



E.ON UK Limited
Trinity House,
2 Burton Street,
Nottingham,
NG1 4BX

16 September 2026

By email only to: marketsstrategy&delivery@ofgem.gov.uk

E.ON response to Ofgem's consultation on Exempting small suppliers from the Universal Service Obligation (USO)

Dear Tom,

Thank you for the opportunity to respond to Ofgem's consultation on Exempting small suppliers from the Universal Service Obligation (USO)¹.

E.ON strongly supports Ofgem's objectives of promoting innovation, investment, and consumer-led flexibility in the retail market. Ofgem has made welcome progress towards removing some barriers to innovation, including its move to a more consumer outcomes-based approach to regulation. We encourage Ofgem to go further and faster in reducing unnecessary prescription and creating effective routes to market for innovation that widens participation and works for all consumers, whether delivered by new or existing suppliers or other providers. This should sit within a long-term plan for how regulation will support new activities and roles while continuing to protect consumers as their needs develop. Widening access to flexibility should be central to that plan. The proposed USO exemption could form part of that transformation, but its objectives, pathway to scale, and contribution to wider and more inclusive participation need to be clearer.

We therefore recommend that Ofgem:

- **Go further and faster in delivering the Consumer Outcomes reforms and removing unnecessary prescription**, giving new and existing suppliers greater flexibility to innovate whilst reducing regulatory burden and complexity.
- **Develop with government a coherent long-term plan for innovation and consumer protection that works for all consumers**. This should consider the future activities and roles that may be needed and how proportionate regulation can protect consumers while providing effective routes to market and widening participation. The Load Controller licence is an example of how a distinct activity can be supported by tailored regulation and consumer protection.
- **Set clear objectives and measures of success that reflect the ambition for widening consumer participation**. The proposed exemption and other possible interventions should be assessed by whether they enable additional innovation and improve consumer outcomes.
- **Ensure there are appropriate consumer safeguards and a clear pathway beyond any threshold**. Ofgem should consider whether supplier size is an appropriate basis for regulatory differentiation, how successful specialist suppliers can grow beyond any size threshold, what guardrails are needed to prevent consumers being unnecessarily excluded, and how material unintended consequences will be identified and addressed.

¹ [Supporting innovation in the electricity retail market | Ofgem](#) (5 August 2026)

E.ON's strategy is focused on making new energy work for all, not only those consumers who already have the capital, technology, or confidence to participate. Innovation is our commitment to making affordable, sustainable energy solutions more accessible for everyone. It is important to us that everyone can access flexibility in a way that works for them. Some customers are highly engaged with their energy usage and associated technology; others do not want to have to think about it.

Our diverse portfolio of propositions is designed to provide different routes into flexibility for customers with different needs and preferences and deliver meaningful benefits for them and the energy system. More than half a million households have participated through one of our flexibility tariffs, with over 100,000 more participating in demand flexibility. These include our *FlatSave* solution of shared solar and batteries for social housing and other multi-occupancy buildings, as well as *Next Optimise*, which combines dynamic import and export pricing with automated optimisation of household solar and battery output. Beyond tariffs, our domestic battery projects deliver fixed bill savings to participating households by providing services to DSOs.

This experience reinforces our view that the goal should be to enable propositions that can work at scale for a diverse range of consumers. In terms of measuring success, there are many ways that households can already participate in flexibility through tariffs, managed services, add-ons, and other non-tariff propositions, many of which are not routinely captured in existing market data. Our work with customers shows that participation can be constrained by uncertainty over savings, complexity, lifestyle constraints, and unequal access to enabling technologies. Smart tariff adoption is therefore not the only measure of an innovative market, just as switching is not in the commodity market. Using the full range of evidence would help Ofgem establish meaningful measures of success and deliver a strong evidence base that would allow Ofgem to identify which financial, behavioural, technological, or regulatory barriers are most material and prioritise the interventions most likely to improve consumer outcomes.

The proposed USO exemption could form part of retail market transformation focused on innovation and wider customer participation. We see strong potential for greater supplier specialisation to support some innovative propositions, but it is less clear how this proposal as drafted would ever extend those benefits to a wider range of consumers. By allowing some suppliers to select the households they serve, the proposal could have significant implications for effective consumer choice and inclusive participation. We propose the following adjustments; Ofgem should consider how to measure success for the exemption; Ofgem should have a clear view of the intended pathway for successful specialist suppliers as they approach 50,000 customers; and Ofgem should consider clear effective guardrails to avoid unintended consequences, including the ability to select a lower cost-to-serve customer base.

E.ON welcomes competition from new propositions that improve consumer outcomes. We strongly believe that competition should be based on better service, innovation, and operational efficiency. Annex 1 sets out our detailed answers to the two questions in the consultation.

We hope these comments are helpful and would be pleased to discuss this response further.

Yours sincerely,

James Doig