

Sero

Consultation response

To: Ofgem — Markets Strategy & Delivery (Tom Handysides)

From: Sero

Date: 15th September 2026

Consultation: Supporting innovation in the electricity retail market: exempting small suppliers from the Universal Service Obligation (USO)

About Sero

Thank you for the opportunity to respond to this consultation. Sero is a specialist Energy as a Service company established exclusively for social housing. We bring together retrofit strategy, delivery, long-term energy management, and resident engagement into a single integrated service. Our goal is to turn social housing portfolios into managed energy assets: lowering bills for residents, decarbonising homes in line with national targets, and enabling private finance (via our partnership with institutional investors) to unlock affordable retrofit at scale.

Our model is delivered through a partnership between the social landlord and, where relevant, an Energy Services Company (ESCo). We do not intend to acquire domestic customers directly — residents are not billed by Sero as a “supplier” in the traditional sense.

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Small suppliers compete with large, established suppliers that hold structural advantages in the market — brand recognition, balance sheet strength, and existing customer relationships. We support changes that reduce unnecessary barriers to entry for smaller and specialist suppliers, provided consumer protections are maintained.

Response to consultation questions

Q1: Do you agree with the proposal to exempt suppliers with fewer than 50,000 domestic customers from the USO?

Yes. We support the proposal.

The requirement to be able to supply any domestic customer from day one is a genuine barrier to entry for a specialist model like ours. Removing it for smaller suppliers would let them focus on their target market — social housing residents — without taking on the cost and operational burden of being ready to serve the whole domestic market before having the scale to do so. We also feel that specialising in a market segment can bring better service and innovation to an often overlooked group of consumers (Social Housing tenants).

This proposal is particularly relevant to models like ours because our supply relationship sits within a wider landlord/ESCo partnership rather than a direct, open-market offer to any household. The exemption would better reflect how specialist, partnership-based models like ours operate.

We would ask Ofgem to confirm how the threshold and exemption would apply to a supplier whose customers are only ever reached through a social landlord or ESCo partnership, rather than through general market acquisition, to remove any ambiguity for this type of model.

In our model, Social Landlords currently rely on existing Class Exemptions to resell grid electricity and either Landlords or ESCo's supply on site generated electricity. Should Social Landlords or ESCOs wish to become licensed suppliers instead, the anti-avoidance rule aggregates domestic customer numbers across all licences held by "the same ultimate parent." This could be a barrier to deploying private investment funding once the 50,000 customer cap is reached. In our model, the Landlord and ESCo would only be a supplier of a home they have retrofitted and would have to seek a derogation for the USO if the proposed cap was reached.

Q2: Do you agree with the assessment of risks, and proposed mitigations?

Broadly, yes, with two points for Ofgem to consider.

- **Group structuring and threshold avoidance (para 2.15):** We would welcome clarity on how this test applies to models that involve joint ventures or special purpose vehicles set up with individual landlords and funders. A clear, published test would help us and other partnership-based suppliers plan our structure with certainty.
- **Fair competition (para 2.13):** we agree the exemption itself is proportionate but note that removing the USO cost burden alone will not equalise the playing field with large incumbent suppliers, who retain advantages of scale, brand and existing customer bases. We see the exemption as a necessary, not sufficient, step in supporting new entrants. We think the cap can go further, given that around 90% of the electricity supply market is supplied by the "Big Six" Suppliers -the cap represents a fraction of the market and will only be relevant to very small suppliers anyway.

We support the test-and-learn approach and the proposal to review the exemption after an initial period.

Summary

Sero supports the proposed USO exemption for suppliers below the 50,000 domestic customer threshold but would like to see this go further – especially if entrants are proposing to target harder to reach customer segments of the market (vulnerable and low income). We consider the current USO a barrier to entry for specialist, partnership-based models such as ours, and believe removing it would help de-risk applications for small suppliers looking to obtaining a supply licence. We ask Ofgem to clarify how the threshold and group-structure test would apply to landlord/ESCo partnership models when finalising the policy.