



## Future Energy Retail Market Review

Creating an agile retail market that captures system benefits for consumers

On 15 November the Secretary of State set out [four principles for future power sector policy](#) after the trilemma, which will ensure consumers get a fair deal for their energy while opening-up the market to competition. The Future Energy Retail Market Review was announced through the 'agility' principle, which states that energy regulation must be agile and responsive if it is to reap the great opportunities of the smart, digital economy.

There is a growing consensus that a fundamental change to the design of the market is required for consumers to fully benefit from a smart, digital system. The Secretary of State therefore launched a joint review with Ofgem of the current retail market design. This will ensure that the energy retail market is fit for the future and delivers the benefits of clean, cheap power at zero subsidy to consumers. It will promote competition and drive innovation by allowing innovative business models to capture system benefits, including flexibility in consumers' demand, while ensuring that all consumers receive a fair deal.

This review will identify ways to unlock additional benefits from the energy transition by enabling greater system efficiency, which will reduce consumer costs, support decarbonisation and improve security of supply. The [Price Cap Act](#) sets out that the cap must come to an end no later than 2023, and this review will ensure appropriate protections for all consumers in the post-price cap world.

The review will join up with Government and Ofgem's existing work programme, the [review of energy industry codes](#) and codes governance, and Government's energy data task-force. Government and Ofgem expect to publish a consultation document on potential options by Summer 2019. Progress on the review will also form part of the Energy White Paper due later this year. Government will legislate in a subsequent session of this Parliament if it is necessary to fully realise the benefits of energy retail markets for consumers.

### The case for long term reform

The current energy retail market arrangements have been in place since the market was fully opened to competition 20 years ago. They were established when the energy system, technology, and consumer behaviour were significantly different to what they are today.

Ofgem's response to their [Call for Evidence on Future Supply Market Arrangements](#) found that the existing regulatory framework is preventing new innovative businesses entering the market. Ofgem concluded that there is a strong case for considering



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fundamental change as the current market design is “not fit for purpose for energy consumers over the longer term”.

This report identified that the current retail market design is overly complex and burdensome, stifles innovation and the development of new business models to the detriment of consumers and is not sufficiently flexible to meet the demands of future consumers.

As part of the review we are keen to harness the knowledge and expertise across the energy industry, innovators, consumer protection groups, academics and, of course, consumers themselves. We will be prioritising engagement with these groups between now and the Spring.

Energy is an essential service and we need to ensure all consumers can access a reliable supply of gas and electricity at a reasonable price, with an appropriate level of service. The review will consider specific questions regarding barriers to innovation, default supply arrangements for consumers that do not engage in the market and how to protect consumers regardless of how they access their energy supply. It will also look at what measures we could put in place to reduce barriers to innovation and open up the market to new types of propositions, while ensuring that the interests of both domestic and non-domestic consumers are protected.