

Ofgem transformed to strengthen protections for energy consumers

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Billpayers set to benefit from a stronger energy regulator to ensure they are treated fairly

- Energy regulator Ofgem reformed to introduce stronger protections for consumers
- Households supported with faster redress if they are let down by their supplier
- Energy executives incentivised to act in consumers' best interests

Billpayers are set to benefit from a stronger energy regulator, under reforms of its remit set out by the government today (22 April).

The transformation will empower the regulator to ensure energy consumers are treated fairly, including measures to guarantee good practice in the market. This is the first major update to Ofgem's scope since the regulator was founded in 2000.

The comprehensive overhaul will give Ofgem new powers to act as a true consumer champion, including:

1. Stronger powers for the regulator to enforce consumer law directly, meaning it will no longer need to go through a lengthy courts process to make sure customers get what they are owed if companies treat them unfairly;
2. Measures to ensure energy bosses act on behalf of consumers, with powers for Ofgem to ban their bonuses if they break the rules;
3. Reforms to the regulator's remit to focus on economic and consumer protection and ensure every energy consumer is protected, including the ability to regulate in new areas of the market if needed.

Since Ofgem was established, the market has grown more complex, with a wider range of products and services for consumers to choose from – with growing numbers of customers in parts of the market which are covered by little, if any, regulation.

That includes heating oil customers, who have seen prices spike following the start of the ongoing conflict in the Middle East. Last month the government announced funding worth over £50 million to support low-income families reliant on heating oil, and committed to introducing new consumer protections to the sector.

The changes announced today mark another step in that process, transforming Ofgem so that it is fit for the future and can ensure all consumers in today's energy market are supported.

Energy Secretary Ed Miliband said:

This Government is fighting people's corner, and today we set out steps to strengthen protections for energy consumers. This includes tough and fair measures to ban energy company bonuses if they break the rules.

Minister for Energy Consumers Martin McCluskey said:

Every household must be given a fair deal, and today, we transform our energy regulator to give families stronger protections. We're giving Ofgem stronger powers to fight consumers' corner, changing their remit so they can protect every consumer, and introducing new measures so they can hold energy executives to account.

We're making the market work for those who use it, working with the regulator to make sure customers are put first.

We will continue to stand up for working people and fight their corner as we tackle the affordability crisis – our number one priority.

Interim Ofgem CEO Tim Jarvis said:

Great Britain's energy system is going through the biggest changes in our lifetimes, and the regulator needs to be able to keep pace with that change. This review sets out ambitious, necessary reforms that will enable Ofgem to meet the challenges of regulating an increasingly electrified and flexible energy system and protect consumers so they can engage confidently in markets offering new products and services.

We have delivered significant reforms in recent years, but this review enables us to make changes at a more systemic level to ensure we are delivering an energy system that works for consumers, that is attractive to investors and provides a stable, reliable environment for participants in the industry.

With the tools, remit and clarity to deliver this, we look forward to working with the Government, consumer representatives and the energy sector to drive the change that's needed – both in Ofgem and across the energy sector.

To deliver the shift, Ofgem's remit will be streamlined to focus on its core functions as an economic and consumer protection regulator. This involves removing Ofgem's responsibility for oversight of home upgrade schemes in a role that is set to be performed within government by the Warm Homes Agency.

This will help equip Ofgem to drive forward clean power and economic growth, ensuring regulation supports innovation, unlocks investment in Britain's electricity networks, and helps to modernise the energy system.

Ofgem's capabilities will also be reformed, with its technical expertise strengthened, its use of data improved and its approach to risk reassessed – enabling the regulator to take faster decisions in the interests of consumers.

They will also develop a workforce plan, building on changes already underway, to ensure staff have the right skills to deliver the changes required, supported by stronger board-level oversight of skills

and culture.

The changes build on the reforms the government and regulator have already delivered to rebuild the energy retail market and improve standards in the sector – driving customer satisfaction with their suppliers to record highs.

They follow the government's proposals to protect energy consumers with fairer, quicker and easier access to compensation when they are let down, as well as Ofgem's plans to make sure suppliers' Guaranteed Standards of Performance reflect the evolving energy system.

The plans come as the government is continuing to fight people's corner in response to the impacts of the conflict in the Middle East. Yesterday (21 April) the Energy Secretary set out plans to go further and faster on the mission to make the UK a clean energy superpower and protect people from the increasing global fossil fuel price shocks.

Gillian Cooper, Director of Energy at Citizens Advice said:

We welcome the actions set out in the review, which will strengthen consumer protections, enable a fair transition to green energy and give Ofgem the tools it needs to enforce the rules.

Ofgem should now seize the opportunity to bring about a more innovative market, with better choices and protections for consumers, ensuring energy suppliers know there are real consequences for falling short.

Effective regulation is one pillar which underpins a well-functioning energy system. But consumers also need strong advocacy, trusted advice and the ability to get problems sorted quickly and fairly, so they can make informed decisions and know they won't be left out of pocket if things go wrong.

Laura Sandy CBE, Chair of the Energy Network Innovation Taskforce and Green Alliance said:

Excellent to see that the review is focused on the clarity of Ofgem's role, streamlining its role to become a truly modern regulator, moving from technology-based regulation to a consumer centric model and being responsible for driving growth. While, consumer protection and network regulation are the core functions, I hope that these roles also mean driving growth, unlocking wider societal opportunity and delivering customers greater choice.

The culture within the organisation is a strong theme throughout with the need to move from a process, input regulator, to a dynamic opportunity and risk regulator. Crucially there are excellent recommendations around independent assessment on progress supporting Ofgem in the delivery of their new remit.

Notes to editors

At the start of this month, action taken at the Budget saw the price cap fall by 7%, supporting households with lower bills until the end of June.

It is not just households the government is acting to protect, but businesses too – with the Energy Secretary and interim Ofgem CEO Tim Jarvis writing to energy suppliers last month setting the clear expectation that their business energy customers are treated fairly. The Energy Secretary and Tim Jarvis' joint letter is available here: [Open letter to Third Party Intermediaries \(TPIs\): supporting consumers](#)

Ofgem's latest data on customer satisfaction is available here: [Customer service data](#)

Last year the government announced proposals to protect working people with fairer, quicker and easier access to compensation: [Delivering an energy market that works for consumers - GOV.UK](#)

Ofgem is reviewing the supplier Guaranteed Standards of Performance, which set minimum standards that all suppliers must meet for specific services or pay £40 automatic compensation if they failed to do so: [Reviewing the supplier Guaranteed Standards of Performance \(GSoP\)](#)

<https://www.gov.uk/government/news/ofgem-transformed-to-strengthen-protections-for-energy-consumers>