HOUSE OF COMMONS

Energy Security and Net Zero Committee

Oral evidence: The cost of energy, HC 736

Wednesday 25 June 2025

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Watch the meeting

Members present: Bill Esterson (Chair); Ms Polly Billington; Torcuil Crichton; Wera Hobhouse; Melanie Onn; Bradley Thomas; Claire Young.

Questions 59 - 181

Witnesses

I: Alex Belsham-Harris, Head of Energy Consumer Markets, Citizens Advice; Katie Watts, Head of Campaigns and Policy, MoneySavingExpert; and Dr Raj Roy, Group General Counsel and Company Secretary, Centrica.

II: Jonathan Brearley, Chief Executive Officer, Ofgem; Beth Martin, Director for Consumer Protection and Competition, Ofgem; Ed Dodman, Chief Ombudsman, Energy Ombudsman; and Jonathan Lenton, Regulatory Director, Energy Ombudsman.

Written evidence from witnesses:

– Citizens Advice

– Centrica

Examination of witnesses

Witnesses: Alex Belsham-Harris, Katie Watts and Dr Raj Roy.

Q59 **Chair:** Welcome to this afternoon's session of the Energy Security and Net Zero Committee. This is the second session of our inquiry on the cost of energy. We will look at the causes, impacts and solutions for the energy billing issues experienced by consumers, as well as means for consumer redress when engaged in a dispute with an energy supplier. In our second session we will also have an opportunity to review the adequacy of the Energy Ombudsman and put questions directly to the ombudsman and to Ofgem. In the first panel we have three witnesses and I will ask you to very briefly introduce yourselves.

Alex Belsham-Harris: Hi, I am Alex Belsham-Harris. I am the Head of Energy Consumer Markets at Citizens Advice. We are a national organisation supporting people across England and Wales, and we are also the statutory advocate for energy consumers.

Dr Roy: Thank you, Chair, and good afternoon, members of the Committee. Thank you for the opportunity to appear before you. I am Raj Roy. I am the General Counsel and Company Secretary for Centrica. You will know us as the owner of British Gas and Scottish Gas. We provide, through those organisations, energy services and solutions to 10 million-plus residential and business customers through our frontline colleagues, 10,000 of whom are unionised. We are also active—relevant to your inquiry—in other parts of the value chain in energy trading but also in investment in the key energy assets and infrastructure for the net zero transition and energy security.

Katie Watts: Good afternoon, my name is Katie Watts. I am Head of Campaigns and Policy at MoneySavingExpert. We are an editorial consumer website. We have tools to help people with their energy, among other things, and we also campaign as a consumer advocate. Although we do not serve consumers one to one, as my colleague at Citizens Advice does, we get an incredible amount of feedback across a wide range of consumers. We can see what is happening for all sorts of consumers, including those who have some level of financial resilience and also the shifts from those who are just managing to struggling.

Q60 **Chair:** Thank you all very much, you are most welcome. We look forward to what you have to say. I will start the questions by asking about what is driving the increase in problems experienced by consumers with their bills. Alex Belsham-Harris, can you tell us how the high cost of energy has impacted the type and frequency of billing issues that consumers experience?

Alex Belsham-Harris: Yes. At Citizens Advice we helped a record number of people in 2024 with energy billing issues, so 60,000 people more than any other year on record. We know that the impact of billing problems is acute for people. When people are coming to us they are often getting estimated bills or catch-up bills that they do not understand and are struggling to afford to pay.

It is important to also set that in the context of the research that we do—the survey data—that shows that overall satisfaction with billing and how easy it is to understand your bill is actually at record high levels. We think that it is a mixed picture, driven by billing improving generally because of smart metering, and bills being more accurate, but when things go wrong the higher price of energy means that the impacts for people are much worse than they used to be. Prices being 50% higher than they were back in 2020 means that if you are falling behind in your bills or you are getting a catch-up bill, the protections that you used to have against that are not worth as much to you as a consumer as they used to be. The back billing rule prevents you from being billed for more than a year for your energy and that price—the cost you will have incurred across that time—is much higher. I think that is the key driving factor from our perspective.

Q61 **Chair:** Thank you. Do the other members of the panel have anything to add?

Katie Watts: A lot of billing issues will be legitimate but there are huge communication issues around what we as consumers can expect to pay. There are lots of reasons why it is so hard for consumers to understand if they are being billed correctly.

For example, when announcing this July's price cap, Ofgem claimed average annual household savings of £129, but that is for a typical household. What is a typical household? It is not £129 for everyone. If you use more, you will pay more; if you use less, you will save less. Secondly, the price cap changes quarterly. Thirdly, your savings are regional, so some people will see those unit rates and standing charges, think that is what they should be paying, and then complain about their bills, when in fact their regional rate is slightly different.

It is not helped by suppliers and price comparison websites presenting their information in this way as well, saying, "You can save X pounds a year by switching to our fixed tariff," when that annual saving is not representative of what is going on in your bill.

Q62 **Chair:** Thank you very much. Dr Raj Roy, I will ask you about adequate data sharing between suppliers and other key stakeholders. Is this part of the answer to prevent billing issues, especially when consumers are switching supplier?

Dr Roy: Thank you, Chair. I will preface my remarks on this by saying that we see billing and issues surrounding bills as a facet of customer service, and I want to assure you and members of the Committee that we take that very seriously. We want to get that right all of the time for our customers. When things are not clear, we want to put that right as quickly as we can. We have invested significant amounts to ensure that we can do that and provide the additional capacity.

One of the things that we have seen in the past two years is a significant uplift in the level of contact from customers about bills. We now see on average 22 million contacts versus 16 million before the heightened commodity price environment.

The other thing I would draw out is the importance of the technology that will enable us to provide real-time billing for consumers, and will take away the need for us to ask consumers to contact us and provide us with meter reads. Those things will help. I also think that things such as the design of the bill going forwards and how that is regulated are important topics to explore.

On your specific question about data sharing within the switching process, that is not an issue that we particularly see in our data as being a cause for concern. We have signed up to the Energy Switch Guarantee that requires us to make sure that we issue a final bill in a timely manner within six weeks. We are members of that guarantee but we have not seen a particular concern. Issues tend to arise in the switching process where again we have not necessarily been able to obtain the most up-to-date meter reads, and consequently when a customer moves to a new supplier the information that is being used may be out of date.

The area where we have seen data being very relevant in the switching process is in the supplier of last resort process. We supported the market by acquiring about 800,000 customers. One of the themes that I observed was that a number of the administrators quite literally held customer data to ransom and made it very difficult for us to access that data to enable the seamless migration of customers. I wrote to the Insolvency Service about this matter and did not get very far along with that. Clearly their objections and incentives are different from ours in that scenario, but that was a scenario where we most obviously saw the transfer of data as being most important and causing customer unhappiness and driving complaints.

Q63 **Chair:** Thank you. So that I understand you correctly—we have heard evidence about billing issues arising when customers switch supplier—as far as you are concerned, this is not an issue other than when it comes to acting as the supplier of last resort.

Dr Roy: There will be issues in the switching process, but it is probably not the most prevalent sort of billing issue that we see. Typically we tend to see that we may not necessarily have the most up-to-date read, and when someone has migrated across to another supplier, they may not have the most up-to-date read as well, so that may cause concerns or questions in that process. I think the issue is whether it would help if that data were available between suppliers, and I think that is a legitimate question to inquire further about.

Q64 **Chair:** Would you like to see some changes?

Dr Roy: No, what I am saying is I think it is worth understanding—as with any intervention—what the potential benefits are. But I come back to my original point, which was that as things stand in the data we see, we do not see that as being one of the most prevalent sources of concern or dissatisfaction.

Q65 **Chair:** Katie, have you had any inquiries of this nature from your audience about problems with data sharing between suppliers?

Katie Watts: We have heard some isolated cases that are potentially to do with the migration of billing systems, or at least that is what the users were told, but they are very hard for us to stand up so I could not speak to the accuracy of those claims.

Q66 **Chair:** Thank you. Alex, anything to add from you?

Alex Belsham-Harris: Not particularly. In general, switching rates have been lower in recent years so it is an issue we have seen a bit less compared with some other areas. It is one area where hopefully smart metering should mean that people are getting accurate bills when they leave one supplier and move to another, and so you would hope that suppliers would be much more able to get things right.

Q67 **Chair:** Dr Roy, who should be responsible for ensuring that data is available?

Dr Roy: I think this is where we as a sector certainly have to try to improve and continue to do better. If we can roll out smart meters as efficiently and effectively as possible, that takes away some of the issues that we may see with estimated reads and potentially customers not being clear as to what their final bills may be or what they may be billed in future.

Q68 **Chair:** Are you making a case that you should not have to accept a customer who does not have a final read?

Dr Roy: No, I am not saying that at all. If we can make the changes to our system, that will make the process much more simple and straightforward, particularly as customers come into a new supplier.

Q69 **Chair:** I am not getting a clear sense of what you think those changes should be.

Dr Roy: The critical issue—which I know your Committee has been looking at quite extensively—is the extent to which we have to upgrade our infrastructure, particularly with the smart meter roll-out, because that is the technology that gives us access to real-time data and systems. That will ensure, if we can get the industry databases up to date and working properly, these sorts of issues that you may be referring to will gradually disappear.

Q70 **Chair:** So a proper smart meter roll-out with everybody using them correctly will solve all these problems.

Dr Roy: I think it will make a material contribution to that, yes.

Chair: Okay, thank you very much.

Q71 **Claire Young:** Welcome to our panellists. Katie, is it fair that consumers are expected to monitor the accuracy of their own bills? What more, if anything, should suppliers be doing to ensure that bills are accurate?

Katie Watts: I think it is very difficult for consumers at the moment because we have a quarterly price cap, so if you are on the price cap you are having to track what you should be paying every quarter and how that changes. That is different for everyone. We tried to solve the problem at MSE by saying that for every £100 you pay now, you will pay around £93 in July. But it changes so frequently and if you are not on a fixed deal that is very hard to follow. If you are on a fixed deal, you have a certain amount of security over what your bill should be over a certain amount of time.

We have seen that direct debits are not reviewed frequently enough. Some people could be underpaying with their direct debit and then get hit by a shock maybe once a year. Some suppliers review them all the time in the background; some suppliers review them once a year or once a quarter. It is not very consistent. We have seen cases where people have been underpaying for a sustained amount of time and then are suddenly hit with a shock bill. There is definitely something that can be done around monitoring those direct debits more consistently across the industry. That is the way that most people pay and one of the most effective ways for people to pay in order to have control over their budget.

Q72 **Claire Young:** Alex, how often do you find that when retailers are challenged on an energy bill, they change the billed amount but do not give any adequate explanation for why they have changed it?

Alex Belsham-Harris: We know that a lot of the people who come to us at Citizens Advice—and, as I say, record numbers of people were doing so last year—around billing issues have initially been to their energy supplier to try to get the issue resolved. In around a fifth of cases we saw evidence of poor customer service, which had exacerbated the problems that those customers were experiencing. It is definitely an issue when these problems are arising that people need help to understand what the cause is and support with a new way forward, whether that is a repayment plan to help them with their debt that they might have built up or support to access a smart meter or energy efficiency measures—all of these things that suppliers should be doing. Often when people come to us we don’t see sufficient evidence of that.

It is definitely an area where suppliers can and should do more but, as I say, billing is also an area where the protections that are in place for customers have not kept pace with the way that prices, and technology, have evolved. When people are facing these shock bills they are still able to be billed for up to a year, even where they have a smart meter and should be getting an accurate bill every single time. Those are the cases where we think suppliers and Ofgem should go further in raising that protection level so people can be back billed only for six months.

Q73 **Claire Young:** On the specific point of people having complained and suppliers changing the bill but not explaining why, are the people coming to you commonly experiencing that or is that a rare occurrence?

Alex Belsham-Harris: As I say, a fifth of cases that come to us about billing also have a customer service issue related to them, so it can definitely be an exacerbating factor. We want steps to be put in place so that someone who experiences a billing issue will not experience that again, whether that is through support with their bills to understand how to pay them, if a different payment method might work better, or through upgrading their meter if they could have a meter change. There is a number of steps suppliers should be thinking about.

Q74 **Claire Young:** Dr Raj, are there any reasonable excuses for retailers failing to accurately bill consumers? Are there any reforms that will make this process easier? You have already said that greater roll-out of smart meters would help, in your view, although they need to be working ones.

Dr Roy: Yes, and we can come to the issue of the functioning smart meters as well. We recognise that consumers lead busy lives and at the moment we have infrastructure that is causing them to need to spend more time to get in contact with us to provide meter reads. We are also spending £14 million a year sending out readers to look at meters, and that is plainly inefficient.

Coming back to your first question, which was whether it is reasonable to expect consumers to constantly have to do this, we feel as a sector that this is where we want to do more work and continue to harness the technology to ensure that consumers find this a very seamless process going forwards.

You asked also about what more can be done. I think the way we hold it is when we have to go back and make adjustments to bills, we always try to explain what has gone on, and in particular cases we will get in touch. We will try to contact customers if there is a significant amount of discrepancy between an estimated read and then the read that we have once we have an up-to-date number. We will always try to do that. If it results in challenges in payment we will also look to signpost what the options are for customers. There is plainly more we can do.

The other thing that I mentioned in my opening remarks is I have had a look at the bill very closely and it is the product of very well intentioned regulation over many years, but we have layered regulation over regulation on it and there is quite literally no part of it that is not prescribed. I think if you asked a customer experience expert they would say—certainly our customer experience experts would say—"Let's try to make this communication much more conversational," so that, fundamentally we are explaining to people what they have used, what they have spent and what they need to do next.

I am very happy to share with you and members of the Committee the mark-up of the bill so that you can see how all the licence conditions come into play. I think that there is an opportunity there that would also help us in the way that we talk to and work with customers.

Q75 **Claire Young:** Do Katie or Alex want to add anything on any of those points?

Katie Watts: Only to say that I think Dr Roy is right that there is a certain level of prescription involved in the bills and that may not be fit for purpose in this day and age, given how people consume energy and their usage. A certain amount of prescription is still required so that people can make comparisons and expect the same treatment between suppliers. That will make it easier for them to compare whether or not they are getting a good deal.

Alex Belsham-Harris: I think that there are two billing experiences going on in the market. For people who use online bills or apps—all those sort of things—there is a whole series of principles-based rules but there is a lot more freedom for suppliers to present information in ways that work for their customers. With paper bills, which people who are digitally excluded or who do not use the internet rely on, they face the prescription that Dr Roy has mentioned much more. We see a much worse experience for the customers who are digitally excluded. They are twice less likely, in our survey, to have a good level of satisfaction with how easy a bill is to understand. There are definitely opportunities there to improve the experience for people who are still reliant on paper bills, although over time we would expect more people to move on to digital services.

Q76 **Claire Young:** Katie, you mentioned people being able to judge whether they are on the right tariff or not. Do you think consumers are in a good place to know whether new tariffs like zero standing charge options would actually benefit them?

Katie Watts: If they are on the price cap that is very difficult. You can do a comparison on a price comparison service or your current supplier could offer you a range of fixed deals, but often they are compared with the current price cap you are on as if it did not change throughout the year, so those savings are over or underestimated to some degree. This is difficult, and we have services that help people to compare tariffs and we have to try to use a reasonable prediction of what will happen in the future, which comes from lots of analysts. British Gas has its own, which are included.

The other side of things is that we are trying to move—or at least it is the intention of this Government to move—to a world where more of us are on time-of-use tariffs. At the moment they are a nightmare to compare because they algorithmically work very differently and it is very hard for us to tell people whether that will make a good saving or be a good option for them. They are also quite reliant on people making a behaviour change. You will make those savings only if you do certain things, change your behaviours and put on certain appliances at certain times of day. There are things that need deeper thought so that we are able to help consumers compare across the market.

Q77 **Claire Young:** You are trying to make predictions when people are switching, but is there a role for being able to look afterwards at whether you have made the savings? Perhaps after six months or whatever you might be thinking, "You know what, this is not working for me."

Katie Watts: Potentially. You mentioned the proposal for a zero standing charge tariff and we said that we understood the reasons why they could not bring standing charges down across the market for everyone, for reasons that Alex and my colleagues at Citizens Advice have very rightly said are for vulnerable high energy users. We suggested a potential alternative to have a variant within the price cap, but there is a big flaw within that plan at the moment because what is being proposed is opt-in and a price cap is supposed to protect you if you do nothing. We would like to see it being automatically applied to those who could make a material saving, and if we go ahead with this option to force low or no standing charges in the market, for there to be a sort of projection of your last 12 months of usage to understand whether it will actually help you, particularly for vulnerable customers.

Q78 **Chair:** Thank you very much. Katie, you were talking there about helping consumers make better decisions. Do you have some proposals for us?

Katie Watts: To make better decisions? It is very hard because we have to follow what the market is doing at the moment and we try our best as a website to help people understand the tariffs available to them. We have various tables laying out different regional price caps, and different tariff rates, but you have to take a personalised look to be able to do it. Access to that data for people is important. Our ability to pull smart meter data can help us to make a better tariff decision for you, and also putting in your own usage data manually.

Q79 **Chair:** Thank you. Dr Roy, I want to come back to the point about the very prescriptive nature of the regulations for bills. Alex gave us a good comparison between the flexibility for apps and so on compared with paper bills. Why can't you provide additional information with paper bills now?

Dr Roy: We try to do that. I will make it personal for you, Chair. My 83-year-old mother, who is probably one of the most capable people I know, said to me the other day when looking at her bill in paper format, "There's a lot here. There's a lot of content and some of it is overwhelming. Therefore, what do I decipher from all of this?" We absolutely try to do the simple overlay, but there is quite a lot of prescription here. As I say, I am very happy to provide that to you separately so you can see it come to life. I completely accept that we must make sure there is some kind of common standard here that applies in how we construct the bill. We are willing to work with anybody on this matter.

Q80 **Chair:** Alex, do you think there is an answer with paper bills?

Alex Belsham-Harris: It is worth looking at the level of prescription in those rules, but I think that suppliers have scope to go further as well. There are other tools they can use for people who are using digital services. I will add on the point around solutions in regulation and choosing tariffs, I think that Ofgem's regulation at the moment focuses quite heavily on informed choices at the point of sale. It is very much around giving people the information they need so they can make the right choice, but then less about what the ongoing support for those customers is to make sure they understand they are getting the best out of their product.

As the products in the market get more complicated, we should be increasing the onus on energy suppliers to monitor the outcomes that their consumers are experiencing and then taking action to support them if they are not getting those outcomes. Zero standing charges is a good example. There are some risks with those proposals where someone might join one of those tariffs based on their previous usage, but then if it is a very cold winter or their needs change, they could face much higher bills and it could be only when the bill comes through the door that they realise that is the case.

We think that Ofgem should look closely at the approach taken in financial services where they have introduced a consumer duty that increases the responsibility on financial services firms in that sector to make sure that people are getting the best outcomes from their products on an ongoing basis, not just at the point of sale.

Chair: Thank you very much. As luck would have it, we have a chance to put that point to Ofgem shortly, which I am sure we will. We will move on to some questions about dispute resolution.

Q81 **Melanie Onn:** Thank you. Dr Roy, do you believe that Government proposals to cut the time before complaints can be escalated to the ombudsman from eight to four weeks is operationally realistic for suppliers and will lead to the best outcomes for consumers?

Dr Roy: Thank you for the question, Ms Onn. My starting point for this is that I recognise the work the ombudsman does. It has a lot of complex cases. It typically picks up the cases that have become more complicated that we have tried to resolve but have not managed to do so after a number of weeks. It has finite resources, as I understand it. The last Ofgem report identified that it has 380 people available to it, so we recognise some of the challenges.

We are very supportive of any measure that will improve the customer experience. The way I look at it is: does the ombudsman have the right level of resource to help resolve these complaints and disputes in a timely manner? Close on 60% of our complaints and disputes are resolved within one working day and about two thirds of them within about 10 days. We see in that last slug of time, particularly the six to eight-week window, about 5% to 6% of complaints still get resolved. Obviously there would be additional volumes coming in, so it is a question of the resource there. The ombudsman has been—

Q82 **Melanie Onn:** What does the caseload look like for the 380 people the ombudsman has? We can ask the ombudsman later presumably.

Dr Roy: I cannot answer that question, all I would say is I think that is a question—

Q83 **Melanie Onn:** What about for Centrica? What is the caseload like for your call handlers?

Dr Roy: We sent out about 27,000 complaints to the ombudsman in the last year and our referrals are about in line with the industry average. On your question about operational challenge, yes, we probably need some additional complaint handling resource. As I said at the beginning, we have put £50 million into customer service, of which about £5 million has gone into additional specific complaints handling teams, so we would need to look at that. I come back to the starting point, which is anything that is good for customers we are happy to support. The only thing we want to be certain about is what costs might be incurred, and whether the benefits and resources are there to meet customer expectations.

The other point I will highlight is that in dealing with a lot of these disputes, not all of the issues are within our control. There is a dependency on third parties. Some of the issues relate to changes that the distribution network may have to make in the network, or it might be that there is a third-party meter operator who is involved. All of those have to flow through and we have to make sure that if we want to change that, those elements of the complaints-handling process also flow through to other players who are active in the value chain.

Q84 **Melanie Onn:** This is about making their response times reflective of the expectations.

Dr Roy: I think that is right. It is really important that we recognise the energy value chain has a number of different players in it. We are one part of it and we want to make sure that if we change we also know that, as you said, the expectations flow through to other parts of the value chain.

Q85 **Melanie Onn:** Can I ask you about deadlock letters? Do you think that suppliers are using deadlock letters in an appropriate manner?

Dr Roy: I think it is definitely something that should be looked at carefully. Using deadlock letters is not something that we believe we do. We are very careful about that. I will give you personal experience from having dealt, as a customer, with the Financial Ombudsman Service on a particular matter where I thought the financial services provider was moving to deadlock as quickly as possible. The way we hold it as a company at Centrica is we want to sort things out for our customers and to get the best possible outcome for them. There may be times when you need a third party to just mediate between you and say, "What is the right answer?" but our starting point is we want to solve things. If they are taking too long, obviously we must signpost the ombudsman and continue to do that, but I think it is fundamentally not right to be deadlocking prematurely, in part if that helps with how numbers are reported as well.

Q86 **Melanie Onn:** Do you think that happens?

Dr Roy: I think there is a concern that has been identified in the sector and, yes, it should be looked at to make sure that the deadlock provision is being used as it was anticipated as being used.

Q87 **Melanie Onn:** Alex, do you think that we should be worried about the extent to which potentially threatening tactics are being used by energy suppliers against customers when they raise billing issues? If so, how do you think we should address it?

Alex Belsham-Harris: As I have said already, we see concerns with customer service that exacerbate the cases that come to us at Citizens Advice. Research that we have done also shows that around half of the people who complain are unhappy about the way that their complaint is handled and how long it takes to be resolved. We know that these are real frustrations for people and we know that the wait time to get to the ombudsman for people who want to take their case forward can also be a frustration.

Coming back to the point about the length of time to get to the ombudsman, we would just caution that in any changes we should be clear about the outcome that is trying to achieve—it should be better incentivising suppliers to resolve as many complaints as quickly as possible. We need to think about the whole process.

Q88 **Melanie Onn:** Is that what it is? Is it not trying to minimise the number of complaints that have to be issued in the first place?

Alex Belsham-Harris: Definitely that as well, yes. The complaints framework as it currently stands involves the supplier dealing with the complaint initially and then going to the ombudsman, and we want to make sure that changes are driving the right incentives. We would have a concern if people ended up at the ombudsman before the case had been fully resolved in case they have not had the right support offered from the supplier and they have not had a chance to resolve issues themselves.

As an advice organisation, people come to us, ask us for help and then they go away and often resolve these problems themselves or are referred to extra support through other services that can do that for them. If people end up at the ombudsman prematurely, potentially, it adds a significant time to their case being resolved.

The ombudsman currently takes about six weeks to resolve cases on average, so the end-to-end experience for those people could be longer. It is an area we need to think about carefully. The six-week wait is being looked at in telecoms and has been applied voluntarily in energy, so there should be good evidence on whether that has benefits for consumers. Shorter waits need to be trialled and tested very carefully to ensure they are delivering better outcomes overall.

As Raj said, the other issue here is potentially cost. We need to be mindful that every case that goes to the ombudsman costs between £300 and £400—the ones that have the full case management service. There is a risk of additional costs that fall on to consumer bills if people are going to the ombudsman when that is not necessary for them to resolve their issue.

Q89 **Melanie Onn:** Katie, do you have thoughts on this topic?

Katie Watts: The Committee may or may not be aware that we have campaigned around ombudsmen for quite some time across major industries. Martin Lewis, our founder, raised this at an earlier session, but not all ombudsmen are created equally. The Energy Ombudsman does not have statutory powers to enforce its own rulings in court, which I think is a powerful deterrent to not solving the problems or not abiding by the ombudsman's remedies.

We have found quite strong evidence that when people have a good experience of the ombudsman—when they get what they want, they get a decision in their favour, and that is carried out—there do not seem to be any major problems with wait times or anything, but the problems come when the supplier does not follow the remedy within the 28 days that they are given. A lot of users told us that the majority of suppliers continued the behaviour that triggered the complaint and carried out only some of the remedy, and that the ombudsman often had to step in and get involved to try to get them to move forward with that.

There was still a decent number for whom the ombudsman could not resolve the issue. Very few, in fact I think only two people out of 1,000, told us that they went to court as a result of that, which is their only other option. Most people are not aware of their other options and they are left in limbo. A decent number did not think it would be worth the time, money or stress to go to court, which is absolutely fair enough. A decent number also did not know that they could.

That toothlessness is really felt; we have lots of comments from people who say they felt fed-up. There is no point in having the ombudsman scheme if nobody can hold the energy firms to account; the lack of ability to enforce the correct outcome was frustrating. Some people were left with huge amounts of debt on their file that they had to live with. One person told me they could not live in their apartment as a result. Some people had to hold money aside for over two years, around £7,000, just in case because that is what the energy supplier felt they were owed.

I don’t think that is necessarily the fault of the Energy Ombudsman. From what we can tell, it does take action to try to get the suppliers to comply, but there are plenty of cases that we have been told about where people have been left really frustrated, having noted that toothlessness. I think that the powers of the ombudsman in this sector should be reviewed.

Q90 **Chair:** We are about to move on to some questions on exactly that topic. Before we do, Dr Raj Roy, have you seen an increase, a decline or roughly a similar number of complaints to the ombudsman from your customers?

Dr Roy: We have been looking to bring those numbers down. I am happy to follow up separately with you in writing but generally the trend has been going in the right direction. The point I will make generally to you is that we have put in a lot of investment in this area and overall our complaints volumes have come down very significantly. That has obviously flowed into what is being sent on to the ombudsman as well.

I will pick up on a point that Ms Onn made. Our objective on all these occasions when we may not get everything right is to try to put things right—put the customer back in the place that they should have been in—as quickly as possible. If we don’t do that, obviously we apologise whenever we get that wrong.

Q91 **Chair:** Alex and Katie, is it your sense that that is true across the energy retail sector?

Alex Belsham-Harris: Caseloads for complaints to the Energy Ombudsman and also to Citizens Advice and other organisations that operate in this space have all been declining since they peaked in about early 2023. That is not a surprise. There were significant complaints when prices were at absolutely record highs, and there were issues about prepayment meter installation and other issues. It is positive progress but we think there is still further to go for the industry to reach the same level as other sectors.

Chair: Do you have anything to add to that, Katie? No; thank you very much. We will move on to Torcuil Crichton.

Q92 **Torcuil Crichton:** Thank you all for coming in. I will pick up on what

Katie mentioned about the ombudsman and the structure of the ombudsman. I will do that with you first, Alex. First of all, thank you for the work citizens advice bureaux do throughout the land. They have great services and they deal with the nightmare of overbilling, unreadable bills, smart meters not working and phones not being answered—or when they are answered, not being answered in a very nice way. They do for that us every week—week in, week out.

Will the Government's proposed reforms for the Energy Ombudsman—that companies must comply with its direction that complaints will be automatically referred, and that resolutions must be done within four or eight weeks—benefit the consumer? The consumer has no trust in the companies or the ombudsman.

Alex Belsham-Harris: Thank you for your kind words. On the point about enforcing resolutions, it should always be the case that they are enforced. The current framework is designed to achieve that but if it is not doing so—and we see cases where that is not the case—strengthening those powers feels absolutely the right thing to do.

On the other issues, such as wait times, we are keen to make sure that any changes are tested and trialled with consumers to understand those impacts. I will say the same for the automatic referral of complaints. Some of the outcomes that we are looking for there—supporting people's access to the ombudsman and essentially overcoming barriers where people feel that they are not getting the right signposting—are about the supplier telling them in a simple and easy-to-understand way that they can go to the ombudsman. It is trying to overcome some of those issues where we see that that is not always happening effectively.

Again, we don't know how people will react if they are contacted out of the blue by a third-party organisation that says to them, "We're here to help with your complaint." Will people feel that that is a scam or will people be worried that their data is being shared in a way that is not appropriate? There are some tricky issues for us to think about for the consumer experience, which a proper trial of that approach would be really helpful for understanding and resolving.

Q93 **Torcuil Crichton:** Would you support what Katie, or Katie's organisation, has said about putting the ombudsman on a statutory basis?

Alex Belsham-Harris: Yes, I think that would be appropriate if that is the way to manage some of the issues with firms not complying and to give the ombudsman the right standing in the sector. The only thing I will add is that along with being made a statutory body, there might need to be changes in the oversight of the organisation. The ombudsman currently is appointed by Ofgem to act as the only alternative dispute resolution provider in the sector. It is a commercial body, so if it is moved on to a statutory basis there may be a case for looking again at how that governance is done, but that is probably more of a question for Ofgem than me.

Q94 **Torcuil Crichton:** Katie, it is surprising that it is not on a statutory footing. How does the protection of energy consumers through the ombudsman compare with other areas?

Katie Watts: What we would consider a gold standard ombudsman is the Financial Ombudsman Service. In practice, if the FOS makes a ruling on a consumer financial product, it can then go to court as a final resort and say to the judge, "We would like you to enforce this decision, please, with this company." The difference is that the Energy Ombudsman has an underpinning statute that requires an ombudsman to be there, and to be approved by Ofgem and a member of the Ombudsman Association, but it does not have the statutory powers to directly enforce its own rulings in a court.

That means that a consumer, if they are not getting the resolution that they need through the ombudsman decision, will have no choice but to go to court themselves and have their case reheard on merits all over again. As we know, that can be a very lengthy, very difficult and very expensive process, and for an essential utility that does not feel very fair. We spoke to a couple of people who had gone through the court process in the absence of an enforced ombudsman decision. One went and said that they won, and that is fine, and their comment was, "What was the point of them? They make a decision. The energy companies ignore them. A complete pointless waste of my cash." The other has told us, and we have not stood this up, that they are still waiting for the hearing after six years, which has cost £19,000 in solicitor's bills to date. With those outcomes when people want to enforce an issue, they are more likely to leave it and that can leave them in significant hardship.

Q95 **Torcuil Crichton:** What surprised me when we started reading into this is that the ombudsman is funded by the very companies it rules on. There is quite a high level of low-cost resolution, which saves the companies money and saves the ombudsman hassle, I guess, when it has only 380 staff to deal with a large number of complaints. Are companies incentivised in any way to resolve disputes before they go to the ombudsman? Should the ombudsman be funded separately?

Katie Watts: We don't have any data on people who are getting a better resolution from going to the ombudsman than they would have through the suppliers themselves. In some cases, people told us that what the ombudsman offered was worse and they did not accept that decision. Our research of people who have used the Energy Ombudsman did not flag any particular issues with wait times or customer service. They were broadly very satisfied with the process.

When you start getting issues of non-compliance, however, people see that as a problem with how the supplier handled things with the ombudsman or how the ombudsman dealt with the supplier. Even if the ombudsman fixed that, there was still around the same number of people who showed real dissatisfaction, in our survey, with how the ombudsman handled it with the supplier. Even if the ombudsman itself did not have the powers or the teeth to do it, people feel that that is a problem with the ombudsman. But all the other things like customer service, the amount of time, the decision that was made, were thought to be broadly satisfactory by the consumers we asked.

Q96 **Torcuil Crichton:** If you had to score the ombudsman on a one to 10 scale, where one means it is no good and 10 means it is the consumer champion of the world—

Katie Watts: I have been very fortunate not to have had to use it myself, so I cannot comment on that. When we ask people how long it took to get their case investigated, it all fell within the timeframes that the ombudsman says. I think when things are working, they work really well but when the powers fall short it can be really devastating for people.

Q97 **Torcuil Crichton:** Dr Roy, I have no wish for you to be sitting in the stocks but you are the only company on the panel now. We have been told in evidence that the ombudsman's own metrics show that the resolution involves small payments to customers, payable by the suppliers. Somebody described it to us as a sausage machine designed to get complaints off suppliers' backs. How would you characterise Centrica's relationship with the ombudsman?

Dr Roy: As I said when I spoke to Ms Onn, I want to recognise and pay tribute to the work of the ombudsman because it has a hard job. A lot of the cases that it is dealing with in that period end up being typically quite complicated and it has to sift through all of that. I think it does a good job of navigating some of these issues.

When you look at the proposal that is in front of us, it is always important to understand the policy rationale for any intervention. If the policy rationale here is that remedies are not implemented, that is something that we have to look at seriously. I want to underline that Centrica's position and policy is that if the ombudsman makes a ruling, we fully expect to implement it and adhere to it. I think it is very relevant to how we might design a new statutory basis; we must make sure that these rulings are aligned to important aspects of Government policy. The only times that we will typically have a very honest debate and disagreement with the ombudsman is if it is proposing a remedy that cuts across Government policy.

I will come back to the smart meter issue again. We have had a situation where the ombudsman's ruling suggested we should reverse the installation of a smart meter and put in a traditional meter. I do not believe that it is right for the UK to be operating dual systems going forwards. If you set the ombudsman up in a way that will give it a statutory footing, you need to make sure that its duties and obligations are clearly articulated, and that they align to Government policy in that regard. Those are my submissions on how we might set this up.

I hear all the comments about the Financial Ombudsman Service but again, I will share my personal experience of dealing with it. I lost my father about a year and a half ago and his pension provider behaved disgracefully about his last payment. I complained to the Financial Ombudsman Service, because the pension provider would not do anything about it, and after initially saying that it would do something, it chose not to do something—and it is on a statutory footing. There is only so much that being on a statutory footing will change. We have to understand the scope of any ombudsman, first of all, and what is the expectation, and then define and articulate that clearly. If remedies are the concern, we should absolutely make sure that remedies align to wider overarching Government and regulatory policy.

Q98 **Chair:** Katie, I want to come back to your survey. Do you have a sense of the scale of non-compliance with the ombudsman's findings? Is there anything you can extrapolate? I know that is pushing our luck a bit.

Katie Watts: I will come back to the Committee on this afterwards, but I believe it was about a third of people who had used the ombudsman and had accepted a resolution from the ombudsman but who told us that the supplier did not comply. That was a mix of them partially putting in place the remedy but also there being, in some cases, no contact at all and no remedy, but I will follow up with some of our research.

Q99 **Chair:** Thank you. That is very interesting. How many people were involved in the survey?

Katie Watts: It is worth saying that the survey was self-selecting. We reached out to people, but just over 1,000 responded. That was split between people who accepted a resolution and had it carried out, and people who did not accept a resolution and the reasons for that. We can share a little more detail.

Chair: That is very helpful. Thank you very much.

Q100 **Ms Polly Billington:** Katie, do you believe the remedial actions and financial awards available to the Energy Ombudsman are enough to drive up standards and give consumers the compensation they deserve?

Katie Watts: They are broadly in line with other essential household utilities. We do not have proposals for any further actions that we think it should be able to carry out, but if that was the case we would want to see it on a statutory footing so that those remedies were actionable and were a powerful enough deterrent to stop the problems happening in the first place.

Q101 **Ms Polly Billington:** On Dr Roy's point about the Financial Ombudsman Service being on a statutory footing, and yet you do not always get a result, what does that say to you about the value of a statutory footing?

Katie Watts: Some of the issues that people experience could be with the way the ombudsman is making decisions and its policies and structure internally. If there is evidence that that is happening at a high rate in any particular ombudsman, that is worthy of scrutiny by this or any other relevant Committee. We do not deal with customers one to one, so it is hard for us to see where a case should be an out-and-out win and not getting the right resolution. I can't comment on that.

Q102 **Ms Polly Billington:** I take your point. Alex, thank you also for what Citizens Advice do. I need to declare an interest in that I worked for Citizens Advice for some time and know the value of what you do as well as valuing the bureau in my constituency. You have the statutory advocacy role for microbusinesses, which is particularly important in a place like mine where there is a lot of microbusinesses. Do you believe the extension of the ombudsman's powers to cover small businesses has been a success so far?

Alex Belsham-Harris: Those changes are relatively newly implemented, so I do not know whether we have enough of a firm basis for the evidence that we are seeing to make an assessment. I think it is really essential that small businesses get better information about their new rights and that people contact us as an advice provider. We are now the statutory advice provider for small businesses. We think there is a much bigger job to do to make sure that people are getting that information. It should now be on energy bills that are going out to firms that they are able to access those services and they should be signposted by suppliers. That should be closely monitored. I know Ofgem made those changes relatively recently, so it will be interesting to hear its experience of monitoring the outcomes for those customers.

Q103 **Ms Polly Billington:** You will be collecting data, won't you? It will be interesting to see what Citizens Advice data starts to show. Dr Roy, in the last quarter of 2024 just over a quarter of the cases that Centrica was unable to resolve were correctly signposted to the Energy Ombudsman. Why do you think this is and what challenges do suppliers face when escalating complaints?

Dr Roy: It is an issue that we know about and we absolutely want to do better on. It goes to the point I was talking about of deadlock. All 5,000 of the people we have who work on customer service and in the particular dedicated complaints teams are often very focused on solving complaints. Typically it will be error rather than a decision not to signpost. We are putting in additional training and investment in this area to make sure that the ombudsman is signposted as often as possible.

Q104 **Ms Polly Billington:** It is quite a lot of error though, isn't it?

Dr Roy: I recognise that and it is something that we are absolutely across. As we were discussing, our primary objective is to try to solve the issues and often individuals working on those cases will be focused on solving the issue; they will not necessarily spot that this is the moment at which they need to signpost to the ombudsman.

Q105 **Ms Polly Billington:** Sorry, Dr Roy, but I have worked in call centres and followed scripts, and like most consumers, I have also been at the other end of those phone calls when you come to impasse. It seems to me that, at that point, it should be quite easy to say in the script, “Thank you very much, Ms Billington. I’m sorry we can’t resolve this. This is what you can do now. I will send you an email with a link”—or whatever it is. It should not be difficult for that to be on your script so that significantly more than just over a quarter of your cases are being referred.

Dr Roy: Yes. As I said at the very beginning, it is absolutely across all of our desks to make sure that this improves.

Q106 **Ms Polly Billington:** I am suggesting that it is not actually that difficult.

Dr Roy: To the point you made, it is definitely part of our scripts; it is part of our guidance. We need to reinforce that—to ensure that the training is right and to continue to monitor it—but I want to assure you that we absolutely recognise the point and we want to make material improvements in that area.

Q107 **Ms Polly Billington:** Thank you. Is it cheaper for energy suppliers to pay the compensation required by the Energy Ombudsman than to invest in proper customer service?

Dr Roy: If I think about customer service as I have described it to you, we take that very seriously and it is part of our overall duty to our customers. That is why I talked about the £50 million that we have put into customer service, and the additional 700 employees who we have brought in—UK jobs—to support customers. We take that very seriously. Our preference is always to try to sort things out for our customers directly, so no, I don’t think it is a question of wanting to send stuff to the ombudsman.

Q108 **Ms Polly Billington:** To follow up on that, do you still have human beings in your call centres or is this all being done by chatbots?

Dr Roy: No. We have 5,000 people on the phones. Where it is appropriate for customers who want to interact digitally, we will offer those sorts of options if they want to do that, but we absolutely have contact centres across the UK.

Q109 **Ms Polly Billington:** How many of the complaints or concerns are managed by chatbots versus human beings?

Dr Roy: When we get complaints, we have dedicated complaints teams. They are dealt with by our customer service agents and then if they happen to be complex complaints, we route them into a dedicated complaints resolution team. I do not think we are looking to handle complaints through bots. We are fundamentally looking to make sure that our customers are served.

Q110 **Ms Polly Billington:** They do get triaged by bots though, don’t they?

Dr Roy: When these complaints come in, obviously we use technology but fundamentally we are asking our colleagues to work through the issues and resolve them.

Q111 **Chair:** That wasn't a no, was it, Dr Roy?

Dr Roy: Fundamentally, I want to assure the Committee that the technology is used, where it is customer facing, where customers want to use the technology. To the extent we are using technology, it is typically for things like how we code complaints or which category they fall into. We are not looking, fundamentally, for technology to solve the issues. We are looking for our people to—

Q112 **Chair:** The question of whether customers agree that technology is being used in the right way or not is, of course, a different matter. You said that you had contact centres across the UK. Are all of your customer service agents in UK contact centres?

Dr Roy: We do have some contact centres that are offshore but over the past four years we have been looking to bring those back into the UK.

Q113 **Chair:** How many agents are working offshore?

Dr Roy: I would need to come back to you with specific numbers.

Q114 **Chair:** Do you accept that one of the challenges with people who do not work in the UK is they do not understand UK culture and what customers go through?

Dr Roy: Whenever we work with any of our partners who supply resource offshore, we work with them very closely to make sure that they are appropriately trained and understand some of the issues, but as an employer we fundamentally want to create jobs in the UK. That is why over the past four years we have been looking to bring more and more of this customer-facing service back onshore.

Chair: I look forward to the figures of how many people are working in the UK and how many are offshore when you write to us.

Q115 **Melanie Onn:** You mentioned that you have about 27,000 complaints a year coming through and you have 5,000 agents. That is about 5.5 complaints per person. If one person is only dealing with 5.5 complaints a year, why do you think that it is falling down so badly?

Dr Roy: Those are the complaints that we refer ultimately but, as I said to you, we can resolve the vast majority of matters that we categorise as complaints typically the next working day or certainly within 10 days.

Q116 **Melanie Onn:** I have two caseworkers. They are holding a caseload of about 170 cases at the moment between the two of them.

Dr Roy: The vast majority of the issues that we deal with are capable of being dealt with relatively quickly. It is also important to note that what classifies as a complaint is called an "expression of dissatisfaction". So it can cover a lot of small queries that we will record, but we look to our colleagues to resolve those as quickly as they can, and often they can resolve those quickly.

Q117 **Melanie Onn:** That would then say to me that you have fewer, if you have some easy ones that you can just move on. Is the number less than 27,000?

Dr Roy: We have invested a significant amount in this and we are continuing to invest. We are putting in another £1.5 million to £2 million in this area to ensure that we have the necessary resource to handle complaints as and when they come in.

Q118 **Wera Hobhouse:** We have heard in the last hour that a rather unfortunate amount of customer complaints ends up with the ombudsman. To add insult to injury, when remedial actions are required by the ombudsman, a lot of those are only partly carried out, which often means that a customer can resolve those issues only through the courts. I know from my own constituents that very few people want to do that because they are worried about the time and the money; a lot of people just do not have the money to instruct a solicitor. Alex, what reforms would you support to ensure that suppliers adhere to the remedial actions set out by the Energy Ombudsman?

Alex Belsham-Harris: We have already talked about the potential benefits of the statutory model and the ombudsman being able to take those cases to court itself. It would also be interesting to think about whether suppliers who are not implementing those resolutions are complying with the broader rules to treat customers fairly. Ofgem has a rule that says that suppliers must treat customers fairly in everything that they do in their customer service operations. I think that if a firm was failing to put these resolutions in place consistently, it would be hard for it to meet that rule of treating its customers in the right way.

Q119 **Wera Hobhouse:** Dr Roy, can you help us to understand what challenges energy suppliers face when they are asked to implement the required measures by the Energy Ombudsman? What happens? What is the tone?

Dr Roy: As I said to you, Ms Hobhouse, our starting point and our policy is if the ombudsman has reached a ruling—certainly that is my position whenever I see any of these cases—we must implement the ombudsman's ruling. There are some rare exceptions, as I said, where we have some disagreements on policy principles. I gave you the example of a reversal of the installation of a smart meter, where we have had a very open conversation with the ombudsman about that. The only challenge that we tend to have involves when we have dependencies on third parties to implement a remedy. That is why our position is that we look to implement the remedy of the ombudsman.

Q120 **Wera Hobhouse:** What we have heard this afternoon is that it is not you; it is other companies.

Dr Roy: Obviously I cannot speak for other suppliers, but I want to give you my absolute assurance that our policy is that we consider ourselves bound to implement what the Energy Ombudsman says in its rulings, save for where there are these scenarios. You asked about challenges. Where we have a dependency on a third party, sometimes we may go beyond the 28 days. The times when we miss the deadline is because we have not gone back to the ombudsman and said we need a bit more time because we have a third party to implement the remedy, but the starting point is that we absolutely want to give effect to the rulings that it reaches.

Katie Watts: There are also some issues around appeals. Of the people who accepted a resolution from the ombudsman and said that their supplier did not comply, we asked them what their supplier did and nearly 10% said that their supplier wanted to appeal or had appealed the ombudsman's decision, so that can slow things down as well. A consumer also has the right to appeal. Of the people who made a complaint but did not accept that initial resolution and did appeal, I think 34% unsuccessfully appealed but 28% successfully appealed—that is quite a high rate of people with new information coming to light that meant the ombudsman would accept an appeal. But then a further number just did nothing and gave up when they were not happy with the initial remedy. That was around 16%.

I think that people may not be as aware as they could be, or are less informed than they could be, about their ability to have a conversation with the ombudsman that goes backwards and forwards, and about what happens if their supplier then appeals the decision that the ombudsman made if it was in their favour.

Q121 **Wera Hobhouse:** Is it acceptable that 16% of vulnerable customers simply give up and do not get their rights?

Dr Roy: As I said to you, our policy is that if a third party such as the ombudsman has reached a ruling we consider that we must implement it and that the customer should benefit from that ruling as quickly as we are able to deliver it.

Alex Belsham-Harris: The only point I will add is that the ombudsman offers a really valuable service, as we have mentioned. It avoids people having to go to court as long as the remedies are implemented as they should be. It exists in a wider framework that is there to support people who have issues with their energy. Particularly for more vulnerable customers there is then a different service called the Extra Help Unit, which is run by Citizens Advice Scotland, our sister body, on behalf of consumers across Great Britain. That intervenes on their behalf and can also get resolutions for consumers, and it is very effective in doing that. There are other pathways that consumers, particularly in the most vulnerable circumstances, can go down to get a different type of service. That can often lead to more sustainable solutions for them because they can refer them on to things such as debt support, energy efficiency advice and all these other things that people need to manage the costs in their lives.

Q122 **Wera Hobhouse:** One last question to all of you: should more data be published on compliance with the Energy Ombudsman rulings to name and shame the worst offenders?

Katie Watts: It could act as a partial deterrent but we do not see that making a massively marked difference in other sectors where the ombudsman publishes that sort of data. I note the Government's press release last week that indicated they were going to ask Ofgem to consider non-compliance with ombudsman decisions in automatic compensation. I just question how that would work in practice because if the supplier, for example, is not communicating at all with the customer about the decision, how would the ombudsman recognise and roll out that automatic compensation for not complying with it? I will be interested to hear more details about that, which I think we are expecting later in the year.

Dr Roy: As I said, we are open to engaging with anything that assists customers with transparency and looking to see if that would help. When you propose that, that is the lens through which I look at it.

Alex Belsham-Harris: I definitely agree that more data on that would be useful and we will be looking for that when the Government release more details about their proposals to understand whether the statutory model will help tackle those issues or whether other approaches could work more effectively or be simpler. It is definitely something we are keen to see.

Q123 **Chair:** Katie, we just talked about automatic compensation. Do you think there is a case for widening the number of examples where it should apply?

Katie Watts: It is positive for consumers if there is more wrongdoing that they can get automatic compensation for, but from our experience it is not the biggest thing that people talk to us about. Most people are not that practically bothered about automatic compensation. They would rather the wrongdoing did not happen in the first place and it did not happen to anyone else—their mother, their brother, their sister. Is that the most effective thing? It is helpful but we need to address the underlying issue and make sure we protect a strengthened, powerful, toothy ombudsman that can provide more of a deterrent against furthering that case.

Q124 **Chair:** The existing automatic compensation is £40 for some very narrow circumstances. Should that increase and, if so, by how much?

Katie Watts: I believe it is the Government's intention to work with Ofgem to increase it. They said that they will have more details on the measures that they proposed last week after the summer. If it aligns more with the real cost of putting people back into the position they would have been in had it not happened that is good, but in practice for most people we speak to who have issues, more than £40, £50 or £60 of harm has been done.

Q125 **Chair:** We are seeing the roll-out of heat pumps and people ending their use of gas, but they are left connected to the gas supply so they still have to pay standing charges unless they pay a disconnection fee. Dr Roy, how much do Centrica charge for disconnecting customers from gas?

Dr Roy: I would have to come back to you on the specifics of that one, if I may, Chair.

Q126 **Chair:** Do you think that there should be a charge for disconnecting customers from gas? Otherwise they have to continue paying the standing charge.

Dr Roy: I think it is one of those issues, as with any intervention, where we have to ask whether there is a rationale and a justification for it, and whether there a cost attached to it. It is a subject that we are looking at in the context of the heat pump roll-out and we would be very happy to come back to you on that.

Q127 **Chair:** Alex or Katie, do you have anything to say on that question?

Alex Belsham-Harris: It is definitely worth consideration. If that leads to higher costs for other users who have not adopted heat pumps, there would be an issue around distributional impact. That is a much broader issue as we go through this process of decarbonising heat—who pays and who benefits from some of these changes. That needs to be thought through carefully.

Q128 **Chair:** Yes; that brings me back neatly to what we have been talking about. What is your sense, Alex and Katie, of how much complaints and dispute resolution, and indeed the ombudsman process as a whole, add to bills?

Katie Watts: As far as I understand it, I don’t think it is the most significant part of what are called recoverable costs in people’s bills. In fact, the costs of wider schemes such as covering bad debt across the market are very high. The extension of the warm home discount is a good thing but will add, according to the Government’s own impact assessment, around £15 for the average dual fuel billpayer. The Government claims that will be offset by other reductions in Ofgem schemes that it is working on to bring down those costs and that is a question for the regulator.

Q129 **Chair:** Yes. Alex, do you have any thoughts?

Alex Belsham-Harris: Suppliers pay membership fees for the ombudsman and the ombudsman will probably be better placed to explain those. There are also the case fees that I mentioned and those can be quite significant, somewhere between £300 and £400 for a full case and a lower cost for a facilitated resolution, which is a faster process. There is a risk that if significantly more cases go to the ombudsman, those costs will increase and if they ultimately flow back to customer bills that could be a concern. But in the larger scope of the energy bill, it would still be a relatively small cost.

Q130 **Chair:** Thank you. Dr Roy, do you want to say a last word on that question?

Dr Roy: Under the energy price cap we have an operating cost allowance. As you have heard, we pay for the membership and the subscription for the Energy Ombudsman. I imagine it is a very small line item, if any at all, within that operating cost allowance.

Chair: I thank panel one for your very interesting evidence. You have given us plenty to ask panel two, as well as evidence in its own right. Thank you.

Examination of witnesses

Witnesses: Jonathan Brearley, Beth Martin, Ed Dodman and Jonathan Lenton.

Q131 **Chair:** Welcome back to the Energy Security and Net Zero Committee hearing on our inquiry into the cost of energy, and welcome to panel two. Please introduce yourselves.

Beth Martin: Good afternoon. My name is Beth Martin and I am the Director of Consumer Protection and Competition at Ofgem.

Jonathan Brearley: Jonathan Brearley, CEO of Ofgem.

Ed Dodman: My name is Ed Dodman. I am the Chief Ombudsman of the Energy Ombudsman. We have been following the various discussions on ombudsmen with close interest, so we welcome the chance to be here today to give our view. Thank you for having us.

Jonathan Lenton: My name is Jonathan Lenton. I am from the Energy Ombudsman and I am Regulatory Director.

Chair: Thank you all very much for being here. I am sure we will pick up some of the questions and challenges put by the first panel.

Q132 **Melanie Onn:** This is to the Energy Ombudsman, so Ed and Jonathan. Given that the ombudsman does not exist on a statutory footing, do you think that energy customers enjoy the same protections and means of redress as those in other sectors?

Ed Dodman: It was really nice to hear the first panel's views on the important role that we play in the sector. Last year we investigated and resolved 93,000 complaints for energy consumers, the vast majority of which had their remedy implemented if indeed one was required. Of the decisions we made last year, over 99% have now been implemented by the supplier. Where there is a challenge—and hopefully we will have some time to discuss this today—is on the timely implementation of those. In 92% of cases, remedies were implemented on time, but that obviously leaves thousands of consumers for whom that did not happen last year.

The statutory question is an interesting one. My own view is that it is not a panacea that will solve all problems. It is important to clarify what we mean by statutory as well and for me it means one of two things. The first is a statutory role, so you are absolutely right that we do not have a role that is defined in statute. The legal ability to appoint us lies with my colleagues here in Ofgem. That is different from other ombudsmen.

As we have heard already today, the Financial Ombudsman has a role defined in statute. There are potentially a couple of benefits with that. One is complete independence from the regulator. I do not see that as a challenge today with Ofgem, but where a role is defined in statute rather than through a regulator, it helps to ensure a level of independence.

The second benefit of a statutory remit is also around remit. At the moment our remit is constrained by the remit of Ofgem because Ofgem appoints us. There are examples, such as with heat networks, where we accept complaints now and do have a statutory remit, and that is because Ofgem does not regulate heat networks.

The other point about statutory, which I think is the main point that people mean when they talk about this, is the ability to enforce remedies through statute. When suppliers sign up to our scheme—and all suppliers are obliged to sign up to our scheme if they want to be a retailer in this country—they agree to abide by certain rules. That is enforceable in court but you could argue that it does not carry the same weight as it does if decisions are binding in statute.

There are benefits on both of those two definitions of statutory appointment but there is more to it. I do not think it is a silver bullet that will solve everything.

Q133 **Melanie Onn:** Do you ever take the suppliers to court?

Ed Dodman: We do not litigate against suppliers. I am not aware of any ombudsman that does. That ability lies with consumers, but the whole point of dispute resolution is that we are an alternative to the courts. I think that any solution that rests its case on more consumers going to court is probably the wrong solution, because we want to avoid that.

Q134 **Melanie Onn:** If suppliers fail to enact your resolution or fail to enact it within a timely fashion, what recourses do you have as the ombudsman? Do they lose their ability to retail given that they have voluntarily signed up to the code?

Ed Dodman: We have various degrees of escalation that we will take. Quite often some of these problems are executional—perhaps a supplier has made a mistake, so we will talk to the supplier about that and why a remedy has not been completed. Where there is something more serious or systemic or persistent, we will work with Ofgem, who does have power to take action against retailers. We do not have enforcement powers. Again, I am not aware of any ombudsman that does have direct enforcement powers. We have examples in the past of where Ofgem has taken action on issues that we have raised. Outstanding remedies are a very good example: a retailer was fined several million pounds last year for not implementing our remedies. It does happen.

I think we would collectively agree that we can probably look to make sure that happens in a more streamlined, simple way, possibly by involving Ofgem earlier in the process, but we do have levels of escalation that we can take. As I said, the vast majority of consumers, we are pleased to say, get their remedies implemented—some too late, but where we see that we try to address it.

Q135 **Melanie Onn:** Are you concerned about the proposals to reduce the time before complaints can be escalated to the ombudsman and to make referrals automatic, which might restrict the ability of suppliers to resolve disputes themselves? I am interested in whether you have confidence in the suppliers resolving the disputes themselves. Could it discourage them from investing properly in customer service?

Ed Dodman: I am not worried; I am very enthused by the proposals that were announced last week. If we take the automatic referral proposal, we have done a lot of work in the Energy Ombudsman to try to make ourselves more accessible to consumers but we know that the majority who could use us still do not today. That is for a variety of reasons: some become fatigued with the process; some do not understand what we do; some are daunted by our process. There is an impression of what an ombudsman is, which we are trying to break down. It is perceived as quite a legalistic process and the reverse is true. Automatic referral is a great opportunity for capturing those consumers who could benefit from our service but who choose not to or are not able to today.

The thing that we have not talked about so far is the incentive that that proposal drives on companies to resolve complaints. I do not think companies use us as an overflow complaint dealing facility; I do not think any company wants any complaints to come to the ombudsman. There is a financial cost and a reputational cost to that. Increasing the incentives for them to resolve complaints, either through automatic referral or by reducing the time or both, would be a good thing and would help to raise standards for consumers.

Q136 **Melanie Onn:** So they do not want things to come to the ombudsman. Perhaps that is why so many at Centrica have never made it to the ombudsman and why their process does not provide for that. In the last quarter of 2024 less than half of the cases where an energy supplier was unable to resolve a complaint were correctly signposted. Whose responsibility is it to improve signposting and what more do you think you can do to make your service more accessible?

Ed Dodman: The primary responsibility to signpost consumers is absolutely with suppliers. Suppliers are obliged to signpost consumers to us when one of two things happens: either the eight weeks passes since the complaint was raised or they reach deadlock, which we have already talked about today. It is concerning to us when that does not happen because many consumers will not know their rights if suppliers do not tell them; that is why that rule is there about telling consumers. It is something that we are concerned about.

The range of signposting, as you will have seen in the quarterly data, goes from reasonably good to quite poor. Again, it is something that we are talking to Ofgem and suppliers about. We decided for the first time in the last quarter of last year to publish this data in an attempt to incentivise suppliers to think more seriously about signposting. You talked about data in the last panel. That is an example of where we have taken the step to try to make this more public and more available for people to see.

Q137 **Chair:** Perhaps it is a good time for Jonathan Brearley to say how he thinks we can improve the compliance of suppliers in signposting to the ombudsman.

Beth Martin: Do you want me to take that one? We are also very concerned about the levels of signposting that we see from suppliers. We do not think it is good enough at the moment. As Ed said, we agree that the primary responsibility to do that is with suppliers, but we are actively engaging with all suppliers at the moment to try to drive performance in their levels of signposting. We are very hopeful that we can see an improvement as a result of that.

Q138 **Chair:** Do you need additional powers?

Beth Martin: No, I do not think we need additional powers to do that.

Jonathan Brearley: It is worth going back to the point that Ed made. We have already taken suppliers through compliance processes and issued fines where they are not doing what you would expect them to do through the ombudsman complaints process. In my mind, we have the powers. When we are at the stage of engaging with the companies, of course we will take enforcement action if we need to.

Q139 **Chair:** Given the low level of signposting, do those fines need to be a lot higher?

Jonathan Brearley: I think you want to start by engaging with the companies and understanding what is behind that but, absolutely, they will have to stack up if companies do not respond.

Q140 **Chair:** The MoneySavingExpert’s analysis found that a third of the people who responded to their survey—admittedly, it was not a scientific survey—were complaining of non-compliance. That suggests a very high level of problem. What sort of figures do you recognise?

Ed Dodman: Chair, I will just repeat the figures I shared in the answer to the first question. Of the complaints that we resolved last year that required a remedy from a supplier, over 99% have now been completed. The issue is suppliers sometimes taking too long to do so. Of all the complaints where we required a remedy last year, 92% were completed on time. Given we accepted 93,000 complaints last year, that still leaves several thousand consumers who have been waiting too long for those resolutions to be completed. I cannot comment on the MoneySavingExpert survey but our own data, which is based on remedies completed, suggests that more people than that are getting the remedy completed.

Q141 **Chair:** Okay, so how many is that in total, rather than percentages?

Ed Dodman: I will do the maths in my head. There were close to 100,000 complaints last year, so if 99% have been completed and 92% of those were completed on time, you are looking at 8% of those that were not, which is still 7,000 or 8,000 people who were waiting more than 28 days for their complaint to be resolved.

Q142 **Chair:** Yes, and the MoneySavingExpert figures were about 300 who had complained.

Ed Dodman: Yes, I think their base was 1,000 but, as Katie said, it was a self-selecting audience.

Chair: It is interesting to make the comparison.

Q143 **Bradley Thomas:** I have a question for Jonathan Brearley as chief executive. Against the backdrop that households and businesses face at the moment with exorbitantly high energy costs, I want to pick up on a story that was in the press this week—you have probably seen it—about staff networks in Ofgem, and the time and cost associated with those for the taxpayer in particular. I want to give a couple of examples: "Cultural crowns: the art and history of black hair", "Pride in intersectionality", "Perspectives from Rainbow Regulators". Against that backdrop, how do you justify spending tens of thousands of pounds of taxpayers' money on this, particularly when your remit is to regulate electricity and downstream gas markets?

Jonathan Brearley: We have a big team and we work hard to make sure that people collaborate and get together in all sorts of different ways. Therefore, we think investing some money in making sure that we are allowing staff to network with each other and to also promote diversity is an important element of our job and is something that we stand by. We have stopped that, as you know, in 2024 but I have been on record since I started this role saying that as a regulator, we regulate for the whole country. If we do not make up that whole country—if we do not understand the rest of the country—it is hard for us to do our job. As far as I am concerned, these are the sorts of events that make a difference and improve our effectiveness rather than take it away.

Q144 **Bradley Thomas:** I beg to differ. I am someone who believes absolutely in the liberty of the individual to spend time on whatever interests that they pursue but I think the taxpayer would question these topics. I am not singling anything out in particular but I picked those as an example—"The art and history of black hair"—and their relevance to your remit. I think there is a massive disconnect there. *[Interruption.]* It is a valid question, as a taxpayer-funded organisation.

Jonathan Brearley: The position I maintain is that we want to make sure that Ofgem is a place where people can collaborate and people can come to work and be comfortable. We, the management, do not pick the topics that get focused on. The staff networks themselves do. We have taken that back in 2024, but my personal commitment to having a diverse team who can understand all the challenges that our customers face remains.

Q145 **Chair:** Thank you very much. It is your position that your service is improved by encouraging people from all different parts of society.

Jonathan Brearley: I may digress and talk a bit about the civil service in general. I have seen how the senior levels of the civil service deal with a multitude of topics and how we as a Government—Ofgem is obviously an independent regulator but part of the civil service—have had to work hard to make sure that we have better representation of different walks of life in the places where we make decisions. Part of that is setting up networks. Those networks have had social events but those networks also give us serious advice on how we run and organise the organisation. I have led the organisation through covid, the Russia-Ukraine crisis and the sorts of issues that we have in the middle east today. That affects staff morale and I think it is important that we work hard to maintain networks that allow us to understand our staff, and allow our staff to understand the country.

Q146 **Torcuil Crichton:** Thank you all for coming in. To get back to something you said to Melanie Onn, Ed, about the escalating series of penalties, you have to help me out. Suppliers are legally bound to implement your remedies within 28 days but some of them do not. What percentage do not, and can you tell me again what the escalating scale of penalties is?

Ed Dodman: Of the remedies we decided on last year where the supplier needed to put something right, 92% were completed on time. That varies from supplier to supplier. Where we see issues with particular suppliers, our first port of call is to go to talk to them because it is often the quickest solution to a problem. We also do that where we spot other sorts of behaviour or certain complaint types, for example, and we share data with suppliers. As I said previously, where it becomes persistent or systemic we will talk to the regulator about potentially taking action.

We do not as an ombudsman have the power to take regulatory enforcement action. I am not aware of any other ombudsman that litigates individual cases in court. Consumers have the right to do that themselves but we exist to stop that happening. We are working very hard with Ofgem and the Government as they announce potential changes to think about how we strengthen the incentives for suppliers so that consumers never have to do that.

Q147 **Torcuil Crichton:** You mentioned that it costs them to go to the ombudsman and also it costs their reputation. Why do you not just name and shame the ones who do not comply?

Ed Dodman: We are constantly reviewing the data that we publish externally. The data that Melanie mentioned previously was the first time that we had published data in a way that allows consumers and anyone else to easily compare suppliers. It is the first time we have published data that is more easily comparable, and we have introduced new fields such as signposting because that is a particular area of concern for us.

We may decide in the future to include other areas such as remedies if we feel that would help. At the same time we are trying to balance making sure that our data is easily understandable. We could simply publish everything but it would be quite hard to take in. We are constantly reviewing that, and we may decide to make changes in future. If we feel that publishing something like data on remedies could help, along with any other Government initiatives that might be coming, we will consider doing that as well.

Q148 **Torcuil Crichton:** Beth, Jonathan, how can you help them?

Beth Martin: We have a very constructive and productive working relationship with Ed and Jon and his team. We monitor the data very regularly to look at how remedies are being implemented and we work together to review that and where we need to take action. As Ed has said, often the first step is for the ombudsman to get involved and to speak to a supplier. I can think of at least one example recently where that has driven improvements and removed the need for us to get involved. I support what Ed said earlier; I think there are mechanisms through which we can work better together, potentially through Ofgem getting involved earlier in the ombudsman's process where it identifies problems to try to make that process as quick and smooth as possible for customers.

Q149 **Torcuil Crichton:** Do you have any powers that you can use to make sure that suppliers do what the ombudsman wants them to do?

Beth Martin: I refer back to what Jonathan said earlier. We have the ability to take action against suppliers where we see a consistent problem and we have done that. Last year we published details of a case where we took action against a particular supplier because of delays in its implementation of ombudsman remedies.

Jonathan Brearley: We are working with the Government on instant redress as well, which again is a way to begin to up the cost of the problem, and hopefully that will give suppliers the incentive to resolve it.

Q150 **Torcuil Crichton:** Ed, Jonathan, naming names or without naming names, do you have repeat offenders? Is there any evidence that some suppliers just do not listen to you and do not remedy?

Ed Dodman: We publish data on a range of measures. It is difficult to look at one in particular and say one supplier is better than the other. I can illustrate that with an example. We publish things like the volume of complaints about each supplier. We also publish the signposting rates of each supplier. If a supplier is really good at signposting, all else being equal, you would expect more of their consumers to find our service. Sometimes these measures need to be looked at together to give a more rounded picture. We are part of a bigger picture of performance in the sector. If you looked only at our data, you could end up being pretty miserable, to be honest, because you would see a lot of problems happening.

Ofgem has access to a much broader set of data and I think it is right that when it is thinking about the action that needs to be taken, it is taking ours into account very seriously, but it is also looking at the other issues that have been raised by other stakeholders in the market.

Q151 **Torcuil Crichton:** Is there any way to make suppliers behave properly to resolve customer disputes and make sure that the customer comes first?

Beth Martin: We have a number of ways to make suppliers engage and we take our responsibilities for compliance and enforcement very seriously. As the regulator, we will use a range of tools and techniques. They range from routine regular engagement with a supplier where we will look at their data and the outcomes, highlight problems, and work through improvement plans to address those problems. We also use monitoring to look at whether there are systemic issues in the market and that enables us to look at whether rules are being complied with regularly. We have thematic reviews where we do a deep dive into a specific issue. We then have the ability to take more formal compliance action, which is where, if we think we are seeing suppliers not behaving and not responding to the engagement that we are doing, we can take more serious and more formal action to make sure that we see the redress go to the consumer that needs to happen. Of course we always have the option of enforcement in more egregious cases.

Jonathan Brearley: We have all the tools that Beth has laid out and that we can use, but I understand why the Government want to look at putting the ombudsman on a statutory basis because that gives a greater counterweight to the inertia that is in that system. We acknowledge that we deal with systemic and broad issues with companies rather than individual cases.

I am also an enthusiast for the pilot these guys are running on semi-automatic referral and cutting down the time it takes to go to the ombudsman because the more we fix within the system, the more Ofgem can effectively play its own role in picking up wider, more systemic issues and responding to them.

This comes back to the broader point of why the Government are interested in instant redress. It is because that needs to happen in other places as well. We need to see more self-righting within the system and Ofgem using its compliance processes to tackle the bigger and more systemic issues.

Q152 **Torcuil Crichton:** It is a massive industry to regulate. Does Ofgem need a bigger stick?

Jonathan Brearley: I don't think we need a bigger stick for the sorts of things we are describing here. We are in active conversations with the Government about the Ofgem review.

I have said before that we should look at some of the powers we see in financial services. We said a while ago that it would be interesting to understand the impact of, for example, greater executive accountability. That is partly about complaints but it is also about financial resilience and the responsible handling of some of the more difficult ends of the commercial model. There are some more powers we would like in that area.

The other thing we are seeking through the Ofgem review is to adapt what we are asked to do for the changing market. You gave the example, Chair, of a heat pump. We have seen some companies offer integrated energy and car products or integrated energy and housing products. Right now, Ofgem is designed to regulate basically what comes through your pipe and your wire with a few additions that are created in a fairly slow process through primary legislation. I think we can learn something from financial services that allows us to adapt more quickly as the sector changes more quickly to make sure that we are focused on all consumers not just a subset who are using a particular form of energy.

Q153 **Chair:** I am glad you mentioned the financial services point. Earlier, Alex Belsham-Harris was calling for a consumer duty to be introduced, so you would then be responsible for enforcing that consumer duty on suppliers. Is that what you are talking about? Do you have a good sense of what that might mean? Do you think it is a good idea?

Beth Martin: I am happy to talk about this. We started thinking about it when we were very disappointed with where standards fell to during the crisis. We saw trust eroded, complaints soar and satisfaction drop. Although we have taken a number of actions to put specific rules in place to address that and we are starting to see some improvements, we are still not where we want to be. Satisfaction in the energy sector is still about five points below the UK customer service index average.

That is why we are launching a programme in September that we are calling consumer confidence. It is about raising customer satisfaction across the energy industry. As Alex was saying, it is about looking at the outcomes that we expect suppliers to be delivering. Are they there yet? Our view is that they are not there, so how do we drive the progress that we want to see?

We think some of that is about addressing the kinds of specific and ongoing issues that we see in the market. We have talked a lot about billing here. That is definitely one issue, but part of it is also about us taking a look at how we are regulating, learning from the consumer duty in other sectors and asking how we can build outcomes into our regulatory model and use those outcomes to drive improvements. We will be consulting this summer on what those outcomes should be and what the mechanisms might be that we can use to drive the improvements that we want to see from suppliers.

Jonathan Brearley: Stepping back from all of that, we already have a duty for the companies to treat customers fairly. The question is, how do we adapt what we have to replicate what the consumer duty does? In a sense, though, it is about asking: where are we now? Two years ago, service standards were very poor indeed. We saw very poor response times and very low customer satisfaction, but the industry has recovered now and I get a lot of retail CEOs complaining that I do not acknowledge the progress that has been made. There definitely has been some uplift in customer satisfaction but, as Beth says, that is not as far as we would like it to go.

I also think we need to acknowledge that the rulebook is getting very long because each of these small issues generates more rules, which we then pursue. We want to step back, design a framework that is focused on the outcomes that customers care about and then make sure we are designing a system that is able to tackle the issues that we see, and that becomes easier to administer. We are trying to do both things with the new framework.

Q154 **Chair:** Are you saying start again with the Ofgem framework?

Jonathan Brearley: Almost start again, after making sure that we have clarity and have reassessed our outcomes, and see what comes out of that. I do not think the framework will necessarily change dramatically as a result but we have to challenge ourselves given the number of rules we have been adding over time.

Q155 **Claire Young:** I would like to talk about dispute resolution for small businesses rather than domestic consumers. How often does the Energy Ombudsman require that small businesses are compensated with awards close to its £20,000 limit? Does the ombudsman's lack of enforcement powers encourage it to lessen the penalties it imposes on suppliers?

Ed Dodman: Our remit was extended to cover small businesses in December last year, which we were really pleased about. We felt that there was a gap in protection for businesses that, in many ways, do not differ significantly from microbusinesses that already have these protections. We have had just under 200 complaints from small businesses in that time, which is broadly in proportion with the number of companies of that size. These are obviously larger companies and there are fewer of them.

We also decided to increase the maximum award that we could offer those businesses in reflection of their size. It was historically £10,000 as a maximum for domestic and microbusiness consumers. We felt it was appropriate, given the high usage by small businesses, to increase that to £20,000 and we have awarded that at least once so far. It is early days obviously, as we are six months into the scheme, but that has been awarded. We also reasonably regularly award the maximum that we can for complaints against brokers—£10,000—which we have awarded several times.

The amount does not affect our decisions on what is right and wrong. We cap it at the awards that are set. Small businesses, like other consumers, have the option to litigate if the award does not cover their total redress, but I think it is probably right that we have a maximum award that is set like other ombudsman services, because there are some very large complaints that it might not be appropriate for us to manage. I would not say that the award puts us off making the right decision. We have met the maximum award several times for domestic and business cases.

Q156 **Claire Young:** Do you believe it is appropriate for energy suppliers to threaten to send debt collectors to small businesses while in the middle of an investigation by the Energy Ombudsman?

Ed Dodman: We do not like to see that. When we investigate complaints—and this applies to domestic consumers as well—we ask suppliers if they will put a hold on debt collection practices. It is not an obligation on them, but we are very pleased that suppliers often agree to do that. It tends to be case by case; I think it is good practice. Suppliers are obviously balancing that against the need for them to pursue debt in cases where they feel that is the right thing to do. As a matter of course, we think it is preferable, when we are investigating a complaint and we do not know the outcome yet, for suppliers to put on hold those sorts of activities where possible.

Q157 **Claire Young:** If businesses, including the larger ones that you do not cover, have ongoing issues, are they concerned that if they take action on incorrect billing it will affect their credit rating in the meantime? These things can take a long time to resolve and that could have all sorts of knock-on implications. Are you concerned that is deterring businesses from taking action on incorrect billing?

Ed Dodman: Interesting. That is something for us to review. We will be reviewing the success of our small business remit extension in due course. Obviously, we see only the complaints that come to us and those are the businesses that have been brave enough.

One of the reasons we are excited about the Government proposal for automatic referral is that there is a lot of confusion about the process and what we can and can't do. I think it is fundamentally wrong that when a consumer, domestic or business, finds themself in a situation where their supplier has not done enough to resolve the complaint, the ball is thrown back to them, "You go and fix it. Go to the ombudsman if you want. You fix it." We don't think that is right. It is not the consumer's fault.

We think there is absolutely merit in looking at how we simplify that process and make it more automatic so that we, and potentially suppliers, do the work of finding us rather than the consumers. We can explain some of the detail of what it might mean around credit scores and that sort of thing when we are having those conversations, but if we cannot have those conversations because a consumer has not been brave enough to come to us, that is very difficult to do.

Q158 **Claire Young:** When you are doing the review, are you planning to do any work to seek out and survey businesses, or do any other means of trying to find out why people might not be coming to you?

Ed Dodman: We do research to look at things like which groups of consumers are underrepresented. That work has mostly been done in the domestic space. Roughly 90% of our complaints come from domestic consumers. I think we will learn more about business consumers as our scheme and our remit progresses. We are keen to understand why certain types of people might not be coming to us. Again, the automatic referral really helps with this. It is levelling the playing field because it lets us explain to every consumer how we can help and makes it easier for them to come to us.

Claire Young: It still relies on them making the complaint to the business in the first place if it is going to happen.

Q159 **Chair:** Are you supporting auto-referral for microbusinesses as well as for domestic consumers?

Ed Dodman: We have been really pleased with the support from the Government, Ofgem and indeed suppliers so far for testing some of this. We need to figure out how we test it in a way that gives us the answers to determine if it is achieving what we want it to. Whether we do that on domestic and non-domestic from the start is a question we are thinking about at the moment.

Q160 **Wera Hobhouse:** This set of questions is addressed to Ofgem. We want to assess whether Ofgem has ensured market stability and competition post crisis. We have heard concerns that suppliers serving more than a third of consumers are failing to meet their legal obligations, with some falling short of their capital requirements by more than £1 billion. Do you agree that this exposes consumers to unacceptable risk of supplier failure, and what plans do you have to address that?

Jonathan Brearley: We acknowledge the sector has moved in the right direction when it comes to financial resilience as a whole. One of the big learnings from the gas crisis was putting these rules in place. We have seen net asset values grow to £7 billion or £7.5 billion—

Q161 **Wera Hobhouse:** Can you specify the actions you have taken to make sure that that happens?

Jonathan Brearley: The regulations we have put in place are threefold. First, we make sure that suppliers no longer use renewables levies as a way of funding their business. They have to be taken out and separated into another account. Secondly, we keep an eye on the level to which suppliers are relying on customer credit balances to finance their business. Thirdly, we expect companies to hold back capital to make sure that they can weather different circumstances. Alongside that, we also monitor very closely how suppliers are hedging—how they are managing their risks in the market. It was always going to be the case that for some companies this would be a journey and take some time. I am not sitting in front of you today saying that we can guarantee that there will be no more failures, but the sector as a whole is in a better position, and even those suppliers that have not yet met the rules are all on transition plans to get there.

Q162 **Wera Hobhouse:** Can you tell us a bit more about why Rebel Energy collapsed in April, despite all of this action?

Jonathan Brearley: We are still examining it. One of the things that was said to us when we reviewed what had happened during the crisis—one of the main recommendations for the review—was that we need to introduce this financial regulation, but it was also said that we have to make sure we balance the need to regulate financially with the need for the market to be open enough to allow competition. We are not designing the market to be zero failure. We expect companies to fail over time. There is a set of reasons that I am not yet able to go through that we are going through with Rebel Energy. As I say, the market itself is much more stable than it used to be.

Q163 **Wera Hobhouse:** Uswitch told us that Ofgem has not moved quickly enough to a more competitive retail market since the energy price crisis. How do you respond to that?

Jonathan Brearley: It is interesting. We are seeing switching grow and certainly grow from levels where it was in the crisis. The latest figures I have seen are that about 35% of customers are now on fixed-term tariffs, so tariffs that they have gone into the market to find. That is still not where it was pre-crisis but it is not a million miles away either. We are seeing the fixed-term market grow.

There are two principal concerns though. The first is how we continue to make sure that the market is dynamic, and I would like to see more people switching. The second, and I think most importantly, is that we are coming to a point where—as one of the people giving evidence previously suggested—we want more complex time-based tariffs out in the market, because you want to encourage customers to use their power at different times. There is a real question for all of us about how you allow customers to understand those tariffs and what is good for them. It is not simple, so I am not coming here saying we have a perfect answer, but we do need people to at least have the option to be able to manage their own energy use. That is good for them—in some cases, it will dramatically reduce bills—but it is also good for the system that we are trying to build.

Q164 **Wera Hobhouse:** Do you have any plans that you can share to introduce more competition?

Jonathan Brearley: That will include, for example, implementing the long-awaited half-hourly settlement, so we can now settle every half hour. That is on track in the revised timetable, I think, for next year. We are thinking hard about how we regulate in that market and we are seeing these tariffs emerge. The balance we have, and what we are trying not to do, is to overregulate a sector that is new and, therefore, prevent some of the innovation that we need. It is an area where we need the retail companies to begin to innovate and we are seeing some of them doing that.

Q165 **Wera Hobhouse:** One of the last questions on the whole new world of energy is: how will customer demand increase the competition? Suppliers will be decentralising and energy will be coming from decentralised sources. Customers should be empowered to use energy and have complete control and see when a tariff is cheap or expensive. What can Ofgem do to support customers with that?

Jonathan Brearley: Critical to all of that is the digital and data architecture underpinning the system. We are doing a lot of work to make sure that data is available, that data can be shared more and that customers can get to a place where they can automatically find out whether they will be better or worse off. Tariffs, by their very nature, are quite complicated, so it is important to make sure we get clarity in the market. We are examining how we can allow customers to make those comparisons, but I think the main thing is that this is where we need a huge amount of innovation. This is where we will be encouraging companies to come forward and try different things, which is why we have things like regulatory sandboxes.

Q166 **Wera Hobhouse:** Are you not worried that this whole new world of energy will always advantage the digitally savvy and those who already can find good tariffs and leave behind vulnerable customers?

Jonathan Brearley: That will always be a concern. We have to be thoughtful about how we support vulnerable customers to be able to make this transition. I don't think that all vulnerable customers are not digitally able. We are seeing, for example, electric vehicle owners, through disability payments, engaging with the market quite heavily. Once they have an electric vehicle, the value of flexible tariffs becomes really high.

It is incumbent on us, though, to think about everyone in the market. The way I see this is that for the customers who don't feel they can engage, that is where the price cap comes in and where we need to regulate, and probably be heavier in regulation, on behaviour as well as on pricing. We need to liberate the market to be able to offer people different things in this new world. Doing those two things together is important.

Q167 **Chair:** I will bring you back to the issue of the financial resilience framework. The latest publicly available information shows that one energy retailer was £1.278 billion short of its capital target as of December 2023 and another was £838 million short as of April 2024. The point that Wera was making to you was that if customers are not made aware of concerns about financial resilience, how can they make a decision about whether or not to switch? Isn't it really important to avoid exposing consumers to unacceptable risk of failure? Your first answer did not appear to me to address just how high those sums of money are and how much concern there is, especially given we have seen significant business failures in recent times.

Jonathan Brearley: Without a doubt there are still issues we need to work through. As I say, when I look at the sector as a whole, we have seen a very substantive shift to a much more resilient place than the one that we used to be in. There remain companies of concern and we are working with them on transition plans to make sure that they get themselves into a place where they meet all of our capital adequacy rules. It is also important to emphasise that when a company fails, customers' money—their credit balance—is protected. They are switched over to an alternative supplier and we try to make sure that customers themselves are insulated from any of the financial consequences of what happens with a company. In the case of a large company, if it goes into special administration, as we saw with Bulb, customers don't see a big change in service when we go through that process.

That is not to say that we do not believe it is vital that the sector is financially resilient. We do. The reason we do principally, though, is the costs that are incurred in maintaining customers in the right place. For example, in the crisis, the major cost was keeping energy to customers at the price cap even though energy in the market was much more expensive. We are absolutely monitoring this closely but I don't think we ever expected that everybody would meet our criteria on day one. It is very similar, in a much more attenuated way, to the financial crisis; we will see companies go on a journey to get to where they are more financially resilient.

Q168 **Chair:** Okay, but we still have some suppliers that are £1 billion-worth each—or one supplier either side of that figure, as of the latest figures—severely short of the capital target. It is very hard to understand how they can be compliant with the financial resilience framework when those sums are involved. Of course, that is a concern for their competitors as well as for customers. I take the point you just made about protections, but that is not without cost, disruption and difficulties.

Jonathan Brearley: Without a doubt it is not.

Chair: Allowing them to continue growing unchecked is a cause of concern in the industry, which I am sure you are aware of.

Jonathan Brearley: Yes, absolutely. The way the framework was designed was each of those companies has to sign up to a transition plan, which we have to sign off. My team in Ofgem sign off the plans that the companies have to recapitalise and get themselves into a better financial position. As I say, that takes time, but they have milestones within those plans. If a company is not meeting those milestones, we will come in and we will start using enforcement measures, one of which is to stop them expanding by stopping them taking on new customers.

Q169 **Ms Polly Billington:** Given that standard credit customers are considered more likely to go into debt and struggle to afford their energy bills, why are they made to pay more under the energy price cap compared with people on other payment methods?

Jonathan Brearley: That is reflecting the cost to serve those customers. For part of it we socialise some of the debt cost between different payment groups, but that is basically on the principle that the price cap is cost reflective.

Q170 **Ms Polly Billington:** Is Ofgem planning to level out costs across all payment methods?

Jonathan Brearley: We have done that with the prepayment meters. We are open to looking at how we might do that elsewhere but I come back to the point that it is reflecting the cost to different customers and different customer groups.

Q171 **Ms Polly Billington:** Why is Ofgem proposing a one-off rather than a permanent energy debt relief scheme? Will support be made automatically or will it rely on consumers applying?

Jonathan Brearley: We are right now debating that last point—how do we get the right support to customers? Quite frankly, I think there is a debate between the consumer groups and the companies on how this might work. We are sympathetic to the idea that some of it may need to be automatically applied to accounts rather than leaving people to apply for it, but we see part of the benefit of the debt relief scheme as re-engaging with customers who otherwise would not engage with their companies. All our evidence suggests that once you begin a conversation between a company and a customer, you have a much better chance of getting to a resolution that benefits both sides. We are actively considering that and we will come back with a designed scheme.

The scheme itself is really designed to address the stock of debt that built up during the crisis. It is absolutely important that we have a conversation after that about how we tackle debt within the sector; it is one of the biggest strategic issues we have. I think you know my views on what we need to do. Part of is tackling the root cause of that debt, which is the affordability of energy for a subset of the population. Debt relief schemes are certainly there to help customers who find themselves in a position that is simply untenable to get back to where in a steady state they may be able to manage, but we will still have problems unless we tackle the affordability issues.

Q172 **Ms Polly Billington:** Following up on dealing with the debt-related costs, you have been considering redistributing those costs between consumers—standard credit and direct debit—and your analysis suggests that that would mean a £200 million benefit for low-income consumers. Why was that work paused and are you considering resuming it?

Jonathan Brearley: We did look at that. One of the concerns we have is the complexity of the systems you would need to support transfers between companies. We socialise some of the debt that is applied to standard credit but we will keep that under review. The main question is to what extent your payment type is linked to other personal characteristics, and that is what we are working on.

Q173 **Ms Polly Billington:** You won't be surprised by me asking you this. Do you agree that allowing more consumers in energy debt to switch to a cheaper tariff would help them better manage their finances while supporting the adoption of lower carbon heating options—combining those two things together?

Jonathan Brearley: Certainly within a company, customers being able to move to cheaper tariffs definitely makes a difference. There is clearly a question about a company taking on a debt from another company's customer and we need to consider that. On combining that with low carbon heating options, I am a big enthusiast and I was pleased to see in the spending review that we will have substantial amount of money spent on the warm homes plan. I would love that to be combined with a strategy to help the most vulnerable.

Q174 **Ms Polly Billington:** I will follow up on that, therefore, and ask where your current thinking is—we have asked you this before, but it is important to regularly check in—and where your conversations with Government are on an energy social tariff.

Jonathan Brearley: Our position remains the same. We have a concern about, let's say, the bottom 10%, 20% or 30% of customers who we see are still struggling. The surprise to me is despite the fact that prices have come down somewhat—although accepting they are higher than they were—we are still seeing debt rising. For me, there is a real question that we need to address about the ability for certain groups to manage to pay their bills. We are in an ongoing conversation with the Government but we are also, this summer, planning on launching a consultation that looks at how we distribute costs across the economy.

If we think about the two things that will happen over the next few weeks, first, we will conclude our network price controls. Those network price controls will contain a lot of investment in our networks to get us to a more stable energy system. Then of course, if we build renewables, we have more fixed costs in the system. We would like to ask the question how they are best distributed. One of the things we want to understand better is whether they should be distributed to some extent either by income or by markers that are associated with income.

Q175 **Chair:** In the Government's announcement on 19 June, 2.7 million households will see energy bills cut by £150 this winter under the expanded warm home discount, but a concern, which the Minister partly addressed, is that to be eligible the means-tested benefit recipient, their partner or legal appointee needs to be named on the energy bill. Do you think that goes far enough? If somebody on that list is not on the bill, is there a challenge with them having to approach their supplier? Is there a better way of doing this?

Jonathan Brearley: Ultimately it is a matter for Government as to how they design and run the scheme, but I can see that is an issue you want to address. For years we have been asking Government to make an extension to something like the warm home discount, so I welcome the fact that more customers will be supported.

Q176 **Ms Polly Billington:** This is on network and policy costs. We have heard that consumers who switch to electrified heating are required to keep their gas meter and continue paying the gas standing charge until they clear their energy debt. Do you agree that this presents a barrier to decarbonising homes and do you plan to change this?

Jonathan Brearley: We will, with the Government, need to look at how we change the heating systems of the whole country, and there are some really big questions about the scale and pace. As part of that, we should look at the exit fees that people need to pay and the relationship with the standing charge.

Q177 **Ms Polly Billington:** Citizens Advice has warned that your proposal for a mandatory zero or low standing charge option—as you would have heard earlier—would have only small benefits for consumers while risking unfair outcomes. How do you respond to this assessment and how will you ensure that consumers can understand whether new tariffs will genuinely benefit them? Please let me know because I have literally no idea how to make any of those decisions myself.

Jonathan Brearley: Yes, I accept that and there is a dilemma here. Without a doubt, as we have said at this Committee, the response to the standing charge consultations was one of the largest we have ever had. We had around 30,000 people responding; when I looked at 11 o'clock on the day of launch, there were thousands already. That is not usual for regulatory consultations, as you might imagine. Equally, if we were to make just a broad cut in the standing charge, Citizens Advice has said to us that this makes a lot of people worse off.

We are trying to create an alternative option. One of the things we are grappling with as we go through this conversation—which is why, frankly, we are taking our time and why we might want to test some approaches—is exactly the question of how people find the right tariff for them. I acknowledge it is a problem and we have had quite strong feedback from consumer groups on this issue. When we come forward with our proposal, we will think about how we can best manage it.

Q178 **Ms Polly Billington:** Do you think there is any merit in scaling network and policy costs in people's bills based on their income levels?

Jonathan Brearley: It is something we would like to explore. As I said, this summer we are launching what we are calling a call for input, a very early stage question that asks, as we evolve this system—and the important thing is this system will have more fixed costs and fewer variable costs than it does today—how do we best allocate those costs? One of those ways may be to attach it to income.

Q179 **Chair:** I will finish with the same final question I asked of the last panel, which is about how much dispute resolution—the ombudsman process—adds to bills. Does anybody care to try to answer that?

Ed Dodman: I don't know the exact answer. When we hear the arguments about things like auto-referral or reducing the eight weeks to four weeks increasing costs, it is important to recognise that those costs exist only because there are consumers with outstanding problems. It may add cost in the short term, but I hope that over the medium term suppliers would adjust their practices to adapt. Ultimately, I think everyone on this panel, and certainly on the previous one, would prefer suppliers to resolve those complaints themselves. The way we are funded gives a financial incentive for suppliers to do that as well.

Chair: I could be very unkind and say that is like saying, "Whatever the cost is, we would like to get it down."

Jonathan Brearley: We are happy to follow up with a note on exactly what the cost on bills is. I suspect it is not a large element of the price cap calculation that we make. The important point for all of us, including Ofgem, is that we all take seriously the amount of burden we put on customers.

Q180 **Chair:** Polly asked about decarbonising homes and gas customers still having to pay gas standing charges until they clear their energy debt. Putting that aside, if people are not in debt, they still have to pay a disconnection charge. I tried to get the answer from Centrica about how much that is. Is the cost of disconnecting a disincentive in its own right to transitioning to electric heat?

Jonathan Brearley: I am just trying to think through our consumer work. I certainly have not seen it as a primary barrier to doing that, but I think there is a long way to go in the heat transition and, therefore, we absolutely should look at both exit fees and standing charges.

Q181 **Ms Polly Billington:** Exit fees are about £2,000, which is quite a lot of money, particularly if you want to do this at scale. Otherwise you are leaving it for the people who will do it because it makes them feel good about themselves.

Jonathan Brearley: I completely agree, but I think there is a lot of work we need to do around that, including on how to do the warm homes plan.

Chair: Thank you very much. We have had two excellent panels. Thank you again to panel two. We will end there.