

Respondent: Vivetti Energy Ltd

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Vivetti Energy Response to Ofgem Consultation: Supporting innovation in the electricity retail market - Exempting small suppliers from the Universal Service Obligation (USO)

Introduction

Vivetti Energy welcomes Ofgem's consultation and supports the proposed exemption from the Universal Service Obligation (USO) for electricity suppliers with fewer than 50,000 domestic customers.

We believe the proposal represents an important step towards enabling a more innovative, flexible and decentralised electricity market. As the electricity system evolves from one centred on passive consumption to one characterised by distributed generation, storage and flexible demand, regulation should increasingly enable specialist business models that deliver value through intelligent coordination of energy assets rather than through scale alone.

Vivetti develops AI-driven software that optimises electricity demand, generation and storage across distributed energy systems. Our interest is not in becoming a traditional energy supplier, but in enabling suppliers, communities, asset owners and system operators to maximise flexibility, affordability, resilience and decarbonisation through intelligent optimisation.

We therefore support the direction of travel proposed by Ofgem and offer the following observations.

Response to Question 1- Do you agree with our proposal to exempt suppliers with fewer than 50,000 domestic customers from the USO?

We support the proposed exemption.

The current Universal Service Obligation was developed for a retail market in which suppliers primarily sold electricity to passive consumers.

The future electricity system is fundamentally different.

Increasing numbers of consumers now own flexible assets including batteries, electric vehicles, heat pumps and solar PV. Rather than simply purchasing electricity, these consumers increasingly participate in balancing the electricity system through flexible consumption, export and storage.

This creates opportunities for specialist suppliers and service providers whose value proposition is built around optimisation of distributed energy resources rather than conventional retail supply.

The proposed exemption would reduce barriers for innovative suppliers wishing to develop products tailored to particular customer groups, technologies or operating models.

Innovation extends beyond individual households

We encourage Ofgem to recognise that innovation is not limited to individual domestic customers with low-carbon technologies.

AI-driven optimisation is equally applicable across:

- community energy schemes
- campus energy systems

- industrial and commercial microgrids
- local authority energy networks
- remote and island communities
- rural electricity networks
- housing developments
- mixed portfolios of domestic and commercial assets

Many of these systems combine solar PV, wind, battery storage, controllable demand and conventional generation into integrated local energy systems.

Future retail models may therefore be based around optimising an entire energy ecosystem rather than simply supplying electricity to individual customers.

Regulation should continue evolving to support these emerging operating models.

Artificial Intelligence enables new retail propositions

Modern optimisation platforms are capable of continuously balancing competing objectives including:

- customer cost
- network constraints
- renewable utilisation
- battery degradation
- carbon emissions
- flexibility market participation
- resilience
- long-term asset value

Rather than optimising individual assets in isolation, AI can optimise entire portfolios of distributed assets to maximise overall system benefit.

Removing unnecessary barriers to specialist suppliers will encourage innovation in these advanced optimisation services.

Opportunities for remote and constrained networks

The proposed changes could be particularly valuable in locations where electricity systems differ significantly from the traditional GB network.

Examples include:

- remote communities
- island electricity systems
- weak-grid locations
- areas with very high renewable penetration

Many such systems experience periods where renewable generation significantly exceeds local demand.

Rather than curtailing renewable generation, AI-driven optimisation can coordinate batteries, flexible demand and local consumption to maximise utilisation of locally generated renewable electricity.

Supporting specialist suppliers operating in these environments has the potential to improve affordability, resilience and decarbonisation simultaneously.

Response to Question 2- Do you agree with our assessment of risks, and proposed mitigations?

We broadly agree with Ofgem's assessment of the risks.

The proposed 50,000 customer threshold appears proportionate and appropriately balances innovation with consumer protection.

The proposed safeguards around:

- continued consumer protections
- financial resilience
- monitoring supplier growth
- preventing artificial corporate structures to avoid the threshold

appear sensible.

Additional consideration

While the consultation focuses on supplier innovation, we encourage Ofgem to consider that future innovation is increasingly likely to emerge from software and AI providers operating alongside suppliers, aggregators, flexibility providers and local energy operators.

The most transformative developments may not arise solely from new retail tariffs, but from intelligent coordination of distributed energy resources across multiple customer types and ownership structures.

Future regulatory frameworks should therefore remain technology-neutral and capable of supporting business models centred on optimisation, orchestration and flexibility rather than simply electricity supply.

Conclusion

Vivetti Energy supports the proposed exemption as a pragmatic and proportionate measure that reduces barriers to innovation whilst maintaining appropriate consumer protections.

We believe this proposal represents an important step towards a more flexible electricity market capable of supporting AI-enabled optimisation, distributed energy resources and increasingly decentralised electricity systems.

As these markets continue to evolve, we encourage Ofgem to ensure that future regulatory developments remain sufficiently flexible to accommodate emerging optimisation-led business models spanning domestic customers, community energy, campuses, commercial portfolios and remote renewable-powered electricity systems.

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