



Department for  
Energy Security  
& Net Zero

# Delivering a better energy retail market

A vision for the future and package of targeted reforms



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# Government's vision for the energy retail market

*Unprecedented increases in wholesale energy prices from mid-2021 caused significant and prolonged volatility in the energy retail market. The government has reacted quickly throughout to protect energy consumers, maintain continuity of supply, and stabilise the market. Now, we are looking to the future and pursuing targeted reforms aimed at making the retail market work better for consumers, become more resilient and investable, and support the transformation of our energy system.*

The government has previously committed to taking account of the lessons from the recent energy retail market instability to ensure that the market is resilient, sustainable, and continues to protect consumers as we move to a net zero energy system. In our [Call for Evidence](#) that ran until January last year, we invited views on how government policy can best achieve those objectives. The responses we received from stakeholders focused on the need for:

- A stable market with fair and sustainable pricing that is cost reflective, and with fewer costly supplier exits.
- Adequate consumer protections for those that need them. Whilst there was no consensus on how consumers should be protected, the majority of stakeholders saw reform to the price cap as a positive step. Some responses highlighted the need for protections for vulnerable consumers.
- Flexible regulation that adjusts to a changing and innovative market and allows for effective competition to provide the best options for consumers.

These themes underpin our new vision for the retail market, as set out in [Powering Up Britain](#), for a market that works better for consumers, is more resilient and investable, and supports the transformation of our energy system:

- **Better for consumers:** Ensuring that energy bills remain fair, and we can work towards abundant cheap energy. Energy must be affordable for all consumers, while we need to uphold and improve consumer standards.
- **More resilient and investable:** Better prepared for future wholesale price volatility and better able to shield consumers from the costs of supplier failure, combined with a return to competition and profitability for well-run suppliers offering value for consumers.
- **Supports wider energy system transformation:** Unlock greater innovation within the retail market by tackling regulatory barriers, alongside the delivery of wider system changes such as the smart meter rollout and Market-wide Half-Hourly Settlement.

Government, with support from Ofgem, has already undertaken a substantial programme of work in line with these principles. Not least by providing unprecedented support for consumers throughout the global energy crisis – including

paying nearly half of household bills, saving them £1500 on average, between October and June – as well as taking decisive steps to stabilise the retail market and increase resilience of suppliers.

The government welcomes the fact that from the start of this month average household energy bills are down by around £430 (from the £2500 set by the Energy Price Guarantee until July), with wholesale energy prices 67% lower than their peak. However, we know this is still too high, which is why we are working to deliver cheaper, cleaner, more secure energy. It is also why government continues to support households and businesses with the Cost of Living, focusing on those who need it most.

For households, government is providing a £900 payment for those on means-tested benefits, a further £300 for pensioner households and an extra £150 for people on an eligible disability benefit. For businesses, the new Energy Bill Discount Scheme strikes a balance between providing support until next April and limiting taxpayers' exposure to volatile energy markets. It provides long term certainty for businesses while helping those locked into contracts signed before recent falls in the wholesale price to manage their costs. Additional support is also available for energy and trade intensive industries.

It is promising that forecasts suggest energy bills are expected to continue to fall, but government recognises that wholesale energy prices are highly volatile, and this can significantly change energy bills. We are committed to standing firm behind households and businesses and will continue to closely monitor energy prices, assess impacts on consumers, and keep energy support schemes under review.

We also recognise that there remains much to do to deliver on our wider vision for the retail market. With prices beginning to fall from last winter's levels, and the market on more stable footing, it is the right time to look ahead to the future and redouble our efforts. That is why we will pursue further targeted reforms that will set us on a path towards:

- **Unlocking competition, investment, and innovation** – empowering consumers by opening up more choice, while enabling suppliers to succeed and usher in new business models that take advantage of new technology.
- **Helping the energy market become a positive force in achieving net zero** – rewarding those who make the switch to low carbon technology, reducing system costs for all, while protecting those who need it.
- **Protecting the most vulnerable and helping tackle fuel poverty** – with targeted support with bills that will help those who need it most. Universal approaches were appropriate to respond to soaring energy prices, but it is also appropriate to return to a more targeted approach as prices fall.
- **Ensuring we have the right consumer protection framework for a more dynamic future market**, particularly on issues beyond price protections, such as customer service.

Government also remains committed to improving the UK's energy security, creating greater energy independence consistent with net zero and reducing the risk of higher

bills. A stable, well-functioning retail market will put suppliers on a more sustainable footing, support a cost-effective transition to net zero and importantly, support our energy security objectives. For example, the retail market has the potential to facilitate energy consumption patterns that better align with availability of homegrown renewable energy. Delivering on our energy security objectives will in turn help provide long term stability in the retail market, by reducing the extent to which energy companies and, by extension, consumers, are exposed to international energy price volatility.

## The case for change: Why the retail market must evolve

*The energy retail market is the main interface between consumers and the energy system. It is therefore a critical enabler of consumer choice and participation as the energy system decarbonises. If we are to achieve our vision for the energy retail market, we need to see the role of suppliers and nature of competition evolve and must adopt a broader view of what ‘success’ means in the market.*

In simple terms, the current domestic retail market is dominated by a small number of licensed suppliers offering largely undifferentiated products and competing mostly on price. Historically, the success of individual suppliers has primarily been dictated by their ability to offer low prices to consumers, while the success of the market as a whole has largely been judged on the amount of customer switching. The focus of retail energy market policy has long been on reducing bills and improving the consumer experience, primarily through seeking to increase competition. Meanwhile, Ofgem’s regulatory regime sought to lower barriers to market entry and encourage new suppliers.

From 2010, smaller energy supply companies began to enter the market in greater numbers<sup>1</sup>. An independent [report](#) commissioned by Ofgem and conducted by Oxera has since concluded that Ofgem’s approach to regulation during this period created the opportunity for suppliers to enter the retail market and grow to a considerable scale while committing minimal levels of their own equity capital. By operating unsustainable, short-term business models, such suppliers were able to benefit from any upside, while being able to exit the market at no or minimal cost. The outcome was a domestic retail market that was not sustainable or resilient; when global energy prices rose rapidly from mid-2021, 26 domestic suppliers serving approximately 4 million customers failed, at significant cost to consumers<sup>2</sup>.

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<sup>1</sup> The total number of domestic suppliers went from 12 in December 2010 to 23 in May 2022, with a peak of 70 suppliers in mid-2018. By September 2021, new entrants held around 40% of the market share.

<sup>2</sup> The cost to consumers of supplier failures in both domestic and non-domestic markets from July 2021 to May 2022, which were successfully managed through the Supplier of Last Resort process, was approximately £2.7 billion, or around £94 per customer bill. These figures do not include the cost of the Bulb Energy Special Administration Regime, which has cost taxpayers £2.8 billion from November 2021 to 31 March 2023.

While we have seen some innovation in products and business models in the retail market, this has been limited and the uptake of new services has historically been low. Across the market, the vast majority of tariffs only differ by the price charged for using energy and the length of time that price is guaranteed<sup>3</sup>. The implication for consumers is a very limited set of choices in the market, with little opportunity for finding products or services suited to their individual needs. By extension, the incentive for consumers to engage with choices they face in the market is low, with available evidence suggesting that a significant proportion of consumers have never materially engaged with their choice of energy tariffs.

Furthermore, the relative prices of gas and electricity do not accurately reflect their respective carbon intensities, resulting in price signals that are insufficient to incentivise the degree of system-wide electrification required to reach net zero. Recent events have also put a spotlight on energy affordability, but there is evidence that this has long been an issue for low-income and vulnerable consumers in the domestic market, even prior to 2021 when prices began to increase.

The non-domestic retail market has historically been considerably less concentrated than the domestic market, with a wider set of suppliers often focussing on specific sectors or business sizes. Competition in the non-domestic market has been broadly effective in driving low prices and overall good outcomes. At the same time, if looked at through the lens of supplier failures, the non-domestic segment has also proved to be more resilient to external price shocks (only 3 non-domestic suppliers have exited involuntarily since summer 2021). However, the non-domestic segment has not been immune to the exceptional and persistent rises in wholesale energy prices, which has put pressure on suppliers and businesses. There were periods where contracting was challenging and the prices offered to consumers were high, whilst we saw a small number of voluntary exits from parts of the sector. Ofgem has been undertaking a wider [review of the non-domestic market](#) to look at these issues more closely. We will work with Ofgem on any findings from the review, supported by robust evidence and data, that may point to government playing a role in revisiting any regulatory aspects of the non-domestic market. Any future decisions will need to ensure that the non-domestic market returns to its competitive levels and does not become more concentrated.

Across both market segments, there is a need for change. The energy system is undergoing a transformation as we deliver our ambition to reach net-zero emissions, and the current retail market is not set up to support this. A retail market that supports this system transformation, while also working better for consumers and becoming more resilient and investable, has the potential to bring with it huge benefits for both energy consumers and retailers.

Consumers should have access to a far greater range of products and services, better tailored to their individual needs. This should in turn mean they have more to gain from engaging with the choices they face in the market. At the same time, retailers that can seize the opportunity to offer greater overall value to their

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<sup>3</sup> Following the disruption of the global gas crisis and the removal of competitive fixed price tariffs from the market, nearly all domestic consumers are now receiving their energy via default variable tariffs.

customers should be well placed to grow and secure sustainable levels of profit. There are also wider benefits, with the possibility of new approaches to energy supply that better align with our net-zero ambitions, for example by providing incentives to shift consumption, reduce energy usage, and support adoption of low carbon-technologies.

### **Case studies: Innovation and the potential benefits for consumers**

*In the current retail market, there are some early cases that demonstrate the opportunities provided to consumers by innovative energy supply offerings. These remain limited in scope and in the future government expects to see a much wider range of offers, tailored to the individual needs of all consumers<sup>4</sup>.*

**National Grid ESO's Demand Flexibility Service**: Last winter, 1.6 million households and businesses took part in the National Grid's Demand Flexibility Service, which rewarded customers for reducing demand at peak times. The level of engagement with the scheme demonstrates the potential that can be unlocked when consumers are incentivised to think about how and when they use energy – individual consumers can save money on their energy bills while as a country we benefit from strengthened energy security. National Grid is developing a future scheme, with the potential for even more households to be able to participate next winter.

**Intelligent Octopus and Octopus Electric Vehicle (EV) Salary Sacrifice Scheme**: Intelligent Octopus is a 100% flexible charging tariff that optimises consumers' EV charging, offering lower bills whilst simultaneously helping to balance the grid. Consumers looking for an end-to-end package can pair this tariff with Octopus's salary sacrifice scheme and access a brand-new EV, insurance, servicing and maintenance, breakdown cover, a free home charger, and the energy to power the car – all through their energy supplier. All this is paid for through a pre-tax salary sacrifice, saving customers up to 40% on the cost of a brand-new electric car. EV drivers can also sign-up for Octopus Electroverse, which gives drivers one-tap access to 430,000 public chargers across the UK & Europe.

**Ripple Wind Farm Co-Op**: Ripple Energy is a shared ownership platform. It enables households and businesses to own wind farms and solar parks via cooperatives and get savings on their electricity bills. The cooperative owns the wind farms, Ripple's role is that of a managing agent. The electricity generated is sold to the owners' licensed energy suppliers, who then apply a saving to each owner's bill, leading to lower and more stable bills. The amount of saving varies according to the amount owned and wholesale electricity prices. The nature of

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<sup>4</sup> These case studies are included here for illustrative purposes and should not be interpreted as government's view on which energy supply products or services are likely to be most important or widespread in the future.

the scheme means that higher wholesale prices result in higher savings for owners. A typical small family living in a 3-bed property, who invested £1,000 in the pilot scheme, is expected to save £415 this year due to current high prices and up to £3,000 over the 25-year lifespan of the wind farm<sup>5</sup>.

## Striking the right balance between competition and regulation

*Sustainable competition in the energy retail market must be the primary driver of good outcomes for the majority of consumers. Where possible, we will remove regulatory barriers to competition that are not in the interest of consumers. However, given the nature of energy as an essential service, there will always be a role for regulation and the enforcement of minimum standards in the market, beyond that seen in most sectors.*

As global energy markets stabilise, we expect greater competition between suppliers than we have seen in recent years – and it is promising that we are already seeing fixed tariffs return to the domestic market. Across the whole market, we want to see sustainable competition being the primary driver of good outcomes for the majority of consumers and where possible, we will remove regulatory barriers to competition that are not in their interest.

The default tariff cap (also known as the energy price cap) has performed a valuable role in limiting a proportion of a household energy bills, incentivising suppliers to make operational efficiencies and helping the government deliver timely support. However, the incentives for suppliers to follow the hedging strategy underpinning Ofgem's Price Cap methodology have contributed to a retail market which is overly focused on the short-term. Looking forward, the risks and opportunities facing energy consumers are changing. The current cap model could act as barrier to innovation and engagement, and prevent consumers from feeling the full benefits of the transition to a smarter, more flexible energy system. Government looks forward to continued engagement with the sector on this issue and remains committed to consulting on the future of the default tariff cap, as set out in [Powering Up Britain](#).

It will continue to be the case that one of the main ways consumers (particularly in the domestic market) can engage with the choices they face in the market is to switch supplier, and this switching provides a key incentive for suppliers to offer competitive prices and quality service. However, whilst it is true that higher switching levels are one sign of a healthier market, switching in itself is not an outcome that we will target. Rather, barriers to switching should be kept low, while at the same time, if they choose to, consumers should be able to have longer term – and mutually beneficial – relationships with their energy suppliers. This reflects the fact that value for consumers goes beyond an ability to access the latest short-term cut-price deal.

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<sup>5</sup> Figures provided by Ripple Energy

Consumers care about more than just price and we expect to see this reflected in how suppliers compete for their custom, increasingly so as we transition to the future, net zero, energy system. Energy needs will continue to vary considerably between consumers. For example, some will value certainty and will want to ensure their energy prices are fixed for one or two years. Others will want to maximise the benefits they can get through low carbon technologies, such as electric vehicles and heat pumps, by choosing tariffs that reward them for using energy during off-peak hours. For all consumers, having access to a greater range of products and services, better tailored to their individual needs, will mean they are more likely to benefit from engaging with the choices they face in the market. By extension, in the future we would expect to see fewer consumers paying the premium for disengagement.

It is not reasonable to expect that all our target outcomes will be achieved through competition. The nature of energy as an essential service, and the specific needs of some consumers, means that there will always be a role for regulation and the enforcement of minimum standards beyond that seen in most sectors, particularly in the domestic market. We expect that there will always be a sub-section of consumers in the market that require additional protections. A clear demonstration of this in the domestic market was given by the recent examples of the misuse of prepayment meters, which showed that clear and robust rules are necessary to protect vulnerable consumers. In the non-domestic market, we will look at evidence from Ofgem's ongoing review to assess whether there is a need for additional protections.

The recent energy challenges caused by Russia's invasion of Ukraine have highlighted the need to look again at our approach to supporting low-income and vulnerable consumers, particularly in the domestic market and particularly those in or at risk of fuel poverty.

We committed in [Autumn Statement 2022](#) and [Powering Up Britain](#) to explore options for a new approach to consumer protection from April 2024, as part of wider retail market reforms. The outlook for energy prices has improved significantly since the Autumn Statement. Energy prices have fallen substantially. This is good news for households who have seen their energy bills come down – energy bills are £400 lower under the latest Ofgem price cap.

Targeted support for low-income and vulnerable consumers must be delivered in a way that aligns fully with our approach to fuel poverty, whilst being responsive to short-term changes in the energy market when necessary. We are undertaking a review of the fuel poverty strategy and will use this to develop a clear and coordinated approach to affordability, fuel poverty, and wider retail market reforms.

We will also look at options, including making the Warm Home Discount more flexible, in order to give us greater ability to respond to any future pressure on consumer bills. This comes alongside extensive ongoing work from government and Ofgem to ensure consumers are adequately protected in the energy retail market (this ongoing work is expanded on below), as well as new Cost of Living Payments in 2023-24, helping more than 8 million UK households on eligible means tested benefits, 8 million pensioner households and 6 million people across the UK on

eligible disability benefits. The government continues to monitor the situation on an ongoing basis and will keep options under review.

In addition to the above measures, we recognise that gas network costs, including maintenance, upgrade and connection programmes are also key contributors to energy bills. Ahead of the next price control period (from 2026), we will work with Ofgem and the Health and Safety Executive (HSE) to review requirements on gas distribution network operators, for example in relation to the Iron Main Risk Reduction Programme and Domestic Load Connection Allowance, to ensure expenditure incurred is proportionate and aligns with decarbonisation pathways. Working with Ofgem and HSE we will consult with industry stakeholders on gas network costs in autumn 2023.

All consumers – including those that are low-income or vulnerable – must be able to benefit from the transition to a net zero energy system. That means any consumer protections must be designed in such a way that they prevent bad outcomes for consumers, while still enabling them to access the benefits that innovation can bring. Protections must also be designed flexibly enough such that they can keep pace with an evolving retail market. Government is looking at these themes more closely in our Call for Evidence being launched today, titled [Towards a more innovative energy retail market](#).

### **Government and Ofgem will continue to ensure adequate protections for consumers in the energy retail market**

Government continues to protect energy consumers from high global energy prices with **unprecedented support for bills** through the Energy Price Guarantee and the Energy Bills Discount Scheme, with both remaining in place until April 2024. The Energy Price Guarantee and the Energy Bills Support Scheme (which ran until March this year) have saved the typical household in Great Britain around £1500 over the period of October 2022 to June 2023. Over the colder months alone, government spent a total of £40 billion<sup>6</sup> protecting households and businesses from spiralling energy bills. Government is also providing additional support to vulnerable households, including a £900 payment for those on means-tested benefits, £300 for pensioner households and an extra £150 for people on an eligible disability benefit.

Since Spring 2022, Ofgem has undertaken a **series of [Market Compliance Reviews](#)** to check whether suppliers are adhering to licence conditions and are taking firm compliance action – including fines – where standards are not met. Reviews have already looked at a range of issues including the level of

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<sup>6</sup> <https://www.gov.uk/government/news/40bn-spent-protecting-families-and-businesses-from-energy-costs>

customer service<sup>7</sup> and quality of support for households who are having difficulty paying their energy bills<sup>8</sup>.

Ofgem is consulting on a [framework for consumer standards](#) and policy options to address two priority areas: the ease with which consumers can contact their supplier; and tailored advice and support for customers struggling with their bills. Ofgem is aiming to implement these proposals by winter 2023. Ofgem is also seeking views on how it can continue to most effectively monitor and track consumer standards issues going forwards, which includes the potential use of reputational and financial incentives to deliver good performance.

Government will continue to work with Ofgem to **improve the situation for consumers on pre-payment meters**. Ofgem published a new [Code of Practice](#) in April, aimed at improving protections for customers being moved to a prepayment meter involuntarily. This is a step in the right direction, with better protections for vulnerable households, increased scrutiny of supplier practices and redress measures where prepayment meters were wrongly installed. Ofgem is currently undertaking a formal statutory consultation process to modify supplier licence conditions in line with the Code, which will allow Ofgem to use its full enforcement powers to enforce compliance.

Government has also taken action to **end the ‘pre-payment penalty’**, introducing fairness reforms to energy bills to remove the premium paid by households using prepayment meters. From 1 July, the average prepayment meter user is no longer paying more for their energy bills than those on direct debit, saving around £21 per year. This saving is being delivered via the Energy Price Guarantee<sup>9</sup>, meaning the discount is applied automatically to the price that is set on the meter.

Ofgem is conducting [review of the non-domestic market](#) following reports of consumer harms. Initial findings include a period where suppliers undertook reduced contract offers to businesses, a rise in security deposits and standing charges, and specific instances of unduly onerous deemed-contract rates. We will work with Ofgem where any of their findings, supported by robust evidence and data, may point to government playing a role in revisiting any regulatory aspects of the non-domestic market.

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<sup>7</sup> <https://www.ofgem.gov.uk/publications/ofgem-review-reveals-customer-service-standards-energy-suppliers-must-improve>

<sup>8</sup> <https://www.ofgem.gov.uk/publications/market-compliance-review-customers-struggling-bills>

<sup>9</sup> The saving will be delivered via the Energy Price Guarantee until April 2024. Ofgem are looking at how to deliver this in the long term, beyond the Energy Price Guarantee.

# The role of energy suppliers in the future retail market

*Energy suppliers will continue to play a key role in the energy system, and a total overhaul of the regulatory framework is not appropriate. However, delivering on our vision for the retail market necessitates a programme of targeted reforms, building on our ongoing work to support consumers through the global energy crisis and make the market more resilient.*

Besides their core function in the supply of energy, licensed suppliers in both domestic and non-domestic markets play a number of important roles. Those include their responsibility for a wide range of commercial, operational and social functions, as well as their central roles in ongoing industry transformation programmes (like Market-Wide Half Hourly Settlement<sup>10</sup> and the smart meter rollout, and also those that have wider impacts beyond the retail market, such as the [Great British Insulation Scheme](#). More recently, suppliers have played an important role in delivering energy bill support schemes. Given the rate of change already underway in the system, and the importance of these programmes, we do not wish to disrupt this role.

As set out in [Powering Up Britain](#), we will not be considering a fundamental overhaul of the retail market regulatory framework in the short or medium term. Any alternative approach involving radical change to the supplier role would involve significant trade-offs, and there is no clear lead option that we have identified that would better achieve our market objectives and crucially, be in consumers' interests. For example, we think there remains significant value in the fact that if they choose to, consumers can have a single, easy to understand, point of contact in the market through their energy supplier, which radical reforms could complicate. Signalling the prospect of comprehensive reform would also introduce considerable regulatory uncertainty, which could deter potential investors and potentially undermine work to increase market stability. Intervention would also entail significant deliverability challenges and could bring with it a wide range of potential unintended consequences, including for the design of consumer protections.

However, delivering on our vision for the retail market does necessitate a programme of targeted reforms, building on our ongoing work to support consumers through the global energy crisis and make the market more resilient. As government, we are not best placed to dictate to the sector which exact business models, products or services retail energy companies should be operating. Rather, we want to enable a market in which retailer energy companies that are delivering products and services that consumers value, can thrive. That means making sure that the market

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<sup>10</sup> Under Market-Wide Half-Hourly Settlement (MHHS, scheduled to be implemented in 2025-2026), consumers will be settled on a half-hourly basis by default, allowing greater differentiation of individual consumer profiles and exposing retailers to the true cost of their customers' usage throughout the day. This will provide retailers with a greater incentive to shift their customers' consumption away from peak periods (through Time of Use tariffs or other products, such as batteries, which enable flexible consumption), leading to a reduction in generation and network demand in these periods.

framework does not block or inhibit new propositions or prevent new business models from emerging.

Whilst there is broad consensus that the current retail market is unlikely to deliver the innovation required for a net zero energy system, there is no such consensus on the extent to which government intervention is needed or on where any interventions should be targeted. That is why we are today launching a [Call for Evidence](#) on this subject, with a commitment to follow up with policy proposals for consultation later in 2023.

### **Building on ongoing innovation projects in the retail market**

*Government and Ofgem are already supporting innovation in the energy retail market through several ongoing projects, the learnings from which will help inform the development of any policy interventions. The first two projects described here form part of government's up to £65 million [Flexibility Innovation Programme](#) for innovative solutions that enable large-scale widespread electricity system flexibility.*

Government is testing the impact of future market designs on supplier offerings, with an up to £18 million innovation programme on [Alternative Energy Markets](#). This is exploring, at a theoretical level, how measures such as alternative pricing systems or other market solutions could enable large scale deployment of demand side flexibility, and whether these measures could be trialled. Phase 1 projects were announced in May and are exploring the design of innovative tariffs, products or services in a future energy system where electricity market arrangements may look different from today.

The [Non-Domestic Smarter Tariff Comparisons Innovation Programme](#) (of up to £800K) will support projects that identify, develop and test innovative solutions which use customer data (including half-hourly consumption data) to provide energy tariff comparisons (including standard tariffs, Time of Use tariffs, and tariffs bundled with flexibility technologies or services) along with supporting advice and recommendations for smaller non-domestic energy consumers. Products funded by the programme will help drive take-up of Time of Use tariffs and bring forward demand-side flexibility in the market.

The [Green Home Finance Accelerator](#) is providing up to £20 million grant funding to support UK finance providers and other organisations to design, develop and pilot a diverse range of innovative finance propositions which encourage domestic energy efficiency, low carbon heating retrofit and micro-generation. Funded projects include E.ON's partnership with Energy Systems Catapult and Heatio to pilot heat and energy 'as a service' propositions.

Ofgem's [Regulatory Sandbox](#) can help innovators trial or bring to market new products, services, business models and methodologies without some of the

rules applying in the usual way. These can be rules that Ofgem controls (usually in licences) or, in some circumstances, from the rulebooks owned by industry (the codes). The Sandbox is open to any innovators who operate in a regulated energy market and want to offer something different but are facing a 'rule-based' barrier.

Suppliers will need to be financially resilient if they are to make the long-term investments in innovative technologies and offerings needed in the retail market of the future. Ofgem's steps to weed out unsustainable business models from the domestic market should help with this, by giving well-run suppliers the confidence to make such investments without the risk of being undermined by unsustainable competitors offering irresponsibly priced tariffs. Ofgem and government will continue to review the impact of financial resilience measures to ensure that they remain proportionate and effective.

### **Significant steps have already been taken to increase financial resilience**

Through the Supplier of Last Resort and Special Administration Regime mechanisms, in response to widespread supplier failure in late 2021, government and Ofgem worked together to **successfully maintain continuity of supply** for over 4 million customers, protecting credit balances and limiting disruption.

Ofgem has since introduced a range of measures intended to **improve the resilience of energy suppliers** and reduce the cost to consumers where supplier failures do occur. We will continue to work closely with Ofgem to understand the effect that current and proposed changes have had on the resilience of suppliers, what more may need to be done to ensure that consumers are protected from any excessive costs in the event of future failures and that the interventions remain proportionate as the market develops. Whilst we hope that the risk of supplier failures has receded, we will also keep our tools to respond to supplier failures under review, so that they remain effective as the retail market evolves.

At the same time, it is crucial to get wider system reforms right. The ongoing transformation of the energy system will substantially alter the landscape of the retail market. By the mid-2020s we expect to see a further expansion of the smart meter rollout, the implementation of Market-Wide Half Hourly Settlement, new technical standards for energy smart appliances and tariffs through the [Smart and Secure Energy Systems programme](#), as well as the continued growth in intermittent renewable generation and electrification of heat and transport. We will also make progress on adjusting the relative prices of electricity and gas to better align with their implicit carbon prices. In parallel, we will continue to remove barriers to flexibility through our [Smart Systems and Flexibility Plan](#), while the ongoing [Review of Electricity Market Arrangements](#) programme will assess whether to make changes to

the wholesale electricity market, which could also have implications for the retail market towards the end of the decade and into the 2030s.

Together, these system-wide reforms will help deliver both our net zero and energy security ambitions by unlocking widespread flexibility, reducing the need for network reinforcements, reducing the amount of additional generation required, reducing renewable curtailment, and reducing the carbon intensity of energy usage.

Government believes that when combined with targeted reforms to the retail market, these changes will equip retailers (across both domestic and non-domestic markets) with the tools and incentives they need to bring forward a greater range of products and services, better tailored to the individual needs of their consumers and better aligned with our net zero objectives. Smarter technologies, tariffs, and services will empower consumers to take advantage of the new choices they face in the market and enable them to benefit from adjusting their energy usage to better align with the availability of low-carbon electricity. In a well-designed future market, there will be opportunities for all consumers to benefit from these changes, regardless of their level of engagement, energy needs, or income.

### **The importance of wider system reforms**

*Ongoing wider energy system reforms will act as fundamental building blocks that underpin the retail market of the future and are crucial to achieving our vision.*

**Rolling out smart meters**, so even more households and small businesses across Great Britain can benefit as soon as practicable. Smart meter data will facilitate **Market-Wide Half-Hourly settlement** from 2025-26, which will mean energy suppliers are exposed to the true cost of their customers' usage throughout the day. This will incentivise suppliers to offer products that empower consumers to reduce their demand away from high priced periods, such as Time of Use tariffs, battery storage and smart EV charging.

**Delivering the flexibility and innovation needed** for a net zero system through our 2021 Smart Systems and Flexibility Plan. The Plan sets out actions to facilitate flexibility from consumers, remove barriers to flexibility on the grid and reform markets to reward flexibility – with potential cost savings of up to £10 billion per year by 2050. At the same time, we have allocated [£65 million for innovative solutions](#) that enable large-scale widespread electricity system flexibility, and have launched the Inclusive Smart Solutions programme to understand how low-income consumers can participate in the smart energy transition.

The Smart and Secure Electricity Systems (SSES) programme is bringing in new requirements around the **interoperability of energy smart appliances and energy tariff data to be available openly, over the internet, and in interoperable format**. The programme will also provide protections for

consumers engaging in flexibility services by introducing a licence for those organisations involved in the control of energy smart appliances. Ultimately this work will ensure we have the right technical frameworks and protections needed to unlock flexibility and give consumers confidence to engage with a smart energy system.

Conducting a **comprehensive Review of Electricity Market Arrangements** (REMA). REMA is exploring enduring reforms to Britain's electricity (non-retail) market arrangements to ensure that they remain fit both for today and future generations – harnessing the benefits of cheap, abundant renewables in Britain, enhancing energy security, and helping to deliver our world-leading climate targets while ensuring a fair deal for consumers. REMA is considering a range of changes, including how to provide the right signals for flexibility across the system, and delivering a step change in the rate of deployment of low carbon technologies (both on the supply and demand side). We aim to publish a second REMA consultation in autumn 2023. Government will continue to ensure coherence across our work to reform energy markets, particularly in considering the relationship between wholesale electricity and retail energy markets.

Ensuring we **make the most of low carbon technologies** to unlock benefits for consumers and the wider energy system. Our [Electric Vehicle Smart Charging Action Plan](#) sets out the steps government and Ofgem will take to deliver energy flexibility from EVs. Meanwhile, we have set an ambition to grow the heat pump market to 600,000 installations per year by 2028. From the mid 2020's, government is introducing a smart mandate which will require electric heating appliances with the greatest flexibility potential – including heat pumps – to have smart functionality.

**Digitalisation of our energy sector is critical** to reach net zero by 2050 and support a smart, flexible energy system. Digitalisation will make our energy system more efficient (better at accelerating, automating, planning, and anticipating processes) and widespread data sharing will create significant potential to drive new energy products, devices and services for all kinds of consumers. Whilst progress has been made, we recognise that more work is needed from government, Ofgem, and industry to make an effective, secure, digitalised energy system a reality. As set out in our [response](#) to the [Energy Digitalisation Taskforce report](#), we are continuing to build on the momentum generated from the Taskforce through a range of innovation programmes, and in parallel are developing policies that support system-wide digitalisation.

# Today’s announcement and next steps for reform

*The documents we are publishing today are a key step in our path towards a better retail market, and will ensure that government reflects views from stakeholders in our policy development and decisions. An overview of the documents being published, as well as a forward look, are provided here.*

## Overview of publications

Publication	Description	Deadlines	Next Steps
<a href="#"><u>Call for Evidence on how the regulatory framework needs to evolve to support new ways of offering energy supply</u></a>	We are interested in views on the barriers and enablers to innovation in the current market, and the changes that could be required to the policy and regulatory framework to ensure we can achieve our objectives in a more diverse and innovative future market.	Responses requested by 18 September 2023.	We intend to follow up with a consultation on policy options from later in 2023. Implementation will follow from 2024.
<a href="#"><u>Call for Evidence on domestic consumers with non-domestic contracts</u></a>	We are interested in building a better understanding of domestic consumers in Great Britain who receive their energy via a non-domestic energy supply contract, before determining if long-term consumer protections are required to support these groups.	Responses requested by 18 September 2023.	Any future work in this area will feed into the retail market reform consultation planned for later this year.
<a href="#"><u>Response to Call for Evidence on how third-party intermediaries (TPIs) operate across both the domestic and non-domestic retail energy market</u></a>	Summarises responses from the Call for Evidence, which ran from August to December 2021. Work had been paused as a response to the unprecedented energy market volatility that started later that year.	N/A	Any changes to how TPIs operate will be consulted on as part of the wider programme of retail market reform later in the year.
<a href="#"><u>Response to Call for Evidence on the transparency of carbon content in energy products</u></a>	Summarises responses from the Call for Evidence, which ran from August to December 2021. Work had been paused as a response to the unprecedented energy market volatility that started later that year.	N/A	If changes to the ‘green tariffs’ framework are to be taken forward, they will be aligned to appropriate future policy work streams, such as the wider programme of reform to the retail energy market on which we intend to consult later in 2023.
<a href="#"><u>Response to Call for Evidence on electricity license exemptions</u></a>	Summarises responses from the Call for Evidence, which ran from October 2020 to March 2021. Work had been paused as a response to the unprecedented energy market volatility that started later that year.	N/A	We will consider respondents’ views and concerns (along with views given in meetings and other contacts with stakeholders) with a view to developing possible options for the future.

## Indicative forward look

	Summer 2023		Autumn-winter 2023		2024	Mid-2020s			Late 2020s		
<b>Price Protection</b>	Average pre-payment meter user will no longer pay more for their energy bills than those on direct debit	Average energy bills are £400 lower under latest Ofgem price cap	New Cost of Living Payments in 2023-24 will help more than 8 million UK households on eligible means tested benefits, 8 million pensioner households and 6 million people across the UK on eligible disability benefits		Energy Price Guarantee and Energy Bill Discount Scheme come to an end in April						
<b>Consumer standards and non-price protections</b>	Ofgem to issue a response to its consultation on a framework for consumer standards	Ofgem's review of the non-domestic market concludes	Ofgem to address priority areas for consumer standards improvement ahead of winter			Consumer protections kept under review, to ensure they remain fit for a future retail market	Great British Insulation Scheme, running until 2026, builds on the success of ECO and is expected to help a further 300,000 of the country's least efficient homes				
<b>Towards an energy retail market that supports wider system transformation</b>			Consultation on options for reforming the retail market to enable more innovation	Government will outline a clear approach to gas vs. electricity 'rebalancing' by the end of 2023/4	Likely implementation of reforms to increase innovation in the retail market from 2024 and through the mid-2020s	The Smart Meter Targets Framework aims to drive up installations to the end of 2025	Implementation of market-wide half-hourly settlement from 2025 to 2026	Expected continued growth in uptake of Electric Vehicles, with smart charging likely to be the norm at home and work by about 2025	Review of Electricity Market Arrangements programme could have implications for the retail market towards the end of the decade and into the 2030s	Target for the growth of the heat pump market to around 600,000 installation per year by 2028	By 2030 there will be up to 10m EVs on UK roads, and bidirectional Vehicle-to-X energy technologies will be widespread

This publication is available from: [www.gov.uk/government/publications/delivering-a-better-energy-retail-market](http://www.gov.uk/government/publications/delivering-a-better-energy-retail-market)

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