Forward Work Programme; "regulate carbon capture, utilisation and storage" and 3.12 under Strategic Priority 2 in the 2025-26 Forward Work Programme; "implement new price controls for CO_2 transport and storage companies" included the Secretary of State for Energy Security and Net Zero awarding an economic licence to Liverpool Bay CCS Limited in April 2025, establishing the Authority as the economic regulator for a second CO_2 transport and storage network.

The Authority has continued to develop the systems, processes and regulatory capabilities required to oversee the construction phase and future operational obligations of the networks. This has included the implementation of a licence modification to introduce a Use-It-Or-Lose-It style allowance for early development activities and an adjustment to the Ongoing Devex Re-opener mechanism to support the efficient development of the networks. The Authority has also published guidance for licensees in financial or operational distress and Regulatory Instructions and Guidance for reporting of information to the Authority by Licensees.

The Authority has also published the results of the 2025 Annual Iteration Process (AIP) for the CO_2 Transport and Storage Price Control Financial Model, as defined in the economic licence, and issued determinations on re-opener applications supporting the construction and development of the networks. For Net Zero North Sea Storage Limited, this included the next phase of development activities for expanding the offshore geological storage and the onshore network in the Humber region, and a cost adjustment to the Phase 1 rig. For Liverpool Bay CCS Limited, a determination was published allowing early works to proceed to secure land rights to connect a new user in the Padeswood area.

The Authority has also published the first modification decision in relation to the CCS Network Code, with modification CCS001 creating provision for users to vent CO_2 between the Metering Point and Delivery Point in their facilities.

Alongside its regulatory responsibilities, the Authority continues to provide independent advisory support to the Department for Energy Security and Net Zero (DESNZ) in the ongoing development of the CCUS sector, including advice on non-pipeline transportation, unbundling and the evolution of economic regulation for CO_2 storage.

Section 41 of the Energy Act 2023 also requires a number of other elements to be included in the annual T and S report:

- s41(1)(b) a report on the activities of the CMA during that year in respect of any reference made to it by the Authority. There have been no references made by the Authority to the CMA on which to report;
- S41(2)(b) A summary of final and provisional orders made by the Authority in that year. There have been no final or provisional orders made in this reporting year;
- A summary of the penalties imposed by the Authority during that year. There have been no penalties imposed in this reporting year;
- A report on such other matters as the Secretary of State from time to time may require. The Secretary of State has not required a report on any such other matters in this reporting year.

Section 41(3) of the Energy Act 2023 requires the Authority to report on:

- the ways in which the Authority has carried out its duties under section 100(1) and (2) of the Energy Act 2023 in relation to a CCUS strategy and policy statement designated by the Secretary of State (so far as the statements designation was in effect during the whole or any part of the year); and
- the extent to which the Authority has done the things set out in a forward work programme or other document as the things the Authority proposed to do during that year in implementing its strategy for furthering the delivery of the policy outcomes contained in the CCUS strategy and policy statement.

There has been no CCUS strategy and policy statement designated during this reporting year.

Appendix 3

Statutory arrangements under Section V of the Utilities Act 2000

Section 5 of the Utilities Act 2000 requires that the Authority includes the following in its annual report each year:

Section 5(1):

- the activities of the Authority during the year; and
- the activities of the CMA during that year in respect of any reference made to it by the Authority.

The activities of the Authority during the year are reported on throughout this report. (There have been no references made by the Authority to the CMA on which to report).

Section 5(2):

- A general survey of developments in respect of matters falling within the Authority's functions, including in particular developments in competition between persons engaged in, or in commercial activities connected with:
    - the shipping, transportation or supply of gas conveyed through pipes; and
    - the generation, transmission, distribution or supply of electricity; or
    - the operation or maintenance of, or the supply of heating, cooling or hot water by means of, relevant heat networks. (These developments are referred to in the Performance Report)
- A report on the progress of the projects described in the forward work programme for that year; (Progress is reported in the Performance Report)
- A summary of final and provisional orders made and penalties imposed by the Authority in that year; (This can be found in Appendix 1)
- A summary of any final notices given by the Authority under REMIT in that year; (This can be found in Appendix 1)
- A report on such other matters as the Secretary of State from time to time may require.

Section 5(2A):

- a report on the ways in which the Authority has carried out its duties under section 132(1) and (2) of the Energy Act 2013 in relation to a strategy and policy statement designated by the Secretary of State (so far as the statement's designation was in effect during the whole or any part of the year) (Which is found in the Performance Report); and
- the extent to which the Authority has done the things set out in a forward work programme or other document as the things the Authority proposed to do during that year in implementing its strategy for furthering the delivery of the policy outcomes contained in the strategy and policy statement. (This can be found in the Performance Report).

Section 5(3):

- any general directions given by the Secretary of State under s34(3) of the Gas Act 1986 or s47(2) of the Electricity Act 1989.

(The Secretary of State has not made any such general directions).

Section 5(3A):

An overview of:

- developments relating to documents designated for the purposes of Part 6 of the Energy Act 2023 (governance of gas and electricity industry codes);
- decisions made by the Authority during the year in relation to such documents, including details of any modifications made under section 192 of the Energy Act 2023.

(No documents have been designated for the purposes of Part 6 of the Energy Act 2023 during this course of this reporting year).

Appendix 4

Regulatory Reporting - Common Core Tables

These tables present actual outturn by the department for the years 2021-22 to 2025-26 and plans covering the period 2026-27 to 2028-29 for RDEL and through to 2029-30 for CDEL only, agreed as part of Spending Review 2025 (SR 25).

The data relates to the department's expenditure on an Estimate and budgeting basis. The format of the tables is determined by HM Treasury, and the disclosure in Tables 1 and 2 follow that of Parliamentary control totals.

Table 1 Public spending – summarises expenditure by the department. Consumption of resources includes Departmental Expenditure Limits (DEL) for administration, programme and capital costs, both Voted and Non-Voted expenditure. The figures and the mappings replicate the lines in SOPS note 1.

Table 2 Administration budgets – provides a more detailed analysis of the gross administration costs of the department. It retains the high level analysis used in Table 1. The figures and the mappings replicate the lines in SOPS note 1.

Common Core Tables

Core Table 1: Public Spending £'000

A summary of departmental net expenditure using the same headings as voted within the Estimate, covering the period 2021-22 to 2025-26 and plans for 2026-27 to 2028-29 and 2029-30 for CDEL only, agreed as part of Spending Review 2025 (SR 25).

£'000	Net Outturn 2021-22	Net Outturn 2022-23	Net Outturn 2023-24	Net Outturn 2024-25	Net Outturn 2025-26	Net Budget 2026-27	Net Budget 2027-28	Net Budget 2028-29	Net Budget 2029-30
Administration Resource DEL	**3,771**	**(8,203)**	**9,098**	**12,583**	**4,631**	**13,750**	**13,750**	**13,750**	**-**
A Gas and Electricity Markets Authority	1,824	(9,803)	6,505	7,575	(2,846)	-	-	-	-
B Ofgem Delivery & Schemes	686	1,600	2,593	5,008	7,477	13,750	13,750	13,750	-
C Ofgem Green Gas	1,261	-	-	-	-	-	-	-	-
Programme Resource DEL	**(13,578)**	**(49,733)**	**(2,747)**	**27,757**	**(48,247)**	**-**	**-**	**-**	**-**
A Gas and Electricity Markets Authority	642	-	-	-	-	-	-	-	-
B Ofgem Delivery & Schemes	-	-	-	-	-	-	-	-	-
C Ofgem Green Gas	(14,220)	(49,733)	(2,747)	27,757	(48,247)	-	-	-	-
Capital DEL	**3,567**	**2,163**	**1,176**	**4,087**	**3,583**	**16,549**	**1,464**	**5,000**	**1,700**
A Gas and Electricity Markets Authority	2,049	1,234	1,176	4,087	3,583	16,549	1,464	5,000	1,700
B Ofgem Delivery & Schemes	-	-	-	-	(-)	-	-	-	-
C Ofgem Green Gas	1,518	929	-	-	-	-	-	-	-
Total DEL	**(6,240)**	**(55,773)**	**7,527**	**44,427**	**(40,033)**	**30,299**	**15,214**	**18,750**	**1,700**

Note that Delivery and Schemes (B) and Green Gas (C) outer year budgets will be formalised annually through the supply estimates process, so these are not included in the SR25 figures presented in the tables.

Core Table 2: Administration Budgets £'000

Providing continued visibility around administration spend, covering the period 2021-22 to 2025-26 and plans for 2026-27 to 2028-29, agreed as part of Spending Review 2025 (SR 25).

	Gross Outturn 2021-22	Gross Outturn 2022-23	Gross Outturn 2023-24	Gross Outturn 2024-25	Gross Outturn 2025-26	Gross Budget 2026-27	Gross Budget 2027-28	Gross Budget 2028-29
Administration Expenditure	**129,230**	**142,108**	**183,842**	**225,537**	**242,838**	**294,097**	**200,800**	**206,630**
A Gas and Electricity Markets Authority	96,398	101,304	132,259	158,561	169,409	199,497	187,050	192,880
B Ofgem Delivery & Schemes	31,571	38,186	47,993	63,045	69,752	88,750	13,750	13,750
C Ofgem Green Gas	1,261	2,618	3,590	3,931	3,677	5,850	-	-
Administration Income	**(125,459)**	**(150,311)**	**(174,744)**	**(212,954)**	**(238,207)**	**(280,347)**	**(187,050)**	**(192,880)**
Net Administration Expenditure/(Income)	**3,771**	**(8,203)**	**9,098**	**12,583**	**4,631**	**13,750**	**13,750**	**13,750**

Ofgem Regulatory Administration

Ofgem's administration expenditure has increased from £96.4 million in 2021-22 to £192.9 million in 2028-29 as agreed through the spending review, reflecting a step-change in the scale and complexity of its regulatory role. Since 2021-22, Ofgem has had to respond to the energy crisis, supplier failures, heightened price volatility and increased consumer protection expectations, while also strengthening retail market supervision, compliance and enforcement – for example, through the introduction of its Financial Resilience and Controls regime, which had its first full year of operation in 2025-26.

At the same time, Ofgem has a growing role in enabling net zero infrastructure and HMG Clean Power 2030 mission, expanding electricity networks, improving connections, supporting flexibility and digitalisation. The increase therefore reflects the capability and capacity required for a more complex energy system and supports expanded regulatory responsibilities (Heat Networks, NESO, Carbon Capture Utilisation and Storage). Importantly, this is a gross administration budget and is largely funded through licence fee income, so it should not be read as an equivalent increase in Ofgem's net Exchequer-funded position.

Delivery and Schemes Administration

The increase in Ofgem Delivery and Schemes administration expenditure reflects the growing scale and complexity of schemes delivered on behalf of government in support of decarbonisation and wider energy policy objectives.

As environmental and social programmes have expanded, Ofgem has required additional operational, digital, analytical and assurance capability to administer schemes effectively, manage compliance risks and deliver increasing volumes of activity. The budget growth therefore reflects the expansion of Ofgem's delivery function in support of government energy and net zero policies.

Future Year Delivery and Schemes budgets have not yet been formally agreed with funders. Funding is typically determined on an annual basis and formalised through the Supply Estimates process, aligned to agreed delivery plans for individual schemes.

Green Gas (Administration & Programme)

The increase in Green Gas expenditure reflects the expansion and maturation of renewable gas support schemes administered by Ofgem.

Growth in scheme participation, accreditation, compliance monitoring and assurance activities has increased operational requirements, while broader net zero objectives and work on the future role of gas in a decarbonised energy system have increased the requirements needed to deliver these functions. The increase therefore reflects the growing importance of renewable gas schemes within the UK's decarbonisation agenda.

The budget also supports the administration of the Green Gas Support Scheme payments to accredited biomethane producers and the operation of the Green Gas Levy, which funds these payments.

Green gas levy, rates are published annually (Green Gas Levy (GGL): rates and exemptions - GOV.UK) and Ofgem annual budgets are then agreed through the Supply Estimates process in line with the latest forecasts from DESNZ (GGSS budget caps, production factors, and inflation forecasts for 2026-27 - GOV.UK).

As the scheme has matured and payment volumes start to ramp up, additional resources have been required to manage levy collection, payment processing, scheme assurance and regulatory oversight.

Ofgem Capital Budget

Ofgem's capital budget varies year on year depending on required investment in technology, digital and data infrastructure to support an expanded regulatory remit, delivery of net zero objectives and growing scheme responsibilities. The peak in 2026-27 is primarily driven by the renewal of Ofgem's estate leases.

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