



Department for Energy Security & Net Zero

Dr Miatta Fahnbulleh MP
Department for Energy Security
& Net Zero

55 Whitehall
SW1A 2H

Bill Esterson MP
Chair, Energy Security and Net Zero Committee
House of Commons
London
SW1A 0AA

www.gov.uk

19 June 2025

Dear Bill,

ANNOUNCEMENT OF IMPROVEMENT TO RETAIL ENERGY AUTOMATIC COMPENSATION FRAMEWORK AND FURTHER CONSUMER REDRESS MEASURES

I am writing to update you on the measures the Prime Minister has announced today to improve protections for working people in the energy market. This work is just the start of delivering the Government's manifesto commitment to "require higher standards of performance, and ensure there is automatic customer compensation for failure."

The current system makes it too difficult for consumers to access proper compensation. When suppliers let down their customers, it causes upset and frustration, but Ofgem only requires suppliers to automatically pay compensation when things have gone wrong in a narrow set of circumstances (the 'Guaranteed Standards of Performance'). On complaints more broadly, suppliers have eight weeks to respond to complaints, and if they do not respond or go unresolved, then the onus is on consumers themselves to self-refer their complaint to the Ombudsman. This produces a situation in which consumers often do not access the compensation they are entitled to due to time pressures or fatigue with a complex system. We want this to change.

Today's proposed reforms will take the pressure off consumers and onto the suppliers, to ensure that consumers get the compensation they deserve. Doing so will ensure energy consumers are better-protected and empowered to take action when necessary.

The current system of automatic compensation has not been substantively reviewed for some time, beyond a minor inflationary increase in January. The government are working with Ofgem to examine the automatic compensation framework including payment levels and what entitles consumers to a compensation payment. As part of this, the Government will work with Ofgem to look at expanding automatic compensation to cover more key issues faced by consumers, such as unexpectedly

high bills when consumers fail to adjust direct debits, or suppliers not complying with Energy Ombudsman final decisions. Ofgem will bring forward any proposal on this, which will be followed by consultation with stakeholders, in due course. We will work with Ofgem as they conduct detailed cost-benefit analysis to consider any costs to business and any financial impact to suppliers before they consult on any changes to the framework.

The automatic compensation framework is designed to act as an incentive for energy suppliers to meet existing minimum standards or licence conditions, and we expect all energy suppliers to deliver customer service beyond these standards. In cases where they do not, we have today announced that we will consult on the role and powers of the Energy Ombudsman including:

- Strengthening the Energy Ombudsman's powers so that suppliers must comply with its final decision or pay compensation to the consumer.
- Cutting the time before complaints can be escalated to the Ombudsman from eight to four weeks.
- Making referrals to the Ombudsman automatic, instead of people having to do it themselves.

These proposals mean working people will be better protected with fairer, quicker, easier access to compensation if they've been let down by their energy supplier, and follows this morning's confirmation that 2.7 million extra households will receive £150 off their energy bills next winter as the Warm Home Discount is expanded.

Yours sincerely,

A handwritten signature in black ink, consisting of several vertical strokes followed by a horizontal line and a long, sweeping flourish extending to the right.

DR MIATTA FAHNBULLEH MP
Minister for Energy Consumers