

Energy Security and Net Zero Committee

Tackling the energy cost crisis

Fifth Report of Session 2024–26

HC 736

Energy Security and Net Zero Committee

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Summary

The UK faces an energy affordability crisis. From late 2021 to 2023, electricity and gas prices soared, fuelled by the reopening of economies following the COVID-19 pandemic and Russia's invasion of Ukraine. Today, the UK's domestic energy prices are around 75 percent higher than they were before the energy price crisis and its industrial electricity prices are the highest in Europe. The impact on households and businesses across the country has been devastating, with levels of domestic energy debt at a record high and entire industries facing an existential challenge.

In this first Report of our inquiry into the cost of energy, we make recommendations to the Government on how to support consumers facing an energy cost crisis. This includes proposed reforms to winter support schemes; ways to protect the most vulnerable consumers; actions to address billing issues; and measures to support businesses with unmanageable energy costs. Our second Report will reflect on matters which affect the retail energy market. These will include wholesale markets, policy costs, network and transmission charges and new technologies. We will also consider whether the energy transition is likely to reduce costs or not, over what timeframe and how best to address gas being the most expensive way to generate electricity and setting the price most of the time.

Our key recommendations in this Report include reforming the Warm Home Discount so that it is more responsive to rising wholesale prices and targeted based on household need; introducing a social tariff and an ambitious Energy Debt Relief Scheme; expanding the powers of the Energy Ombudsman so that consumers can achieve redress when billing issues occur; and introducing an opt-in energy bills discount scheme to help businesses secure a stable and internationally competitive energy price.

Introduction

1. More than four years on from the start of the energy price crisis, the price of electricity and gas in the UK remains high compared to pre-crisis levels.¹ The Energy Price Cap, which is updated every three months by energy regulator Ofgem to limit the amount that suppliers can charge domestic consumers per unit of electricity and gas, is almost 75 percent higher today than it was in winter 2020–21² and the UK’s industrial electricity prices have soared by a similar amount, making them the highest in Europe.³ A sustained period of high energy prices has had a profound impact on households and businesses across the country. Levels of domestic energy consumer debt are now at their highest since records began, totalling £4.15bn at the beginning of 2025,⁴ and many businesses have been forced to scale back production or close important industrial facilities, which has undermined investment and economic growth.⁵
2. The UK has not been alone in facing historically high energy prices in recent years. In autumn 2021, economies around the world began to rebound after the COVID-19 pandemic and this placed increasing pressure on international energy markets. This was greatly compounded by Russia’s invasion of Ukraine in February 2022, which saw the price of natural gas soar to record levels due to the reliance of many European economies on gas imports from Russia.⁶ In countries where the price of electricity is overwhelmingly dictated by gas-generated electricity, including the UK, this caused electricity prices to spike as well.⁷ The International Energy Agency has said “there is no evidence” that the policy costs of net zero have contributed to

1 House of Commons Library, “[Gas and electricity prices during the ‘energy crisis’ and beyond](#)”, 22 August 2025

2 MoneySavingExpert, “[What is the Energy Price Cap?](#)”, 22 August 2025

3 Office for National Statistics, “[The impact of higher energy costs on UK businesses: 2021 to 2024](#)”, 22 August 2025 and Make UK ([COE0029](#))

4 Ofgem, “[Debt and arrears indicators](#)”, 22 August 2025

5 For example, Make UK ([COE0029](#)), Office for National Statistics, “[The impact of higher energy costs on UK businesses: 2021 to 2024](#)”, 22 August 2025, [Q529](#) [Alan Johnson] and [Q228](#) [Rajesh Nair]

6 House of Commons Library, “[Gas and electricity prices during the ‘energy crisis’ and beyond](#)”, 22 August 2025

7 House of Commons Library, “[Why is cheap renewable electricity so expensive on the wholesale market?](#)”, 22 August 2025

the recent rise in prices and noted that a greater supply of clean energy sources and technologies would have shielded consumers and limited some of the price rises.⁸

3. While rising energy prices have been a global phenomenon, the impact on the UK has been compounded by its particular exposure to volatile international gas markets.⁹ For example, while France generates around 94 percent of its electricity from non-fossil fuel sources,¹⁰ more than one quarter of UK electricity is still generated using gas.¹¹ Moreover, the UK's electricity market uses a marginal pricing system, where the price of electricity is set by the cost of the last, and most expensive, source needed to meet demand.¹² This is typically a gas power plant and means that, in 2023, gas was used to set the price of electricity in the UK 98 percent of the time, compared to just seven percent in France and 24 percent in Germany.¹³ While a record amount of electricity in the UK is generated using renewable sources,¹⁴ which typically have the lowest costs of generation because they do not require a fuel to burn, the price paid for electricity by consumers is usually inflated by the marginal cost of generating electricity with gas.¹⁵
4. A sharp rise in wholesale electricity and gas prices is the primary reason why energy bills have soared in the UK.¹⁶ Today, a typical domestic consumer will pay around £1,720 for their electricity and gas every year under the Energy Price Cap,¹⁷ which is significantly lower than at the height of the price crisis, but much higher than the £993 that a typical household would have paid in winter 2020–21.¹⁸ Wholesale prices account for more than a third of a typical domestic electricity bill and half of a typical domestic gas bill, with the remainder made up of other charges such as network costs, operating costs, policy costs, VAT and a small profit margin for suppliers. Combined, these other costs ensure that there is adequate funding to maintain and upgrade grid infrastructure, rollout technologies such as smart meters and support the Government's environmental and

8 International Energy Agency, "[Global Energy Crisis](#)", 22 August 2025

9 House of Commons Library, "[Why is cheap renewable electricity so expensive on the wholesale market?](#)", 22 August 2025

10 Ember, "[France](#)", 22 August 2025

11 NESO, "[Britain's electricity explained: 2024 review](#)", 22 August 2025

12 House of Commons Library, "[Why is cheap renewable electricity so expensive on the wholesale market?](#)", 22 August 2025

13 Zakeri et al., "[The role of natural gas in setting electricity prices in Europe](#)", 22 August 2025

14 NESO, "[Britain's electricity explained: 2024 review](#)", 22 August 2025

15 House of Commons Library, "[Why is cheap renewable electricity so expensive on the wholesale market?](#)", 22 August 2025

16 For example, Q189 [Arjan Geveke] and Carbon Brief, "[Why expensive gas, not net zero, is keeping UK electricity prices so high](#)", 22 August 2025

17 Ofgem, "[Energy price cap explained](#)", 22 August 2025

18 MoneySavingExpert, "[What is the Energy Price Cap?](#)", 22 August 2025

social programmes that help to tackle fuel poverty and climate change.¹⁹ According to Carbon Brief, wholesale prices are responsible for more than half of the rise in domestic energy bills since before the energy price crisis, while higher network charges account for 20 percent. These higher network charges are largely the result of the Supplier of Last Resort Costs which resulted from the insolvency of a number of energy suppliers, following the steep rise in energy prices which followed Putin's 2022 invasion of Ukraine. Increased operating costs and environmental policy costs account for just six percent of the rise each, with the latter rising largely due to inflation.²⁰

5. In February 2025, we launched a two-part inquiry on *The cost of energy* to assess the causes of, and solutions to, high energy costs in the UK.²¹ In the first half of this inquiry, we have considered how best to support households and businesses facing historically high energy bills and in this first report, we make recommendations to the Government and Ofgem on how to support consumers this winter and beyond. In the second half of the inquiry, we will scrutinise the underlying causes of high energy costs and look at ways to shield the UK from the effects of future global energy crises. We will consider the key cost elements that contribute to high energy bills: wholesale prices, network and transmission charges, policy costs and operational costs. We will also consider whether the energy transition is likely to reduce costs, or not, over what timeframe, and how best to address gas being the most expensive way to generate electricity and setting the price most of the time.
6. We have received over 80 submissions of written evidence to this inquiry so far, including from charities, think tanks, energy suppliers, trade associations, manufacturers, academic institutions and members of the public. We have also heard evidence from 19 witnesses across three evidence sessions, including representatives from Ofgem and the Energy Ombudsman. We are very grateful to everyone who has supported this inquiry so far and especially those who have provided evidence.
7. In the first chapter of this report, we evaluate the adequacy of government support schemes designed to support domestic consumers during the winter, focusing on the Warm Home Discount and Cold Weather Payment. We heard that some winter support payments have barely increased in recent years,²² despite the soaring cost of energy, while restrictive eligibility

19 Nesta, "[What's in an energy bill?](#)", 22 August 2025

20 Carbon Brief, "[Why expensive gas, not net zero, is keeping UK electricity prices so high](#)", 22 August 2025

21 Energy Security and Net Zero Committee, "[The cost of energy](#)", 22 August 2025

22 Age UK ([COE0044](#))

criteria means that many vulnerable households are missing vital support.²³ Witnesses also highlighted the urgent need for improved data sharing to ensure that support is fairly targeted.²⁴

8. The second chapter considers ways to protect vulnerable consumers facing high energy costs. We were warned that domestic consumer energy debt is at a record high level²⁵ and many consumers are required to pay a premium for their energy, simply because of their chosen payment method and increased likelihood of falling into debt.²⁶ We also heard that standing charges have risen significantly over recent years, with a disproportionate impact on low income consumers,²⁷ and we heard widespread calls for the introduction of an energy social tariff.²⁸
9. The third chapter responds to a weight of evidence on energy billing issues, including wrongful energy back billing by suppliers and widespread issues with smart meters. We heard that while energy bills are generally becoming more accurate, the high cost of energy means that, when issues do occur, the impact is often felt far more severely by consumers.²⁹ We also scrutinised the Energy Ombudsman, which is the alternative dispute resolution provider for the energy sector. Witnesses told us that the Ombudsman lacks the necessary powers to enforce its own rulings, which means that consumers are often left without redress when in a dispute with their energy supplier, even when the Ombudsman rules in their favour.³⁰
10. The fourth chapter focuses on the severe impact that the high cost of energy has had on businesses and industry. It focuses specifically on the adequacy of support that was announced by the Government in the Industrial Strategy, as well as the exploitative practices of some suppliers who take advantage of a complex energy market.³¹ Witnesses shared their serious concerns that high energy costs are undermining the competitiveness of UK industries and posing an existential threat to both large manufacturers and smaller businesses.³²

23 National Energy Action ([COE0037](#))

24 Institute for Public Policy Research (IPPR) ([COE0079](#))

25 Ofgem, “[Debt and arrears indicators](#)”, 22 August 2025

26 Fair By Design ([COE0022](#))

27 The MCS Foundation ([COE0035](#))

28 For example, Advice Direct Scotland ([COE0034](#)) and Fair By Design ([COE0022](#))

29 [Q60](#) [Alex Belsham-Harris]

30 [Q7](#) [Martin Lewis] and [Q89](#) [Katie Watts]

31 For example, British Beer & Pub Association ([COE0042](#))

32 For example, Make UK ([COE0029](#)) and British Retail Consortium ([COE0050](#))

1 Support schemes

Data sharing

11. The Government currently runs three main support schemes to help eligible households with the cost of energy in winter:
- the Winter Fuel Payment,
 - the Warm Home Discount, and
 - the Cold Weather Payment.
12. Each of these schemes provides a payment to vulnerable individuals based on a specific qualifying criteria, such as being of State Pension age, being on a low income with high energy costs, or receiving certain benefits.³³ Additionally, some vulnerable individuals can receive support via the Household Support Fund, which is run by local councils.³⁴ Secretary of State for Energy Security and Net Zero, Ed Miliband, told us that the Government should also examine the case for a social tariff, which, if introduced, could provide greater energy bill support for vulnerable consumers throughout the year.³⁵
13. Our inquiry found that more effective mechanisms for data sharing would be necessary to better target winter support payments and to enable the possible introduction of a social tariff.³⁶ We received compelling evidence that data sharing would enable the Government to better tackle fuel poverty, while also saving money.³⁷ The Department for Energy Security and Net Zero (DESNZ) acknowledged, in its evidence to us, that a lack of available data is “one of the biggest practical barriers to providing support to households”.³⁸

33 UK Government, “[Winter Fuel Payment](#)”, 22 August 2025, UK Government, “[Warm Home Discount Scheme](#)”, 22 August 2025 and UK Government, “[Cold Weather Payment](#)”, 22 August 2025

34 UK Government, “[Get help with the cost of living from your local council](#)”, 22 August 2025
35 [Q392](#) [Ed Miliband]

36 For example, Fair By Design ([COE0022](#)) and [Q8](#) [Caroline Abrahams]

37 For example, E.ON ([COE0067](#)) and Institute for Public Policy Research (IPPR) ([COE0079](#))

38 Department for Energy Security and Net Zero ([COE0078](#))

14. Witnesses explained that no single register exists for household energy use, where people live or by household income,³⁹ which has increased delivery costs for support schemes by duplicating efforts to identify vulnerable households and made the targeting of support less efficient.⁴⁰ For example, the IPPR told us that inadequate data sharing has significantly increased delivery costs for the Energy Company Obligation, which supports the delivery of energy saving measures in fuel poor homes. It told us that the latest iteration of the scheme had delivered one third of the energy efficiency measures of the first iteration, but at almost the same cost, due to its increased complexity. It recommended that the Government launches a “one-year sprint” on data sharing, including between energy suppliers, local authorities and government departments, to identify vulnerable and fuel poor households in greatest need of support.⁴¹
15. We were encouraged to hear that barriers to improved data sharing could be relatively easily overcome, with the right political will. Maria Booker, Head of Policy at Fair by Design, told us that better data sharing would not require much legislative or regulatory change but, rather, a culture change, especially around income data, noting that it is “easier to withhold the data than it is to share it, because you are much less likely to get into trouble”.⁴² Matt Copeland, Head of Policy and Public Affairs at National Energy Action, explained that the Digital Economy Act, which allows for data sharing explicitly for the purposes of alleviating fuel poverty, already provides a good basis for enabling more effective data sharing from a legal perspective.⁴³
16. The Government has recently launched a cross-Whitehall project to improve data sharing capabilities,⁴⁴ which was broadly welcomed in the evidence we received.⁴⁵ However, witnesses also made clear that given the immediate need, making progress at pace on data sharing capabilities, rather than seeking perfection from the outset, should be the focus of the Government’s ambitions.⁴⁶ The UCL Institute for Sustainable Resources warned that during the energy price crisis, calls for an emergency measure to support the fuel poor were “overshadowed by debates over the specific design of the tariff and prospect of a lengthy process to establish the data sharing of sensitive information”.⁴⁷ We heard that data sharing would need to improve between

39 E.ON ([COE0067](#))

40 Institute for Public Policy Research (IPPR) ([COE0079](#))

41 Institute for Public Policy Research (IPPR) ([COE0079](#))

42 [Q17](#) [Maria Booker]

43 [Q17](#) [Matt Copeland]

44 UK Government, “[Shake up of tech and AI usage across NHS and other public services to deliver plan for change](#)”, 22 August 2025

45 For example, OVO ([COE0031](#))

46 For example, Fair By Design ([COE0022](#))

47 UCL Institute for Sustainable Resources, Centre for Net Zero Market Design ([COE0038](#))

energy suppliers, HMRC, government departments including DESNZ and the Department for Work and Pensions, local authorities, the National Health Service and relevant third parties.⁴⁸

17. CONCLUSION

More effective data sharing between key stakeholders will be essential in making all government support schemes fairer, better targeted and cost effective. We welcome the Government's plans to improve data sharing across Whitehall but believe it must move further and faster, recognising that more effective data sharing will be instrumental in tackling fuel poverty. Political will and cultural resistance, rather than legislative or regulatory barriers, have been the main obstacles to progress so far.

18. RECOMMENDATION

The Government should immediately establish an Energy Data Sharing Taskforce involving energy suppliers, government departments, HMRC, local authorities, the National Health Service and relevant third parties. This should establish clear and effective mechanisms for data sharing with the specific ambition to improve the delivery of support schemes, enable the introduction of a social tariff and tackle fuel poverty. These improved mechanisms must be introduced before winter 2026–27.

Warm Home Discount

- 19.** The Warm Home Discount (WHD) is a £150 electricity bill rebate applied once per winter for households where the named billpayer receives certain means-tested benefits. The rebate is applied automatically in England and Wales, but some households in Scotland have to apply.⁴⁹ Most witnesses agreed that the WHD is an important but flawed scheme.⁵⁰ National Energy Action told us that the WHD is the only mechanism through which working-age households can receive government support with the costs of home heating, while Citizens Advice argued that reforming the WHD would be the most effective way to provide greater, targeted bill support to households with the highest energy needs.⁵¹ However, with levels of fuel poverty across the UK at a persistently high level,⁵² Fair by Design warned us that the WHD, as it stands, “is no longer adequate”,⁵³ a sentiment shared by many who gave evidence to our inquiry.⁵⁴

48 For example, E.ON ([COE0067](#)) and Institute for Public Policy Research (IPPR) ([COE0079](#))

49 UK Government, “[Warm Home Discount Scheme](#)”, 22 August 2025

50 For example, Citizens Advice ([COE0077](#)) and National Energy Action ([COE0037](#))

51 Citizens Advice ([COE0077](#)) and National Energy Action ([COE0037](#))

52 House of Commons Library, “[Fuel poverty in the UK](#)”, 22 August 2025

53 Fair By Design ([COE0022](#))

54 For example, AdviceUK ([COE0028](#)), Age UK ([COE0044](#)) and EDF ([COE0052](#))

20. Among the main criticisms of the WHD is that the rebate has only risen by £10 since its introduction in 2011,⁵⁵ while over the same period average household electricity bills have risen by more than £500.⁵⁶ This means that the relative value of support has been decreasing, from around 13 percent of a typical annual bill in 2019, to eight percent today.⁵⁷ The Government has been widely criticised for failing to increase the value of the rebate. EDF warned us that £150 is “insufficient to address the scale of the challenge” facing households today,⁵⁸ while Citizens Advice said the rebate will “struggle to touch the sides for families paying off a mountain of debt on top of soaring monthly costs”.⁵⁹ In 2024, the average fuel poverty gap for England, which is the reduction in fuel costs that a fuel poor household would need to escape fuel poverty, was £407.⁶⁰ On this basis, the value of the WHD is several orders of magnitude too low to lift an average household out of fuel poverty.⁶¹
21. In June 2025, the Government announced that all named bill payers receiving certain means-tested benefits in England and Wales would be eligible for the WHD from winter 2025–26, extending the number of households entitled to support.⁶² While this has been broadly welcomed,⁶³ we heard that one third of fuel poor households do not receive means-tested benefits and so are not eligible for the WHD.⁶⁴ Advice UK told us that the challenge is especially acute for disabled people and those with long-term health conditions, who often have to spend more on heating their home than the average household. It recommended that the eligibility criteria for the WHD should be expanded to also support those on non-means-tested disability benefits.⁶⁵

55 Department for Energy Security and Net Zero, “[Warm Home Discount statistics](#)”, 22 August 2025

56 UK Government, “[Annual domestic energy bills](#)”, 22 August 2025

57 Age UK ([COE0044](#)) and MoneySavingExpert, “[What is the Energy Price Cap?](#)”, 22 August 2025

58 EDF ([COE0052](#))

59 Citizens Advice, “[Citizens Advice responds to expansion of the Warm Home Discount](#)”, 22 August 2025

60 Department for Energy Security and Net Zero, “[Annual Fuel Poverty Statistics in England](#)”, 22 August 2025

61 For example, [Q1](#) [Matt Copeland] and [Q10](#) [Maria Booker]

62 Department for Energy Security and Net Zero, “[Millions more families to get £150 off energy bills this winter](#)”, 22 August 2025

63 For example, EDF ([COE0052](#)) and Money Saving Expert, “[Warm Home Discount expansion confirmed with millions more eligible for the £150 top-up this winter](#)”, 22 August 2025

64 National Energy Action ([COE0037](#))

65 AdviceUK ([COE0028](#))

- 22.** Given the low value of the rebate and the volatility of household energy bills, several witnesses told us that the WHD must also become more responsive to wholesale electricity prices.⁶⁶ Age UK recommended that the value of support provided by the WHD should scale up or down according to the level of the Energy Price Cap to insulate consumers from any future price shocks,⁶⁷ while Advice UK and Fair by Design told us that the rebate should rise at least in line with inflation.⁶⁸ Witnesses noted that linking the rebate to wholesale prices could also save the Government money when prices fall.⁶⁹
- 23.** While proposals for how to reform the WHD varied among witnesses, there was broad support for the introduction of a tiered-based approach, offering higher value payments to those on the lowest incomes and with the greatest energy needs.⁷⁰ Analysis by Citizens Advice found that a tiered model targeting income and energy usage would have greater impact on tackling fuel poverty than increasing a flat-rate payment,⁷¹ while preliminary research shared by Fair by Design found that it could also be more cost effective.⁷² So Energy told us that simply retargeting the WHD based on household income and energy usage to identify those most in need of support could reduce the fuel poverty gap for England by 10 percent, or £300m, per year at no additional cost.⁷³ A tiered model could also be fairer, given that there is little connection between household income and energy usage.⁷⁴
- 24.** The WHD is currently due to expire in March 2026 and the Government has opened a consultation on its future.⁷⁵ We heard repeated calls for certainty on the future of the scheme,⁷⁶ especially as the development of a social tariff, which could provide additional financial security for vulnerable consumers, would likely take some time, leaving the WHD as the sole support mechanism for many.⁷⁷ We were therefore told that reforming the WHD could be a quick and simple way to deliver greater support with existing capabilities⁷⁸ and provide a vital top-up for vulnerable households

66 For example, Age UK ([COE0044](#)) and [Q11](#) [Maria Booker]

67 Age UK ([COE0044](#))

68 AdviceUK ([COE0028](#)) and Fair By Design ([COE0022](#))

69 [Q11](#) [Maria Booker]

70 For example, Citizens Advice ([COE0077](#)), So Energy ([COE0056](#)) and [Q10](#) [Maria Booker]

71 Citizens Advice ([COE0077](#))

72 [Q10](#) [Maria Booker]

73 So Energy ([COE0056](#))

74 [Q10](#) [Maria Booker]

75 Department for Energy Security and Net Zero, “[Expanding the Warm Home Discount Scheme, 2025 to 2026: Consultation document](#)”, 22 August 2025

76 For example, Age UK ([COE0044](#)), EDF ([COE0052](#)) and Fair By Design ([COE0022](#))

77 For example, [Q8](#) [Caroline Abrahams] and National Energy Action ([COE0037](#))

78 Citizens Advice ([COE0077](#))

when prices rise.⁷⁹ Secretary of State for Energy Security and Net Zero, Ed Miliband, acknowledged in his evidence that while the WHD functions as a “social tariff in its infancy”, there was a case for evaluating a more fully-fledged version.⁸⁰ The consultation does not address any of these concerns or open a conversation on whether the value of the discount should be increased.

25. Witnesses also called for the Government to consider more innovative ways to fund an expanded scheme in future.⁸¹ The WHD is currently funded by a policy levy of around £11 that is included on both the electricity and gas standing charge for domestic consumers.⁸² This means that some households who miss out on receiving the WHD are still required to contribute towards it through their bills.⁸³ There was broad agreement among witnesses that an expanded WHD should not be funded via increased levies on consumer bills, although many also recognised that it may be challenging to fund it via general taxation in the current fiscal climate.⁸⁴ Instead, several witnesses suggested that funding could be drawn from across the wider energy system.⁸⁵

26. **CONCLUSION**

The Warm Home Discount is a crucial mechanism to tackle fuel poverty and we welcome the Government’s plans to broaden eligibility for the scheme for winter 2025–26. However, it is deeply troubling that millions of households in fuel poverty and many living with disabilities or long-term health conditions are still not eligible for support. This represents a major barrier to the Government’s plans to tackle fuel poverty.

27. **CONCLUSION**

The value of the Warm Home Discount has increased by only £10 since 2011, while household energy bills have risen by more than £500. The current value of the rebate is wholly insufficient to support vulnerable consumers this winter and compounds a severe affordability crisis in this country. Given our proximity to winter, it seems unlikely that a fair social tariff could be introduced until winter 2026–27.

79 Age UK ([COE0044](#))

80 [Q392](#) [Ed Miliband]

81 For example, AdviceUK ([COE0028](#)) and [Q26](#) [Matt Copeland]

82 Nesta, “[Household energy bills include green levies. What are they and why do we need to pay them?](#)”, 22 August 2025

83 AdviceUK ([COE0028](#))

84 Citizens Advice ([COE0077](#))

85 For example, [Q26](#) [Matt Copeland], Citizens Advice ([COE0077](#)) and Fair By Design ([COE0022](#))

28.

RECOMMENDATION

The eligibility criteria for the Warm Home Discount should be broadened to include all households in fuel poverty and those meeting vulnerability criteria, such as those with disabilities or long-term health conditions.

29.

RECOMMENDATION

From winter 2026–27, the Warm Home Discount should be retargeted using a tiered approach, so that funding is allocated based on household need and energy usage, and the value of the rebate should be linked to wholesale prices.

Social tariff

30. Our inquiry revealed strong and wide-ranging support for the introduction of a social tariff to protect vulnerable customers from the high cost of energy.⁸⁶ However, EDF warned us that there has been “little meaningful progress” on this matter over recent years,⁸⁷ despite Secretary of State for Energy Security and Net Zero, Ed Miliband, telling us that the Government needs to examine the case for a social tariff⁸⁸ and the previous Government promising to consider one.⁸⁹ While opinions varied on the ideal design for a social tariff, there were also many points of agreement. For example, we were told that a social tariff should be:

- mandatory for all suppliers;⁹⁰
- targeted based on income and vulnerability;⁹¹
- automatic for those who are eligible;⁹²
- delivered across the country so no one is penalised for where they live;⁹³ and
- provide a significant discount on both the unit rate and standing charge to reduce energy prices to an affordable level.⁹⁴

86 For example, Advice Direct Scotland ([COE0034](#)) and Fair By Design ([COE0022](#))

87 EDF ([COE0052](#))

88 [Q392](#) [Ed Miliband]

89 HM Treasury, “[Autumn Statement 2022](#)”, 22 August 2025

90 For example, Advice Direct Scotland ([COE0034](#)), Fair By Design ([COE0022](#)) and [Q14](#) [Matt Copeland]

91 For example, Advice Direct Scotland ([COE0034](#)), Citizens Advice Scotland ([COE0063](#)), Fair By Design ([COE0022](#)) and [Q8](#) [Maria Booker]

92 For example, Fair By Design ([COE0022](#)) and [Q14](#) [Matt Copeland]

93 For example, Advice Direct Scotland ([COE0034](#)) and Fair By Design ([COE0022](#))

94 For example, Fair By Design ([COE0022](#)), and OVO ([COE0031](#)) and [Q14](#) [Matt Copeland]

31. An energy social tariff was previously introduced in the 2000s but witnesses told us that it was only moderately successful, given that it was voluntary for suppliers and poorly targeted at those in fuel poverty.⁹⁵ In 2011, the social tariff was replaced by the Warm Home Discount, the value of which has failed to keep pace with the soaring cost of energy.⁹⁶ It is clear from the evidence we received that greater, targeted bill support is urgently needed to tackle fuel poverty⁹⁷ and polling by Opinium shows that three quarters of the UK public support the introduction of an social tariff for energy, up from 57 percent before the 2024 General Election⁹⁸ but none of these surveys ask the question about how such a social tariff should be funded.

32. As above, effective data sharing is vital to ensure that a future social tariff is fairly and effectively targeted,⁹⁹ but that such capabilities do not yet exist.¹⁰⁰ Moreover, we were told that improvements to data sharing would likely be incremental, which means that the design of a social tariff would need to undergo several iterations before it could be delivered optimally.¹⁰¹ As a result, there was broad consensus among witnesses that the earliest a social tariff could be feasibly introduced would be winter 2026–27.¹⁰² However, we also heard compelling evidence that while a social tariff may need to evolve over time, the Government must not wait for perfect data to be available before it is introduced.¹⁰³

33. **CONCLUSION**

For all these reasons we believe that reducing energy costs for everyone should be made the top policy priority.

34. **CONCLUSION**

There is a critical need to provide greater, targeted bill support for low income and vulnerable consumers throughout the year in the form of a social tariff. We are concerned by the lack of progress to date.

95 National Energy Action, “[Solving the cost of living crisis: The case for a new social tariff in the energy market](#)”, 22 August 2025

96 Department for Energy Security and Net Zero, “[Warm Home Discount statistics](#)”, 22 August 2025 and UK Government, “[Annual domestic energy bills](#)”, 22 August 2025

97 For example, Fair By Design ([COE0022](#)) and [Q14](#) [Matt Copeland]

98 Warm This Winter, “[Public support for energy social tariff surges ahead of Autumn Budget](#)”, 22 August 2025

99 For example, Centrica plc ([COE0062](#)), EDF ([COE0052](#)), Fair By Design ([COE0022](#)) and OVO ([COE0031](#))

100 For example, [Q8](#) [Caroline Abrahams]

101 [Q15](#) [Maria Booker]

102 End Fuel Poverty Coalition ([COE0053](#))

103 For example, [Q15](#) [Maria Booker], Centre for Net Zero Market Design ([COE0038](#)) and OVO ([COE0031](#))

35.

RECOMMENDATION

We recommend that the Government launches a consultation on an energy social tariff by January 2026 and commits to introducing a social tariff on this basis ahead of winter 2026–27.

Cold Weather Payment

36. The Cold Weather Payment supports vulnerable individuals, such as those on Pension Credit or receiving certain benefits, during periods of extreme cold. It provides eligible individuals with a £25 payment for each consecutive seven-day period where the average temperature recorded in their area has been zero degrees or below. The payment is made within 14 working days of the extreme weather event.¹⁰⁴ In winter 2024–25, the criteria for triggering the Cold Weather Payment was met 33 times.¹⁰⁵ Evidence to our inquiry highlighted the importance of having a support mechanism that responds to the severity of cold weather each winter, to provide vulnerable individuals with extra support.¹⁰⁶ However, it also made clear that the Government’s principal mechanism for doing so, the Cold Weather Payment, does not provide vulnerable households with enough confidence to use their heating, especially in the context of milder winters.¹⁰⁷
37. For example, we heard that while the Cold Weather Payment prevents excess winter deaths, reduces strain on the NHS and improves the quality of life of its recipients, the criteria for triggering the payment is rarely met. Matt Copeland, Head of Policy and Public Affairs at National Energy Action, explained that in November 2024 there were periods of time when individuals were struggling with extreme cold for six days, only for the temperature to rise on the seventh day, which meant they missed out on the payment.¹⁰⁸ We also heard evidence that temperatures above zero degrees still pose a significant risk to vulnerable households, especially when considering the high cost of energy.¹⁰⁹
38. The Cold Weather Payment is currently made to eligible households within 14 days of a period of cold weather ending.¹¹⁰ It was apparent from the evidence we received that awarding the Payment after a cold weather event has ended fails to provide households on very low incomes with confidence to use their heating in the extremes of winter, especially

104 UK Government, “[Cold Weather Payment](#)”, 22 August 2025

105 Department for Work and Pensions, “[Cold Weather Payment estimates: 2024 to 2025](#)”, 22 August 2025

106 National Energy Action ([COE0037](#))

107 [Q12](#) [Matt Copeland]

108 [Q12](#) [Matt Copeland]

109 National Energy Action ([COE0037](#))

110 UK Government, “[Cold Weather Payment](#)”, 22 August 2025

given the uncertainty of whether the extreme cold will last for seven consecutive days. Matt Copeland told us that the Cold Weather Payment is therefore “relatively ineffective” and would be better paid ahead of cold temperatures, via weather forecasting, or before the winter altogether. He also questioned whether £25 remained an adequate payment to support vulnerable individuals facing high energy bills.¹¹¹

39. Analysis, published by Which? in 2023, found that 13m households in the UK were not turning their heating on during cold weather, accounting for more than half of households with an annual income of less than £20,000, to ease financial pressures.¹¹² According to the End Fuel Poverty Coalition, the greatest impact of such actions is felt by the most vulnerable individuals including the sick, disabled, elderly and young. It found that the £25 Payment is less than half the additional cost faced by an average household to keep warm during extreme weather. It has recommended that the Government instead makes a £10 payment to eligible households on every day that the Met Office forecasts extreme cold the following day, paid in advance of the cold weather event.¹¹³

40. **CONCLUSION**

The criteria for triggering the Cold Weather Payment is set too high and does not reflect the impact that extreme cold can have on vulnerable households. Inadequate and unpredictable payments, sometimes made weeks after a period of cold weather, do not give vulnerable households confidence to use their heating. This can have devastating consequences including energy rationing and severe ill health.

41. **RECOMMENDATION**

The Government should explore reform of the Cold Weather Payment considering whether a £10 payment could be made to eligible households every day that the Met Office forecasts that the average temperature will be zero degrees or below the following day. This should be subject to the usual cost benefit analysis and, if viable, be implemented as soon as possible.

111 [Q12](#) [Matt Copeland]

112 Which?, “[How UK households have been coping with the energy crisis](#)”, 22 August 2025

113 End Fuel Poverty Coalition, “[Preparing for cold weather and the Cold Weather Payments](#)”, 22 August 2025

2 Protecting vulnerable consumers

Consumer debt

42. According to Ofgem, levels of consumer energy debt are at their highest since records began in 2012. In Q1 2025, the total value of domestic consumer debt and arrears across electricity and gas was £4.15bn, compared with just over £1.5bn at the beginning of 2021. The average energy debt owed by customers without a repayment plan has doubled over the same period, reaching £1,712 at the start of 2025,¹¹⁴ almost equal to the annual Energy Price Cap of £1,738 that was in effect at the time, which represents the projected annual energy costs for a typical household.¹¹⁵ This highlights the profound impact that the recent energy price crisis has had on consumer finances.¹¹⁶
43. The gravity of the energy affordability crisis facing consumers today was highlighted to us in written evidence. Citizens Advice informed us that the number of people that it helped with energy debt rose by more than 50 percent between 2021 and 2024,¹¹⁷ and research by National Energy Action in 2024 found that over a third of British adults found it difficult to afford their energy bills and almost half had been forced to ration their use of heating.¹¹⁸ We heard that unsustainable debts have forced many consumers to choose between heating, eating or paying rent,¹¹⁹ and that the impacts are felt unequally across society. For example, in 2024, the average energy debt that people raised with Citizens Advice in Scotland was £2,500, significantly above the national average, and in rural areas this figure rose to £3,100.¹²⁰

114 Ofgem, “[Debt and arrears indicators](#)”, 22 August 2025

115 Money Saving Expert, “[What is the Energy Price Cap?](#)”, 22 August 2025 and UK Government, “[Rising energy bills: What you need to know](#)”, 22 August 2025

116 Chemical Industries Association ([COE0016](#))

117 Citizens Advice ([COE0077](#))

118 National Energy Action, “[Over £3 billion energy debt wipes out price cap drop for millions of customers](#)”, 22 August 2025

119 AdviceUK ([COE0028](#))

120 Citizens Advice Scotland ([COE0063](#))

44. Crucially, high levels of energy debt impact all consumers and not just those experiencing debt themselves. The average energy customer pays around £70 per year through their energy bills towards the socialised cost of unpaid debt, totalling £1.5bn per year across all consumers,¹²¹ and customers choosing to pay their bills via certain payment methods are required by Ofgem to pay proportionately more. For example, those paying by standard credit pay an additional £100 each year towards the socialised cost of debt than a typical direct debit customer, because they are deemed to be at greater risk of falling into debt themselves and therefore more likely to impose greater costs on the system.¹²² We were told that, without a significant intervention, levels of debt are likely to rise, imposing greater costs on all consumers.¹²³ Dhara Vyas, CEO of Energy UK, warned us that energy debt is a “pressing challenge” that needs to be a focus for the sustainability of the retail market.¹²⁴
45. In December 2024, Ofgem consulted on a proposed, one-off Energy Debt Relief Scheme that, depending on final design, could support up to 2.3m customers and write off between £0.5bn and £1bn in energy debt accrued in the energy price crisis. This is dependent on eligibility criteria yet to be determined and is much less than the £1.29bn of total debt that was accumulated in the period that Ofgem proposes would be covered by the scheme.¹²⁵
46. While those that provided us with evidence broadly supported this scheme,¹²⁶ we also heard calls for the scheme to be more ambitious and to avoid qualifying bureaucracy.¹²⁷ Citizens Advice Scotland told us that access to the scheme should not be contingent on customers agreeing a repayment plan, as many individuals who are in energy debt are simply unable to afford their bills.¹²⁸ Caroline Abrahams, Charity Director at Age UK, agreed there should be clear rules on when debt should be written off altogether¹²⁹ and we were told that the scheme must be accompanied by a more enduring plan to tackle levels of energy debt, given that a one-off scheme will not provide a lasting solution to the energy debt crisis alone.¹³⁰

121 Age UK ([COE0044](#))

122 National Energy Action ([COE0037](#))

123 For example, Age UK ([COE0044](#)), EDF ([COE0052](#)) and Ofgem, “[Resetting the energy debt landscape: the case for a debt relief scheme](#)”, 22 August 2025

124 [Q34](#) [Dhara Vyas]

125 Ofgem, “[Resetting the energy debt landscape: the case for a debt relief scheme](#)”, 22 August 2025

126 For example, Citizens Advice ([COE0077](#)), EDF ([COE0052](#)) and Fair By Design ([COE0022](#))

127 Fair By Design ([COE0022](#)) and [Q18](#) [Matt Copeland]

128 Citizens Advice Scotland ([COE0063](#))

129 [Q20](#) [Caroline Abrahams]

130 For example, Citizens Advice ([COE0077](#)), Citizens Advice Scotland ([COE0063](#)) and [Q20](#) [Maria Booker]

47. However, we also heard warnings from energy suppliers that while it is right to support consumers who are genuinely unable to meet their energy costs, suppliers must be empowered to effectively recover outstanding charges from consumers who can afford to pay to prevent the further socialisation of energy debt costs on consumer bills.¹³¹ Additionally, the evidence highlighted the need for a more innovative approach to fund debt relief that does not increase costs for consumers, such as by drawing funds from across the wider energy system. Citizens Advice suggested that a debt relief scheme could be funded in part by drawing on £4bn in excess returns made by energy network companies since 2021. This windfall resulted from flaws in the price control system that overestimated the impact of inflation on their borrowing costs and, coincidentally, is almost equal to the total value of consumer energy debt.¹³² Citizens Advice told us that network companies, which made these excess profits due to a system flaw, have a “social obligation to contribute to alleviating the hardship of those affected by the cost of living crisis”.¹³³

48. **CONCLUSION**

The UK is experiencing a severe energy debt crisis that shows little sign of abating. Millions of customers currently owe more than £4bn in debt and arrears, a record figure that has more than tripled in just five years. This is having a devastating impact on the wellbeing of millions, while increasing energy bills for everyone. We welcome Ofgem’s proposals for an Energy Debt Relief Scheme, but a more permanent solution is clearly needed to tackle both an energy debt and energy affordability crisis.

49. **CONCLUSION**

While millions of consumers struggle with energy debt and the fallout of the recent energy price crisis, there is no shortage of money in the wider energy system. It is completely inexcusable that while households are forced to ration energy and choose between heating and eating, energy networks have enjoyed windfall profits of around £4bn through financial outperformance of network price controls.

131 EDF ([COE0052](#))

132 Citizens Advice ([COE0077](#))

133 Citizens Advice ([COE0077](#))

50.

RECOMMENDATION

Ofgem should introduce an ambitious Energy Debt Relief Scheme, funded by windfall profits made by energy network companies, that has broad eligibility and provides support automatically, without consumers having to apply or agree a repayment plan. The regulator should consult, by spring 2026, on a more permanent scheme to provide consumers with lasting protection against debt, including provisions for debt forgiveness. It must set out how profits made in the wider energy system could be used to fund this, such as windfall profits made by energy network companies.

Tackling the poverty premium

51. It was clear from the evidence we received that a “poverty premium” exists in the energy retail market today. This manifests itself in a variety of ways and means those on low incomes are often required to pay more for their energy than wealthier individuals.¹³⁴ We were warned that this is reinforced by the design of the retail market, such as through the Energy Price Cap, and is likely to be compounded as the retail market evolves in future, such as with the proliferation of complex, time-of-use tariffs.¹³⁵ We heard that, without careful design, the future energy retail market could become an increasingly two-tier market that reinforces societal inequalities.¹³⁶
52. A prime example is that Ofgem sets the Energy Price Cap at different levels for different consumers, depending on what payment method they use. Many low income consumers pay for their energy by standard credit, which means that they manually pay their energy bill when they receive it, rather than by direct debit or using a prepayment meter. However, under the Energy Price Cap that took effect in July 2025, standard credit customers pay an average premium of £135 compared to those paying by direct debit.¹³⁷ This is because Ofgem considers them to have a greater likelihood of falling into energy debt and therefore more likely to impose greater costs on the system.¹³⁸ Research by Ofgem shows that less than half of standard credit customers are aware that they are paying a premium because of their payment method.¹³⁹
53. While Ofgem used to set a higher Energy Price Cap for prepayment customers in the past for similar reasons, the regulator stopped this in 2024. Under the latest Energy Price Cap, prepayment customers pay on

134 For example, Age UK ([COE0044](#)), Fair By Design ([COE0022](#)) and [Qq18-19](#) [Matt Copeland]

135 For example, Age UK ([COE0044](#)), Fair By Design ([COE0022](#))

136 For example, Age UK ([COE0044](#)), Fair By Design ([COE0022](#))

137 Ofgem, “[Energy Price Cap update from 1 July 2025](#)”, 22 August 2025

138 National Energy Action ([COE0037](#))

139 Ofgem, “[Consumer Impacts of Market Conditions Survey](#)”, 22 August 2025

average £48 less than those paying for their energy by direct debit.¹⁴⁰ We heard compelling evidence that Ofgem should take similar action to protect standard credit customers, who are already considered more likely to be fuel poor and at risk of falling into debt.¹⁴¹ National Energy Action warned us that standard credit customers are being “punished financially” for being less likely to afford their bill, which it said would increase the likelihood of them falling into debt, imposing more costs on energy suppliers and consumers.¹⁴² We heard similar evidence from Age UK, which warned us that this premium is “compounding the affordability challenges faced by these consumers”.¹⁴³

54. While most customers were on an energy tariff set at the level of the Energy Price Cap during the recent price crisis, the market is now returning to a more competitive position, with prices available that are significantly below the Energy Price Cap level.¹⁴⁴ However, we heard that the cheapest energy tariffs in the market today are typically only available to households with low carbon, but often expensive, technologies such as electric vehicles, heat pumps or solar panels. With upfront costs remaining high, this means that most low-income households are often unable to benefit from them.¹⁴⁵
55. The challenge is especially acute for customers in energy debt, who are unable to switch energy supplier or tariff if they have owed money to their supplier for more than 28 days, or for prepayment customers that owe more than £500.¹⁴⁶ This has the potential to trap financially vulnerable customers into expensive energy arrangements, without the ability to switch to a tariff or supplier that offers better value for money. Matt Copeland, Head of Policy and Public Affairs at National Energy Action, told us he would welcome measures to give customers in debt more flexibility to switch, adding that the existing rules are also a barrier to decarbonisation.¹⁴⁷ For example, customers in debt are often unable to switch to a tariff that would allow them to optimise their use of low carbon technologies such as heat pumps or electric vehicles, which are typically the most affordable and provide flexibility benefits to the wider energy system. Moreover, customers in debt to their gas supplier are required to continue paying the gas standing charge until they can clear their debt, even if they have fully electrified their home. Copeland warned us that these rules present a “real blocker” to decarbonisation for many homes.¹⁴⁸

140 Ofgem, “[Energy Price Cap update from 1 July 2025](#)”, 22 August 2025

141 Age UK ([COE0044](#)) and [Q2](#) [Matt Copeland]

142 National Energy Action ([COE0037](#))

143 Age UK ([COE0044](#))

144 [Q37](#) [Angus McCarey]

145 Fair By Design ([COE0022](#))

146 Ofgem, “[Switch energy supplier](#)”, 22 August 2025

147 [Qq18–19](#) [Matt Copeland]

148 [Qq18–19](#) [Matt Copeland]

56. This added to a weight of evidence that suggested new, complex tariffs could lead to the creation of an increasingly two-tier retail market, unless measures are taken to ensure the benefits can also be enjoyed by financially vulnerable consumers. Fair by Design told us that many new tariffs are aimed at affluent consumers, which means that “consumers without smart meters, digital skills, or the ability to cope with fluctuating bills are already at risk of being excluded from the new market”.¹⁴⁹ Time-of-use tariffs are among the most affordable on the market today but require households to have installed a smart meter.¹⁵⁰ In Q1 2025, just 61 percent of domestic meters were smart and operating in smart mode, which means that more than one third of customers are unable to access such tariffs.¹⁵¹ Uswitch agreed that while consumers with the agency to change their energy habits are rewarded with lower bills, some households, and especially the most vulnerable, cannot easily shift their demand or adopt more complex products.¹⁵²

57. **CONCLUSION**

It is unjustifiable that financially vulnerable customers are expected to pay more for their energy under the Energy Price Cap because of their chosen payment method. This constitutes a poverty premium.

58. **CONCLUSION**

Time-of-use tariffs that allow customers to optimise the benefits of low carbon technologies such as heat pumps, electric vehicles and solar panels are welcome additions to the retail market, rewarding customers with low energy prices and supporting flexibility of the energy system. However, they are mostly designed for affluent consumers, and those with smart meters and high levels of digital literacy. Without measures to protect vulnerable consumers, such as a social tariff and improved adoption of technology including smart meters, this threatens to create a retail market that deepens societal inequalities. Such tariffs must not be a substitute for lowering the costs of energy for everyone.

59. **RECOMMENDATION**

Ofgem should set the Energy Price Cap at an equal level for all customers, regardless of their chosen payment method, taking effect from the price cap period January to March 2026. It must also ensure that customers who are in energy debt are given greater flexibility to switch their supplier and have access to a wider range of tariffs to better manage their finances.

149 Fair By Design ([COE0022](#))

150 Fair By Design ([COE0022](#))

151 Ofgem, “[Smart meter statistics in Great Britain](#)”, 22 August 2025

152 uSwitch ([COE0036](#))

Standing charges

- 60.** The standing charge is around 25 percent of an average consumer electricity bill and 14 percent of an average consumer gas bill. This is supposed to cover the fixed costs of providing electricity and gas to consumers, such as building and maintaining transmission infrastructure. It is a fixed charge that every consumer who is connected to the electricity or gas grid pays, regardless of how much energy, if any, they use.¹⁵³ The remainder of a typical consumer energy bill is made up by the unit rate, which varies depending on how much energy someone consumes.¹⁵⁴
- 61.** The value of the standing charge that each consumer pays varies depending on where they live. This reflects the difference in how much it costs to operate and maintain energy infrastructure in different regions. For example, while a typical consumer in London will pay around £176 per year for their electricity standing charge under the July to September 2025 Energy Price Cap, a typical consumer in Northern Wales will pay £235. Given that gas infrastructure is more centralised, standardised and simpler than electricity infrastructure, the gas standing charge is roughly comparable in all regions of Great Britain.¹⁵⁵
- 62.** In July 2025, reforms made by Ofgem to the way costs are calculated under the Energy Price Cap mean that the typical electricity standing charge paid by an average consumer fell by five percent compared to the previous Energy Price Cap period, while the typical gas standing charge fell nine percent.¹⁵⁶ Despite this, the average consumer who is connected to both the electricity and gas network in Great Britain still pays around £296 per year in standing charges, which is around 85 percent higher than in 2017, when the average consumer paid around £160.¹⁵⁷ This is partly due to inflation, which affects how standing charges are calculated, but also due to the implementation of Ofgem’s Targeted Charging Review in 2022–23, which resulted in a significant redistribution of network costs from the unit rate to the standing charge.¹⁵⁸ If cost allocations remain unchanged, standing charges will rise significantly in future as the electricity grid is expanded and upgraded to cope with a massive increase in demand for renewable

153 Nesta, [“What’s in an energy bill?”](#), 22 August 2025

154 Nesta, [“What’s in an energy bill?”](#), 22 August 2025

155 Ofgem, [“Benchmark maximum charges for the charge restriction period 14b”](#), 22 August 2025

156 Ofgem, [“Benchmark maximum charges for the charge restriction period 14b”](#), 22 August 2025

157 Ofgem, [“Benchmark maximum charges for the charge restriction period 14b”](#), 22 August 2025, UK Parliament, [“Energy: Social Tariffs”](#), 22 August 2025 and Uswitch, [“What are energy standing charges?”](#), 22 August 2025

158 Energy UK, [“Energy UK explains: Standing charges”](#), 22 August 2025

electricity.¹⁵⁹ The Government says that around twice as much new transmission network infrastructure will be needed between now and 2030 as has been built in the past decade.¹⁶⁰

- 63.** We heard clear evidence that while the distribution of costs under the Energy Price Cap across the unit rate and standing charge is relatively cost reflective, given that energy infrastructure will need to be maintained whether it is used by a consumer or not, it does not ensure equitable outcomes for consumers. For example, consumers with low or zero energy consumption, such as those with a prepayment meter who use no gas over the summer months, are still required to pay the same standing charge as consumers with far higher energy use.¹⁶¹ Advice Direct Scotland told us that the standing charge is a “regressive tax on energy access” that disproportionately penalises the poorest and most vulnerable in society. It described them as “one of the most glaring examples of unfairness in the current energy billing system”, given that low income and low energy usage households often end up paying proportionately more, per unit consumed, for the very energy infrastructure they are least able to use.¹⁶²
- 64.** The evidence also highlighted that not all consumers are impacted by standing charges equally. For example, we were warned that standing charges pose a particular risk to customers with prepayment meters, who often accrue debt on their meter from their standing charges when they self-disconnect over the summer months when they are using no gas and are then required to pay this off before they can access their energy supply again when they need it most in winter.¹⁶³ We were also reminded that certain regions of Great Britain, such as Scotland, pay much higher standing charges than regions such as London, due to the challenge of distributing and transmitting energy to these regions. This is despite Scotland being a net exporter of renewable electricity and many of its rural and remote communities seeing higher levels of fuel poverty than the national average.¹⁶⁴
- 65.** In February 2025, Ofgem announced and consulted on plans to require every energy supplier to offer energy tariffs with low or no standing charges, so that customers can choose to pay these costs as part of their unit rate instead. Such tariffs would be covered by the Energy Price Cap and Ofgem

159 National Energy Action ([COE0037](#))

160 Department for Energy Security and Net Zero, “[Energy bills cut for communities helping to electrify Britain](#)”, 8 August 2025

161 For example, The MCS Foundation ([COE0035](#)), National Energy Action ([COE0037](#)) and OVO ([COE0031](#))

162 Advice Direct Scotland ([COE0034](#))

163 Fair By Design ([COE0022](#)), The MCS Foundation ([COE0035](#)) and National Energy Action ([COE0037](#))

164 Advice Direct Scotland ([COE0034](#))

has proposed that they would be available from winter 2025–26. It has acknowledged that while this option may be well suited to low energy users, it would not equate to cost savings for all consumers.¹⁶⁵

66. While many witnesses supported Ofgem’s intention to evaluate the allocation of costs between the standing charge and unit rate,¹⁶⁶ others were cautious of the impact this may have. For example, Dhara Vyas, CEO of Energy UK, expressed concern that some consumers may end up paying even more for their energy via a higher unit rate if they did not manage their usage carefully or understand that the standing charge costs would simply be reallocated elsewhere on their energy bill.¹⁶⁷ The Fuel Bank Foundation urged Ofgem not to rush a decision without considering possible adverse consequences and told us such a reform would need to be introduced alongside robust, accessible advice.¹⁶⁸ We also heard warnings that many consumers who could benefit from such a tariff may be unlikely to opt-in, given that it would require complex calculations to work out if they would benefit.¹⁶⁹ Citizens Advice has cautioned against the reforms altogether, stating that they would introduce significant complexity and carry a high level of risk, given that uninformed choices could leave consumers worse off.¹⁷⁰ This is a particular concern, given that our evidence highlighted how many consumers already struggle to understand their energy bills.¹⁷¹
67. Despite these cautions against hasty reform, there was significant agreement in the evidence we received that maintaining the status quo would not be an acceptable option. Numerous witnesses said that the Government now has an opportunity to consider more progressive ways to distribute costs, either via progressive taxation or more equitable tariff structures,¹⁷² and several energy suppliers called for Ofgem to reassess its Targeted Charging Review,¹⁷³ which resulted in a sharp increase in electricity network charges being recovered via the standing charge when implemented in 2022–23.¹⁷⁴ The MCS Foundation told us that “low regrets” reforms to support vulnerable households include reallocating the standing charge to the unit rate for prepayment households, or exempting consumers

165 Ofgem, “[Ofgem drives forward plans to introduce zero standing charge tariffs](#)”, 22 August 2025

166 For example, Citizens Advice Scotland ([COE0063](#)), EDF ([COE0052](#)) and OVO ([COE0031](#))

167 [Q47](#) [Dhara Vyas]

168 Fuel Bank Foundation ([COE0082](#))

169 Fair By Design ([COE0022](#))

170 Citizens Advice, “[Citizens Advice responds to Ofgem’s ‘Introducing a zero standing charge energy price cap variant’](#)”, 22 August 2025

171 For example, Centrica plc ([COE0062](#)) and Citizens Advice, “[Citizens Advice responds to Ofgem’s ‘Introducing a zero standing charge energy price cap variant’](#)”, 22 August 2025

172 For example, Advice Direct Scotland ([COE0034](#)), Centrica plc ([COE0062](#)), EDF ([COE0052](#)) and Octopus Energy ([COE0075](#))

173 For example, Octopus Energy ([COE0075](#)) and OVO ([COE0031](#))

174 National Energy Action ([COE0037](#))

from paying the gas standing charge in the summer when they use no gas, to prevent consumers accumulating debt that must be cleared before they can reconnect their energy supply in the winter.¹⁷⁵

68. A further perverse barrier to those in fuel poverty from engaging in the energy transition is the charge levied on those wishing to end their use of gas. Anyone who wishes to move to from a gas to an electricity-based heating needs to either continue to pay their standing charge for gas or to pay up to £1000 to disconnect their gas service.

69. **CONCLUSION**

We welcome Ofgem's ambition to reassess how costs are allocated across consumer energy bills, but we are unconvinced that its proposals for a mandatory zero or low standing charge tariff option will go far enough to address the inherent unfairness of the existing arrangement of standing charges. Moreover, while consumers should be given greater choice in how to pay for their energy bills, Ofgem must proceed with caution and recognise that its current proposals carry inherent risk for consumers, if not accompanied by a robust information campaign and obligations on suppliers to ensure that consumers are adequately informed.

70. **RECOMMENDATION**

Ofgem should exempt customers from having to pay the gas standing charge if they convert their home to electrical heating and no longer otherwise need a gas service. They should also work with retailers so that the accumulation of standing charges over the summer months by pre-payment meters do not require the full payment of those charges before they can begin to heat their home. Standing charges should never constitute more than 50% of money put onto a pre-payment meter.

71. **RECOMMENDATION**

Ofgem should reassess the outcomes of its Targeted Charging Review and consult on how increased network costs resulting from a sharp increase in investment in electricity infrastructure could be allocated more broadly, including across wider parts of the energy system. It should complete this process by summer 2026.

175 The MCS Foundation ([COE0035](#))

3 Billing issues and redress

Billing accuracy

- 72.** Our inquiry revealed that overall satisfaction with energy billing is at record high levels and energy bills are generally becoming easier to understand and, thanks to smart metering, more accurate. However, we also found that, when billing issues do arise, the high cost of energy means that the impact is often felt far more severely by consumers than it would have been prior to the price crisis.¹⁷⁶ As a result, many charities report a sharp rise in people seeking their support with energy billing issues, despite the rollout of smart meters.¹⁷⁷
- 73.** From January to September 2024, Citizens Advice helped more than 52,000 people with energy billing issues, an 83 percent increase compared to 2020. A quarter of these involved an unexpected back bill issued by a supplier,¹⁷⁸ which is where a supplier seeks to recoup costs for energy that a customer has used in the past but was not accurately billed for at the time.¹⁷⁹ The size of a typical billing issue has also increased. For example, the average back bill has increased from £1,700 in October 2021 to more than £2,500 in 2024.¹⁸⁰
- 74.** In March 2025, we heard about the prevalence of such practices by some suppliers, often in clear breach of Ofgem’s rules.¹⁸¹ The rules make clear that a customer cannot be charged for energy that they used more than 12 months ago, except in circumstances where an accurate bill was previously issued or the customer is clearly at fault.¹⁸² However, our inquiry uncovered numerous instances where suppliers have wrongly charged for energy used more than 12 months ago where these circumstances do not apply. In the year leading to September 2024, over 3,000 people complained to the

176 For example, Q60 [Alex Belsham-Harris] and Energy UK, “[Energy UK explains: Back billing](#)”, 22 August 2025

177 For example, Citizens Advice, “[Citizens Advice helps with an energy billing issue every two minutes](#)”, 22 August 2025

178 Citizens Advice, “[Citizens Advice helps with an energy billing issue every two minutes](#)”, 22 August 2025

179 Energy UK, “[Energy UK explains: Back billing](#)”, 22 August 2025

180 Citizens Advice, “[Footing the bill](#)”, 22 August 2025

181 Energy Security and Net Zero Committee, “[Back-billing by energy companies](#)”, 22 August 2025

182 Ofgem, “[What to do if you get a back bill](#)”, 22 August 2025

Energy Ombudsman about receiving a wrongful back bill, but the actual number of customers being wrongly back billed is likely to be far higher, given that only complaints that suppliers fail to resolve are escalated to the Ombudsman.¹⁸³

- 75.** Several members of the public shared alarming examples of wrongful back billing with us and many questioned how their supplier had been allowed to clearly breach Ofgem’s rules. One individual who was unfairly back billed told us that the way their supplier had acted “shows either total incompetence or a deliberate attempt to falsely extract unearned income from the billing”, while another commented that the remedial actions set by the Energy Ombudsman when it ruled in their favour showed “undue leniency”, providing no incentive for the supplier to improve their behaviour. Martin Lewis, Founder and Chair of MoneySavingExpert, told us that there is a “systemic problem of a lack of enforcement of the back billing rules”.¹⁸⁴
- 76.** The significant penetration of smart meters in Great Britain should increase the accuracy of energy bills and negate the need for suppliers to issue back bills. Citizens Advice, Fair by Design and MoneySavingExpert were among the organisations that called for a reduction in the back billing period to six months for customers with a smart meter,¹⁸⁵ which, if working properly, should provide suppliers with frequent, accurate readings. We also heard from some energy suppliers that Ofgem’s back billing rules are opaque and hard to follow, with some calling for clearer rules and guidance for suppliers to follow.¹⁸⁶ In February 2025, Ofgem announced that it would fine suppliers that continue to breach its back billing rules.¹⁸⁷
- 77.** Ofgem requires suppliers to provide all necessary information for a customer to understand their energy bills¹⁸⁸ but we heard that this remains a struggle for many. Citizens Advice reports that more than half of consumers who are vulnerable to the cost of living crisis find it difficult to understand their energy bill,¹⁸⁹ which is a particular concern as responsibility for identifying billing issues often falls on the consumer, who is expected to notify their supplier if a problem has occurred.¹⁹⁰

183 Radio 4 Money Box, “[Back billing continued and tax on savings](#)”, 22 August 2025

184 [Q6](#) [Martin Lewis]

185 For example, Citizens Advice, “[Footing the bill: How the energy bill protection gap is putting strain on households](#)”, 22 August 2025, Fair By Design ([COE0022](#)) and [Q8](#) [Martin Lewis]

186 So Energy ([COE0056](#))

187 BBC News, “[Ofgem demands action from energy firms over back billing](#)”, 22 August 2025

188 Ofgem, “[Supply license guide: Information for consumers](#)”, 22 August 2025

189 Citizens Advice, “[Footing the bill: How the energy bill protection gap is putting strain on households](#)”, 22 August 2025

190 Ofgem, “[What to do if you get a back bill](#)”, 22 August 2025

78.

CONCLUSION

Energy bills are generally becoming more accurate, but the high cost of energy means that when billing issues do occur, the impacts are felt far more severely. In an era of smart metering, it is unacceptable that back bills are being issued more than a year after energy was used, often in breach of Ofgem's rules. This can have a profound impact on customers already under financial strain and highlights a worrying disregard for Ofgem's rules by suppliers.

79.

RECOMMENDATION

Ofgem should limit the back billing period to six months for customers with a smart meter. It should also publish annual data on the penalties it gives energy suppliers for breaching its back billing rules.

Smart meters

80. While the rollout of smart meters should improve the accuracy of energy bills and reduce the occurrence of billing issues, at the start of 2025 less than two thirds of domestic meters were smart and operating in smart mode, far short of the Government's target for 74.5 percent of homes to have smart meters by the end of 2025.¹⁹¹ Moreover, many smart meters are not working properly. While government statistics show that around nine percent of smart meters are not operating in smart mode,¹⁹² which means they do not send automatic readings to their supplier and therefore revert to operating like a traditional meter, we heard that a more accurate number of faulty meters, accounting for a wider range of issues, is nearer one in five.¹⁹³ We heard that around 2.86m households with smart meters are still required to submit manual readings¹⁹⁴ and while energy suppliers are required to take "reasonable steps" to ensure that smart meters are operating in smart mode, this requirement is ill-defined and there is significant variation in reliability between suppliers.¹⁹⁵
81. We received a weight of evidence that energy suppliers should be compelled to ensure the reliability of existing smart meters, as well as install new ones.¹⁹⁶ Martin Lewis told us that the Government should set targets for

191 Ofgem, "[Smart meter statistics in Great Britain](#)", 22 August 2025

192 Department for Energy Security and Net Zero, "[Smart meter statistics in Great Britain: Quarterly report to end March 2025](#)", 22 August 2025

193 For example, [Q11](#) [Alex Belsham-Harris] and MoneySavingExpert, "[Martin Lewis: Too many energy smart meters are broken, they need fixing](#)", 22 August 2025

194 Citizens Advice, "[Footing the bill: How the energy bill protection gap is putting strain on households](#)", 22 August 2025

195 For example, [Q11](#) [Alex Belsham-Harris] and MoneySavingExpert, "[Martin Lewis: Too many energy smart meters are broken, they need fixing](#)", 22 August 2025

196 For example, Fair By Design ([COE0022](#)) and [Q2](#) [Martin Lewis]

suppliers on the number of working meters,¹⁹⁷ while Alex Belsham-Harris, Head of Energy Consumer Markets at Citizens Advice, said Ofgem must ensure that suppliers are meeting their obligations.¹⁹⁸ However, we heard that responsibility would also need to fall on the Data Communications Company (DCC), which operates the telecommunications network that underpins the smart meter rollout, known as the Wide Area Network (WAN).¹⁹⁹

- 82.** While Ofgem requires suppliers to take “reasonable steps” to ensure smart meters are working properly, this does not apply if the issue relates to the WAN. In such instances, an accountability gap often exists, with customers struggling to identify what the problem is, who is responsible for fixing it and how to get it resolved.²⁰⁰ We repeatedly put this concern to the DCC, who told us that consumers must always raise an issue with their energy supplier, who can then triage with the DCC. However, it was unable to explain who would bear the additional costs if a consumer lost money due to a problem with the WAN, or how they might be compensated, without relying on the goodwill of their energy supplier who is not responsible for issues with the WAN.²⁰¹
- 83.** In March 2025, Ofgem announced plans to review its Guaranteed Standards of Performance for smart meters, including new rules that could see customers compensated by up to £40 if their energy supplier fails to offer an installation appointment quickly or fix an issue with a meter not operating in smart mode within 90 days.²⁰² According to This is Money, if the rules were introduced at the time of the announcement, households would have been entitled to £143m in compensation.²⁰³ The Government has also announced that a new guide to smart metering will be published, which is to be developed into a Consumer Charter for smart metering in due course, and the Government intends to complete the smart meter rollout in remaining homes by the end of 2030.²⁰⁴

197 [Q2](#) [Martin Lewis]

198 [Q12](#) [Alex Belsham-Harris]

199 For example, Citizens Advice, “[Get smarter: Ensuring people benefit from smart meters](#)”, 22 August 2025 and [Q12](#) [Alex Belsham-Harris]

200 Citizens Advice, “[Get smarter: Ensuring people benefit from smart meters](#)”, 22 August 2025 and [Q12](#) [Alex Belsham-Harris]

201 [Qq55–63](#) [Penny Brown]

202 Ofgem, “[Ofgem sets out new rules to boost smart meter standards and compensation](#)”, 22 August 2025

203 This is Money, “[What you need to know about new payouts if your meter breaks](#)”, 22 August 2025

204 Department for Energy Security and Net Zero, “[Enhancing the smart meter installation journey](#)”, 8 August 2025 and Department for Energy Security and Net Zero, “[Smart Metering Policy Framework - Post 2025](#)”, 8 August 2025

84.

CONCLUSION

The smart meter rollout has been sluggish, unreliable and has failed to achieve adequate coverage across Great Britain. Poor levels of reliability mean that many consumers are unable to benefit from more accurate billing, which has increased the occurrence of billing issues. It also limits access to flexible tariffs and the ability to sell energy back to the grid. Targets for suppliers have focused too much on the rollout of new smart meters, rather than the performance of existing ones.

85.

RECOMMENDATION

The Government must set ambitious new targets for smart meters by the end of this year, including interim rollout targets to 2030 and strict new targets for suppliers on the reliability of existing smart meters and a requirement that smart meters are operational, not simply installed.

Energy Ombudsman

86. Ofgem says that customers who experience energy billing issues should first contact their energy supplier, which is required to have internal processes in place for dispute resolution.²⁰⁵ Suppliers are required to try and resolve any issues within eight weeks, although the Government has proposed reducing this window to four weeks.²⁰⁶ If a complaint has not been resolved within this timeframe, or the supplier has issued a deadlock letter to say that they have reached an impasse, the supplier is required to signpost the customer to the Energy Ombudsman, which is appointed by Ofgem as the alternative dispute resolution provider for the energy sector.²⁰⁷ The Ombudsman will investigate the case and decide whether to set some remedial actions.²⁰⁸ While these can include financial awards of up to £10,000 for domestic consumers or £20,000 for non-domestic consumers, in practice most awards are in the low hundreds of pounds, or it may require the supplier to take certain practical actions, such as cancelling a direct debit.²⁰⁹
87. We found that the Energy Ombudsman, which dealt with more than 100,000 disputes in 2022, generally offers a good service for consumers when it works as intended.²¹⁰ However, we also uncovered significant flaws in the dispute resolution process that prevent some consumers from achieving fair redress with their billing issues. This includes a lack of enforcement

205 Ofgem, "[Complain about your energy supplier](#)", 22 August 2025

206 Department for Energy Security and Net Zero, "[Delivering an energy market that works for consumers](#)", 22 August 2025

207 [Q93](#) [Alex Belsham-Harris]

208 Energy Ombudsman, "[Our process](#)", 22 August 2025

209 Energy Ombudsman, "[What to expect](#)", 22 August 2025 and

210 For example, Centrica plc ([COE0062](#)), Energy UK ([COE0048](#)), E.ON ([COE0067](#)), So Energy ([COE0056](#)) and [Q89](#) [Katie Watts]

powers for the Ombudsman that sometimes leaves consumers without an acceptable resolution.²¹¹ Then Minister for Energy Consumers, Miatta Fahnbulleh, recognised that the system for dispute resolution is not up to standard, stating:

As it stands, too many complaints against energy companies go unresolved or take too long to fix, whether it is suppliers not responding quickly enough or failing to adjust direct debits when families use less energy, which leads to a situation where consumers often do not access the compensation they are entitled to due to an overly complex complaints system.²¹²

- 88.** Unlike the Financial Ombudsman, the Energy Ombudsman is not a statutory body, which means that it cannot enforce its own rulings. While suppliers are legally required to implement remedies set by the Energy Ombudsman within 28 days, and these rulings are enforceable in court, several members of the public whose dispute has been investigated by the Ombudsman told us that their supplier had failed to comply with its ruling, sometimes months after it was set. Chief Ombudsman at the Energy Ombudsman, Ed Dodman, explained that more than 99 percent of rulings made in 2024 had been implemented by June 2025 and 92 percent were implemented on time. However, he recognised that this still left thousands of customers without timely remedial action.²¹³
- 89.** We heard from many witnesses that a lack of statutory powers has rendered the Energy Ombudsman toothless, which has undermined confidence among consumers and emboldened suppliers to disregard its rulings.²¹⁴ Martin Lewis told us that the Energy Ombudsman is “not really an ombudsman” and noted that while almost all rulings made by the Financial Ombudsman are obeyed, many are not for the Energy Ombudsman.²¹⁵ Katie Watts, Head of Campaigns and Policy at MoneySavingExpert, added that legal options are the only alternative route for consumers when suppliers refuse to comply, and yet many feel that pursuing a resolution in the courts is not worth their time, money or stress.²¹⁶ Ofgem has advised that it cannot get involved in decisions that the Ombudsman makes²¹⁷ and there was broad

211 For example, [Q7](#) [Martin Lewis] and [Q89](#) [Katie Watts]

212 UK Parliament, “[Warm Home Discount](#)”, 22 August 2025

213 [Q132](#) and [Q141](#) [Ed Dodman]

214 For example, [Q89](#) [Katie Watts]

215 [Q7](#) [Martin Lewis]

216 [Q89](#) [Katie Watts]

217 Ofgem, “[Complain about your energy supplier](#)”, 22 August 2025

support among witnesses for the Energy Ombudsman to be placed on a statutory footing,²¹⁸ although it was clear that this would not be a silver bullet.²¹⁹

90. Our inquiry also highlighted that many consumers are simply unaware of the Energy Ombudsman. While suppliers are required to signpost consumers to the Energy Ombudsman if they are unable to resolve a dispute themselves in the required timeframe, data for the last quarter of 2024 shows that less than half of cases were correctly signposted, with this figure dropping to 35 percent among the worst performing suppliers.²²⁰ Fuel Poverty Action warned us that cases dealt with by the Energy Ombudsman are just the “tip of an iceberg”, accounting for customers who noticed a billing issue and were willing and able to “do battle” to reach the Ombudsman stage. It told us that there needs to be a quicker and easier way for consumers to get issues resolved, adding that, at present, low values of compensation awarded by the Ombudsman mean that it is often cheaper and easier for suppliers to pay fines, rather than fix their broken systems and improve customer support.²²¹
91. In June 2025, the Government announced a series of proposed reforms for the Energy Ombudsman, including reducing the time before complaints can be escalated to the Ombudsman from eight to four weeks, making referrals to the Ombudsman automatic, and increasing the range of issues that could entitle consumers to automatic compensation of up to £40.²²² The Government said that it would also strengthen the Energy Ombudsman’s powers to ensure that suppliers comply with its rulings, or else they will be required to compensate the consumer. These reforms were mostly welcomed by witnesses, including the Energy Ombudsman that recognised many consumers are currently too daunted by the Ombudsman process to apply, even if they stand to benefit.²²³
92. However, several witnesses expressed concerns over proposals to reduce the timeframe before a complaint can be escalated from eight to four weeks. So Energy warned that a shorter timeframe would likely increase the volume of complaints referred to the Ombudsman, which charges suppliers £500 per referral, regardless of whose favour it rules in. It told us that these additional costs would need to be recovered through higher consumer bills.²²⁴ Centrica explained that resolving a dispute to a customer’s

218 For example, [Q93](#) [Alex Belsham-Harris]

219 For example, [Q93](#) [Alex Belsham-Harris] and [Q132](#) [Ed Dodman]

220 Energy Ombudsman, “[Disputes Data Q4 October - December 2024](#)”, 22 August 2025

221 Fuel Poverty Action ([COE0073](#))

222 Department for Energy Security and Net Zero, “[Delivering an energy market that works for consumers](#)”, 22 August 2025

223 [Q135](#) [Ed Dodman]

224 So Energy ([COE0056](#))

satisfaction often relies on factors beyond a supplier’s control, such as longer operational timeframes of the Citizens Advice Extra Help Unit, which raises complaints with suppliers on behalf of vulnerable people. It warned that, even under the current timeframe, some complaints end up in the Energy Ombudsman’s remit before sufficient information has been presented for a resolution.²²⁵ Alex Belsham-Harris also expressed concern over cases being escalated too quickly. He noted that the Ombudsman takes around six weeks to resolve a case and so the timeframe for consumers achieving redress could get longer if suppliers are not given enough time to resolve a case themselves.²²⁶ Dr Raj Roy, Company Secretary at Centrica, told us that around 60 percent of complaints made to Centrica are resolved in one working day and two thirds are resolved within 10 days.²²⁷

Since December 2024, the Energy Ombudsman service has been extended to small businesses with fewer than 50 employees and meeting other criteria that includes a threshold for annual turnover and energy usage.²²⁸ While this extension of powers was broadly welcomed by witnesses, several told us that it does not go far enough, with many businesses remaining unprotected, often because they fall just outside the criteria.²²⁹ We were told that coverage for a larger number of businesses would be especially important given that the legal system is already beyond the reach of many business owners, who are often time poor and unable to afford significant legal costs.²³⁰

Several witnesses also questioned whether the awards that the Ombudsman can require suppliers to make are adequate, especially given the magnitude of billing issues that can impact small businesses.²³¹ A member of the public told us that when their energy supplier wrongly back billed them for £7,000, the Energy Ombudsman required them to be compensated with just £240, which the individual described as “undue leniency”. Chief Ombudsman, Ed Dodman, told us that the maximum award of £20,000 had been awarded to a small business “at least once” since its new powers were introduced.²³²

225 Centrica plc ([COE0062](#))

226 [Q88](#) [Alex Belsham-Harris]

227 [Q81](#) [Dr Raj Roy]

228 Energy Ombudsman, “[Energy Ombudsman extends access to small businesses](#)”, 22 August 2025

229 For example, British Beer & Pub Association ([COE0042](#)), British Holiday and Home Parks Association ([COE0033](#)), uSwitch ([COE0036](#)) and [Q262](#) [Verity Davidge]

230 [Q264](#) [David Wigham]

231 For example, Redmire Pub Company Limited ([COE0003](#)) and Sarah Edwards MP (Member of Parliament for Tamworth at House of Commons) ([COE0008](#))

232 [Q155](#) [Ed Dodman]

Paul Wilson, Policy Director at Federation of Small Businesses, advised us that a £50,000 maximum award may be more appropriate, given the size of energy bills and billing issues that many small businesses face.²³³

93. We were concerned to hear of energy suppliers chasing payments and sending debt collectors to customers while in the middle of an investigation by the Energy Ombudsman. Sarah Edwards MP told us that a small business in her constituency was being threatened with debt collectors over a £4,000 charge during an investigation by the Energy Ombudsman, which eventually ruled in the customer's favour. She warned that suppliers "cannot be trusted with these powers and have consistently failed to issue bills that are correct".²³⁴ Ed Dodman explained that the Ombudsman asks suppliers to put debt collection practices on hold during an investigation but noted this is not an obligation, but rather "preferable" and "good practice".²³⁵

94. **CONCLUSION**

For most consumers, the Energy Ombudsman provides a good service and we welcome proposals to strengthen its powers and make referrals automatic. However, without statutory backing, the Energy Ombudsman remains toothless, which undermines the confidence of consumers to seek redress and emboldens suppliers to ignore its rulings. Thousands of consumers are seeing their energy supplier refuse to comply with the Energy Ombudsman's rulings every year.

95. **CONCLUSION**

We have reservations about the Government's proposal to reduce the time before a case can be escalated to the Energy Ombudsman from eight to four weeks. This would likely inflate the volume of cases referred to the Ombudsman, which might slow down the process for consumers to achieve redress and increase consumer bills, given that a high referral rate would increase the fees paid by suppliers, which would likely be recovered via bills.

96. **RECOMMENDATION**

The Government must place the Energy Ombudsman on a statutory footing and data should be published on the compliance of each supplier with its rulings, including whether these are delivered on time. The Government must also ban energy suppliers from carrying out debt collection practices while in the middle of an Energy Ombudsman investigation.

233 [Q261](#) [Paul Wilson]

234 Sarah Edwards MP (Member of Parliament for Tamworth at House of Commons) ([COE0008](#))

235 [Q156](#) [Ed Dodman]

97.

RECOMMENDATION

All small and micro sized businesses should be covered by the Energy Ombudsman to provide a streamlined and widely understood process for dispute resolution across the entire sector. The maximum pay award that the Energy Ombudsman can grant to businesses should be increased to £50,000, to reflect the scale of billing issues affecting some businesses.

4 Business and industrial energy costs

Support schemes

98. The high cost of energy is one of the greatest concerns facing businesses of all sizes in the UK today.²³⁶ For some, this poses an existential challenge,²³⁷ either because of the direct impact that is forcing businesses to scale back or cease production, or due to a severe loss of international competitiveness.²³⁸ Make UK told us that it is “unequivocal” that high electricity prices are holding back industrial growth and investment in the UK. It warned that the UK’s industrial electricity prices are the highest in Europe and around four times higher than the US, which is putting jobs at risk and undermining economic growth.²³⁹
99. According to the Office for National Statistics, the average electricity price for UK non-domestic users increased by 75 percent between 2021 and the end of 2024.²⁴⁰ While UK gas prices are more competitive with European countries, they are not when compared to the US or Middle East.²⁴¹ Crucially, unlike the market for domestic energy consumers, there is no price cap for non-domestic users, which leaves businesses exposed to volatile wholesale energy prices.²⁴² This presents a particular challenge for energy-intensive industries with an international footprint, such as many large-scale UK manufacturers, who often have limited capacity to pass on higher costs to consumers, given that their buyers can simply import cheaper alternatives when prices rise.²⁴³ Nissan recently warned the Business and Trade Committee that the UK is “not a competitive place to be building cars”

236 For example, Aldersgate Group ([COE0071](#)), [Q183](#) [Arjan Geveke, David Mitchell and Beth Barker], Make UK ([COE0029](#)) and Mineral Products Association ([COE0030](#))

237 For example, [Q183](#) [David Mitchell]

238 For example, [Q183](#) [Beth Barker], [Q192](#) [Arjan Geveke], Mineral Products Association ([COE0030](#)) and Office for National Statistics, “[Business insights and impact on the UK economy](#),” 22 August 2025

239 Make UK ([COE0029](#))

240 Office for National Statistics, “[The impact of higher energy costs on UK businesses: 2021 to 2024](#),” 22 August 2025

241 [Q15](#) [Arjan Geveke]

242 Make UK ([COE0029](#))

243 International Energy Agency, “[World Energy Outlook 2024](#),” 22 August 2025

anymore, noting that its factory in Sunderland pays more for its electricity than any other Nissan plant in the world,²⁴⁴ while Tata Steel warned the same inquiry that high energy costs are the single biggest cause of a loss of international competitiveness for British industry.²⁴⁵

100. We found that high energy costs are having a profound impact on the UK's industrial economy. Representatives from the UK's chemical industries warned us that the sector is facing the most expensive costs globally, which has led to the repeated closures of historic production facilities, including the last remaining ammonia and nitrogen fertiliser production plants in the UK²⁴⁶ and the Grangemouth ethanol plant and refinery.²⁴⁷ We heard that the demise of domestic production facilities not only results in fewer high paying, skilled jobs and the loss of international investment,²⁴⁸ but also increases the carbon intensity of UK supply chains. This is because UK-based production is typically energy efficient by international standards and the alternative often includes imports from countries where environmental regulations are weak and there is a reliance on coal.²⁴⁹
101. Small and medium-sized enterprises (SMEs) have also come under financial pressure due to high energy costs, which has compounded the impact on the UK economy.²⁵⁰ SMEs, typically defined as businesses with fewer than 250 employees and turnover of less than £50m, make up around 99 percent of UK businesses and employ approximately 60 percent of the private sector workforce.²⁵¹ David Wigham, Commercial Director of Admiral Taverns and representing the British Beer & Pub Association, explained that energy costs were the second highest overhead for most hospitality businesses, with costs today between 50 and 100 percent higher for many businesses than they were before the recent energy price crisis.²⁵²
102. In June 2025, the Government published its Industrial Strategy that included a series of measures that aim to reduce electricity costs for energy-intensive industries.²⁵³ This includes a new British Industrial Competitiveness Scheme (BICS) that will exempt eligible businesses from paying certain policy levies on their electricity bills. Around 7,000 manufacturing businesses would likely see their electricity costs reduced by up to 25 percent under the

244 [Q529](#) [Alan Johnson]

245 [Q228](#) [Rajesh Nair]

246 [Q187](#) [David Mitchell]

247 BBC News, "[Grangemouth closure and 'bruised' business confidence](#)", 22 August 2025

248 [Q188](#) [Beth Barker and David Mitchell]

249 [Q188](#) [David Mitchell]

250 For example, [Q224](#) [David Wigham], Cornwall Insight, "[Energy bills for large retail and leisure units to soar £200,000 above pre-crisis levels](#)", 22 August 2025 and Resolve Energy, "[Rising energy prices are affecting SME growth](#)", 22 August 2025

251 House of Commons Library, "[Business statistics](#)", 22 August 2025

252 [Q224](#) [David Wigham]

253 UK Government, "[The UK's Modern Industrial Strategy](#)", 22 August 2025

scheme from 2027.²⁵⁴ It also announced an expansion of the British Industry Supercharger Scheme that will increase an existing discount on network charges from 60 to 90 percent for around 500 businesses from 2026.²⁵⁵ DESNZ says both schemes will be funded through “reforms to the energy system” and by strengthening UK carbon pricing, including by linking the UK and EU carbon markets.²⁵⁶

103. While this support has been broadly welcomed by stakeholders,²⁵⁷ we heard clear warnings that it does not go far enough and, in particular, leaves SMEs exposed to high energy costs.²⁵⁸ For example, the BICS is only set to benefit three percent of the UK’s industrial businesses²⁵⁹ and will not be introduced until 2027. Verity Davidge, Director of Policy and Public Affairs at Make UK, told us that while the scheme is a step forward, its lengthy implementation raises doubts over whether businesses can survive until then, while its limited scale means that it is “only scratching the surface” of businesses who require support.²⁶⁰ David Mitchell added that while efforts to level the playing field with international competitors are welcome, it amounts to “redistributing money around” and does not tackle the underlying problem that UK energy costs are too high.²⁶¹ Representatives for SMEs told us that the Government has not provided comparable support for small businesses²⁶² and made clear that businesses who are not eligible for the scheme must not be expected to bear the costs.²⁶³ We heard calls for greater clarity on how exactly the schemes will be funded and how these costs will be distributed.²⁶⁴

104. There was some appetite among witnesses for a fixed Energy Price Cap to be introduced for non-domestic consumers but there were questions over how viable this would be, given the greater complexity of business and industrial

254 Edie, “[Industrial Strategy: Government promises 25% cut in business energy costs](#)”, 22 August 2025 and UK Government, “[The UK’s Modern Industrial Strategy](#)”, 22 August 2025

255 Department for Energy Security and Net Zero, “[Network Charging Compensation Scheme uplift for energy intensive industries](#)”, 22 August 2025

256 Department for Energy Security and Net Zero, “[Electricity bills to be slashed for over 7,000 businesses in major industry shake-up](#)”, 22 August 2025

257 For example, [Q193](#) [Arjan Geveke and David Mitchell]

258 For example, Citizens Advice, “[Dealing with your business energy bills](#)”, 22 August 2025 and Financial Times, “[Energy prices to be cut for businesses as part of UK industrial strategy](#)”, 22 August 2025

259 [Q195](#) [Beth Barker]

260 [Q227](#) [Verity Davidge]

261 [Q193](#) [David Mitchell]

262 For example, Make UK ([COE0029](#)), Citizens Advice, “[Dealing with your business energy bills](#)”, 22 August 2025 and Financial Times, “[Energy prices to be cut for businesses as part of UK industrial strategy](#)”, 22 August 2025

263 [Q229](#) [Paul Wilson] and [Q234](#) [David Wigham]

264 [Q195](#) [Beth Barker] and [Q229](#) [Paul Wilson]

energy arrangements compared to the domestic market.²⁶⁵ We saw much broader support for the introduction of a less rigid form of government-backed price support, similar to that provided during the energy price crisis,²⁶⁶ and we were especially interested in a proposal made by Make UK, modelled on the Contracts for Difference scheme. This would see the Government agree a fixed electricity price with manufacturers, known as the strike price, which would be set at an internationally competitive level. If wholesale prices rose above the strike price, the Government would subsidise the energy costs for manufacturers, whereas if the wholesale price fell lower than the strike price, manufacturers would pay back the difference to the Government.²⁶⁷

- 105.** Make UK recommended that this model be introduced on a one-year, opt-in basis, allowing businesses to secure a stable, competitive energy price for an agreed period and avoiding the risk of being locked into above-market rates.²⁶⁸ Other witnesses suggested that this could operate in a similar way to the Energy Bills Discount Scheme that operated during the energy price crisis, where eligible non-domestic customers received a per-unit discount to their energy bills, subject to a maximum discount, when wholesale prices rose above a certain price threshold.²⁶⁹ Make UK added that the benefits would be economy-wide, explaining that every £10 reduction per MWh in energy bills for manufacturing would boost the economy by £800m per year if sustained over the medium term, while bringing an additional £300m in tax revenue.²⁷⁰

106. CONCLUSION

High energy costs pose an existential threat to many UK industries and are among the greatest concerns facing businesses of all sizes. The UK's industrial electricity prices are the highest in Europe and around four times higher than the US and Canada, which places UK businesses at a severe competitive disadvantage. This is undermining economic growth, forcing the closure of important production facilities and leading to the loss of high-paying, skilled jobs.

265 [Q238](#) [Verity Davidge]

266 For example, [Q242](#) [Verity Davidge] and EDF ([COE0052](#))

267 [Q238](#) [Verity Davidge] and Make UK, "[Tackling electricity prices for manufacturers](#)", 22 August 2025

268 Make UK, "[Tackling electricity prices for manufacturers](#)", 22 August 2025

269 Department for Energy Security and Net Zero, "[Energy Bills Discount Scheme](#)", 22 August 2025 and [Q247](#) [David Wigham]

270 Make UK, "[Tackling electricity prices for manufacturers](#)", 22 August 2025

107. CONCLUSION

We welcome support to reduce industrial energy costs in the Industrial Strategy but this does not go far or fast enough. Support for just a limited number of businesses underestimates the scale of the challenge and we are concerned that many businesses will not survive until support is introduced in 2027. The Government's plans for funding these schemes are vague and there is an urgent need to extend support to SMEs.

108. RECOMMENDATION

We agree with Make UK that the Government should introduce an opt-in energy bills discount scheme for businesses, whereby the Government provides eligible businesses with a unit rate discount, up to a maximum value, when wholesale prices rise above a certain price threshold, and businesses pay into the scheme when wholesale prices fall. This would mean that businesses could guarantee an energy price that is stable and internationally competitive. The Government should work with Make UK and other business groups to develop this scheme and ensure that it is available to both larger businesses and SMEs within six months of the publication of this Report.

109. RECOMMENDATION

In its response to this Report, the Government should clarify how exactly it will fund the British Industrial Competitiveness Scheme and other support measures to reduce industrial energy costs in the Industrial Strategy. It must also clearly explain how it will support businesses prior to their introduction in 2027.

Protecting businesses

- 110.** The UK's non-domestic energy market is generally less regulated by Ofgem than the domestic market, as business and industrial energy arrangements are typically more complex and variable than those for domestic consumers.²⁷¹ In addition to the lack of a non-domestic Energy Price Cap, we heard about unfair practices by some energy suppliers who have exploited the lack of regulation to charge excessive prices and fees.²⁷² We were repeatedly warned that many small business owners lack the knowledge and resources to engage in a complex market and procure the best possible deal.²⁷³

271 Make UK ([COE0029](#))

272 British Beer & Pub Association ([COE0042](#))

273 British Beer & Pub Association ([COE0042](#))

- 111.** It was clear from the evidence that we received that the non-domestic energy market is less competitive than the domestic market. This means that energy suppliers are able to pick and choose which sectors they supply while leaving others, such as the hospitality sector, with uncompetitive rates or struggling to find a supplier willing to engage at all.²⁷⁴ We heard that, when suppliers do agree to supply these sectors, they often require extraordinary high deposits. Paul Wilson shared a case study where a laundrette was charged a £16,000 deposit just to renew an energy contract with their existing supplier.²⁷⁵
- 112.** We heard especially concerning evidence of poor supplier behaviour when a business customer is not on a formal, fixed-term contract with a supplier. In such instances, suppliers charge what is known as out-of-contract or deemed rates, which are often highly inflated compared to those on a fixed contract. David Wigham told us that such arrangements can often be “unbearable” for small businesses, given that there is no regulation around how suppliers can apply them. He shared examples of where excessive out-of-contract rates had forced businesses into debt, trapping them in an unsustainable arrangement with a supplier, given that they were unable to switch supplier until they had cleared that debt. He was one of several witnesses who recommended that Ofgem introduces a cap on out-of-contract rates and the circumstances and duration where they can be applied.²⁷⁶
- 113.** We also heard evidence of pressure selling and mis-selling of energy contracts by suppliers, who exploit the limited knowledge and resource constraints that stop many small business owners from procuring a desirable energy deal. Paul Wilson proposed the introduction of a mandatory cooling off period following an energy contract being agreed where businesses could cancel their contract, similar to the 14 days that households are entitled to.²⁷⁷ He said that it was crucial that suppliers were required to be completely transparent at the point where a contract was agreed so businesses knew what they were agreeing to, what aspects were fixed and what could be variable.²⁷⁸ Verity Davidge agreed on the need for a cooling off period and noted that many businesses got locked into unfavourable energy contracts during the energy price crisis.²⁷⁹
- 114.** Witnesses also called for greater transparency of non-commodity costs that are charged on business energy bills. These are aspects of a bill other than the cost of the gas or electricity itself, such as policy costs and the supplier’s

274 [Q244](#) [David Wigham]

275 [Q244](#) [Paul Wilson]

276 For example, [Q241](#) [David Wigham], [Q249](#) [David Wigham] and [Q250](#) [Paul Wilson]

277 [Q239](#) [Paul Wilson]

278 [Q240](#) [Paul Wilson]

279 [Q258](#) [Verity Davidge]

profit margin.²⁸⁰ The British Retail Consortium explained that while non-commodity costs historically accounted for around one fifth of a business electricity bill, they now account for up to 65 percent for some businesses and are projected to reach three quarters of a typical business energy bill by 2030. This was driven, in particular, by increased policy costs, operating charges and taxes, and some businesses are paying up to £150m annually for these, inhibiting their ability to keep prices down for consumers and invest in clean energy technologies.²⁸¹ Though the Government has recently extended exemptions to policy costs for some businesses under the British Industrial Competitiveness Scheme,²⁸² witnesses made it clear to us that UK exemptions are lower than in countries such as France and Germany.²⁸³

- 115.** The British Beer & Pub Association warned us that non-commodity costs are often unclear and incoherent on business energy bills, which means that SMEs often struggle to understand them. It noted that suppliers can determine how non-commodity costs are applied to bills, which means that customers are neither encouraged nor empowered to monitor their accuracy or to seek a more competitive rate.²⁸⁴ There was some reticence to add to the complexity of energy bills by itemising non-commodity costs and we heard that they should, instead, be made clearly available online.²⁸⁵

116. CONCLUSION

We are greatly concerned by exploitative practices in the non-domestic energy market, especially instances of mis-selling and pressure selling, as well as excessive deposits and out-of-contract rates. These practices exploit resource-poor business owners who often lack the time and knowledge to procure a good energy deal.

117. RECOMMENDATION

We recommend that Ofgem introduce a cap on out-of-contract rates and deposits that can be charged by suppliers to agree or renew business energy contracts. It should also introduce a mandatory 14-day cooling off period following a business energy bill first being issued by a supplier, where a business can exit an energy contract without penalty.

280 [Q224](#) [David Wigham]

281 British Retail Consortium ([COE0050](#))

282 Edie, “[Industrial Strategy: Government promises 25% cut in business energy costs](#)”, 22 August 2025 and UK Government, “[The UK’s Modern Industrial Strategy](#)”, 22 August 2025

283 [Q202](#) [Beth Barker]

284 British Beer & Pub Association ([COE0042](#))

285 For example, [Q257](#) [David Wigham] and [Q257](#) [Paul Wilson]

118.

RECOMMENDATION

We recommend that Ofgem require energy suppliers to clearly itemise and publish online all non-commodity costs charged on business energy bills to ensure full transparency of all costs.

Conclusions and recommendations

Support schemes

1. More effective data sharing between key stakeholders will be essential in making all government support schemes fairer, better targeted and cost effective. We welcome the Government's plans to improve data sharing across Whitehall but believe it must move further and faster, recognising that more effective data sharing will be instrumental in tackling fuel poverty. Political will and cultural resistance, rather than legislative or regulatory barriers, have been the main obstacles to progress so far. (Conclusion, Paragraph 17)
2. The Government should immediately establish an Energy Data Sharing Taskforce involving energy suppliers, government departments, HMRC, local authorities, the National Health Service and relevant third parties. This should establish clear and effective mechanisms for data sharing with the specific ambition to improve the delivery of support schemes, enable the introduction of a social tariff and tackle fuel poverty. These improved mechanisms must be introduced before winter 2026–27. (Recommendation, Paragraph 18)
3. The Warm Home Discount is a crucial mechanism to tackle fuel poverty and we welcome the Government's plans to broaden eligibility for the scheme for winter 2025–26. However, it is deeply troubling that millions of households in fuel poverty and many living with disabilities or long-term health conditions are still not eligible for support. This represents a major barrier to the Government's plans to tackle fuel poverty. (Conclusion, Paragraph 26)
4. The value of the Warm Home Discount has increased by only £10 since 2011, while household energy bills have risen by more than £500. The current value of the rebate is wholly insufficient to support vulnerable consumers this winter and compounds a severe affordability crisis in this country. Given our proximity to winter, it seems unlikely that a fair social tariff could be introduced until winter 2026–27. (Conclusion, Paragraph 27)

5. The eligibility criteria for the Warm Home Discount should be broadened to include all households in fuel poverty and those meeting vulnerability criteria, such as those with disabilities or long-term health conditions. (Recommendation, Paragraph 28)
6. From winter 2026–27, the Warm Home Discount should be retargeted using a tiered approach, so that funding is allocated based on household need and energy usage, and the value of the rebate should be linked to wholesale prices. (Recommendation, Paragraph 29)
7. For all these reasons we believe that reducing energy costs for everyone should be made the top policy priority. (Conclusion, Paragraph 33)
8. There is a critical need to provide greater, targeted bill support for low income and vulnerable consumers throughout the year in the form of a social tariff. We are concerned by the lack of progress to date. (Conclusion, Paragraph 34)
9. We recommend that the Government launches a consultation on an energy social tariff by January 2026 and commits to introducing a social tariff on this basis ahead of winter 2026–27. (Recommendation, Paragraph 35)
10. The criteria for triggering the Cold Weather Payment is set too high and does not reflect the impact that extreme cold can have on vulnerable households. Inadequate and unpredictable payments, sometimes made weeks after a period of cold weather, do not give vulnerable households confidence to use their heating. This can have devastating consequences including energy rationing and severe ill health. (Conclusion, Paragraph 40)
11. The Government should explore reform of the Cold Weather Payment considering whether a £10 payment could be made to eligible households every day that the Met Office forecasts that the average temperature will be zero degrees or below the following day. This should be subject to the usual cost benefit analysis and, if viable, be implemented as soon as possible. (Recommendation, Paragraph 41)

Protecting vulnerable consumers

12. The UK is experiencing a severe energy debt crisis that shows little sign of abating. Millions of customers currently owe more than £4bn in debt and arrears, a record figure that has more than tripled in just five years. This is having a devastating impact on the wellbeing of millions, while increasing energy bills for everyone. We welcome Ofgem’s proposals for an Energy Debt Relief Scheme, but a more permanent solution is clearly needed to tackle both an energy debt and energy affordability crisis. (Conclusion, Paragraph 48)

13. While millions of consumers struggle with energy debt and the fallout of the recent energy price crisis, there is no shortage of money in the wider energy system. It is completely inexcusable that while households are forced to ration energy and choose between heating and eating, energy networks have enjoyed windfall profits of around £4bn through financial outperformance of network price controls. (Conclusion, Paragraph 49)
14. Ofgem should introduce an ambitious Energy Debt Relief Scheme, funded by windfall profits made by energy network companies, that has broad eligibility and provides support automatically, without consumers having to apply or agree a repayment plan. The regulator should consult, by spring 2026, on a more permanent scheme to provide consumers with lasting protection against debt, including provisions for debt forgiveness. It must set out how profits made in the wider energy system could be used to fund this, such as windfall profits made by energy network companies. (Recommendation, Paragraph 50)
15. It is unjustifiable that financially vulnerable customers are expected to pay more for their energy under the Energy Price Cap because of their chosen payment method. This constitutes a poverty premium. (Conclusion, Paragraph 57)
16. Time-of-use tariffs that allow customers to optimise the benefits of low carbon technologies such as heat pumps, electric vehicles and solar panels are welcome additions to the retail market, rewarding customers with low energy prices and supporting flexibility of the energy system. However, they are mostly designed for affluent consumers, and those with smart meters and high levels of digital literacy. Without measures to protect vulnerable consumers, such as a social tariff and improved adoption of technology including smart meters, this threatens to create a retail market that deepens societal inequalities. Such tariffs must not be a substitute for lowering the costs of energy for everyone. (Conclusion, Paragraph 58)
17. Ofgem should set the Energy Price Cap at an equal level for all customers, regardless of their chosen payment method, taking effect from the price cap period January to March 2026. It must also ensure that customers who are in energy debt are given greater flexibility to switch their supplier and have access to a wider range of tariffs to better manage their finances. (Recommendation, Paragraph 59)
18. We welcome Ofgem's ambition to reassess how costs are allocated across consumer energy bills, but we are unconvinced that its proposals for a mandatory zero or low standing charge tariff option will go far enough to address the inherent unfairness of the existing arrangement of standing charges. Moreover, while consumers should be given greater choice in how to pay for their energy bills, Ofgem must proceed with caution and recognise that its current proposals carry inherent risk for consumers, if

not accompanied by a robust information campaign and obligations on suppliers to ensure that consumers are adequately informed. (Conclusion, Paragraph 69)

19. Ofgem should exempt customers from having to pay the gas standing charge if they convert their home to electrical heating and no longer otherwise need a gas service. They should also work with retailers so that the accumulation of standing charges over the summer months by pre-payment meters do not require the full payment of those charges before they can begin to heat their home. Standing charges should never constitute more than 50% of money put onto a pre-payment meter. (Recommendation, Paragraph 70)
20. Ofgem should reassess the outcomes of its Targeted Charging Review and consult on how increased network costs resulting from a sharp increase in investment in electricity infrastructure could be allocated more broadly, including across wider parts of the energy system. It should complete this process by summer 2026. (Recommendation, Paragraph 71)

Billing issues and redress

21. Energy bills are generally becoming more accurate, but the high cost of energy means that when billing issues do occur, the impacts are felt far more severely. In an era of smart metering, it is unacceptable that back bills are being issued more than a year after energy was used, often in breach of Ofgem's rules. This can have a profound impact on customers already under financial strain and highlights a worrying disregard for Ofgem's rules by suppliers. (Conclusion, Paragraph 78)
22. Ofgem should limit the back billing period to six months for customers with a smart meter. It should also publish annual data on the penalties it gives energy suppliers for breaching its back billing rules. (Recommendation, Paragraph 79)
23. The smart meter rollout has been sluggish, unreliable and has failed to achieve adequate coverage across Great Britain. Poor levels of reliability mean that many consumers are unable to benefit from more accurate billing, which has increased the occurrence of billing issues. It also limits access to flexible tariffs and the ability to sell energy back to the grid. Targets for suppliers have focused too much on the rollout of new smart meters, rather than the performance of existing ones. (Conclusion, Paragraph 84)

24. The Government must set ambitious new targets for smart meters by the end of this year, including interim rollout targets to 2030 and strict new targets for suppliers on the reliability of existing smart meters and a requirement that smart meters are operational, not simply installed. (Recommendation, Paragraph 85)
25. For most consumers, the Energy Ombudsman provides a good service and we welcome proposals to strengthen its powers and make referrals automatic. However, without statutory backing, the Energy Ombudsman remains toothless, which undermines the confidence of consumers to seek redress and emboldens suppliers to ignore its rulings. Thousands of consumers are seeing their energy supplier refuse to comply with the Energy Ombudsman's rulings every year. (Conclusion, Paragraph 94)
26. We have reservations about the Government's proposal to reduce the time before a case can be escalated to the Energy Ombudsman from eight to four weeks. This would likely inflate the volume of cases referred to the Ombudsman, which might slow down the process for consumers to achieve redress and increase consumer bills, given that a high referral rate would increase the fees paid by suppliers, which would likely be recovered via bills. (Conclusion, Paragraph 95)
27. The Government must place the Energy Ombudsman on a statutory footing and data should be published on the compliance of each supplier with its rulings, including whether these are delivered on time. The Government must also ban energy suppliers from carrying out debt collection practices while in the middle of an Energy Ombudsman investigation. (Recommendation, Paragraph 96)
28. All small and micro sized businesses should be covered by the Energy Ombudsman to provide a streamlined and widely understood process for dispute resolution across the entire sector. The maximum pay award that the Energy Ombudsman can grant to businesses should be increased to £50,000, to reflect the scale of billing issues affecting some businesses. (Recommendation, Paragraph 97)

Business and industrial energy costs

29. High energy costs pose an existential threat to many UK industries and are among the greatest concerns facing businesses of all sizes. The UK's industrial electricity prices are the highest in Europe and around four times higher than the US and Canada, which places UK businesses at a severe competitive disadvantage. This is undermining economic growth, forcing the closure of important production facilities and leading to the loss of high-paying, skilled jobs. (Conclusion, Paragraph 106)

30. We welcome support to reduce industrial energy costs in the Industrial Strategy but this does not go far or fast enough. Support for just a limited number of businesses underestimates the scale of the challenge and we are concerned that many businesses will not survive until support is introduced in 2027. The Government's plans for funding these schemes are vague and there is an urgent need to extend support to SMEs. (Conclusion, Paragraph 107)
31. We agree with Make UK that the Government should introduce an opt-in energy bills discount scheme for businesses, whereby the Government provides eligible businesses with a unit rate discount, up to a maximum value, when wholesale prices rise above a certain price threshold, and businesses pay into the scheme when wholesale prices fall. This would mean that businesses could guarantee an energy price that is stable and internationally competitive. The Government should work with Make UK and other business groups to develop this scheme and ensure that it is available to both larger businesses and SMEs within six months of the publication of this Report. (Recommendation, Paragraph 108)
32. In its response to this Report, the Government should clarify how exactly it will fund the British Industrial Competitiveness Scheme and other support measures to reduce industrial energy costs in the Industrial Strategy. It must also clearly explain how it will support businesses prior to their introduction in 2027. (Recommendation, Paragraph 109)
33. We are greatly concerned by exploitative practices in the non-domestic energy market, especially instances of mis-selling and pressure selling, as well as excessive deposits and out-of-contract rates. These practices exploit resource-poor business owners who often lack the time and knowledge to procure a good energy deal. (Conclusion, Paragraph 116)
34. We recommend that Ofgem introduce a cap on out-of-contract rates and deposits that can be charged by suppliers to agree or renew business energy contracts. It should also introduce a mandatory 14-day cooling off period following a business energy bill first being issued by a supplier, where a business can exit an energy contract without penalty. (Recommendation, Paragraph 117)
35. We recommend that Ofgem require energy suppliers to clearly itemise and publish online all non-commodity costs charged on business energy bills to ensure full transparency of all costs. (Recommendation, Paragraph 118)

Formal minutes

Tuesday 21 October 2025

Members present

Bill Esterson (Chair)

Ms Polly Billington

Sir Christopher Chope

Torcuil Crichton

Wera Hobhouse

Luke Murphy

Claire Young

Tackling the energy cost crisis

Draft Report (*Tackling the energy cost crisis*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 16 read and agreed to.

Paragraph 17 read.

Amendment proposed, in line 6, after “Whitehall” delete “but believe it must move further and faster, recognising that more effective data sharing will be instrumental in tackling fuel poverty. Political will and cultural resistance, rather than legislative or regulatory barriers, have been the main obstacles to progress so far” and add “and believe that the Digital Economy Act will help tackle fuel poverty”.—(Sir Christopher Chope.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 5
Sir Christopher Chope	Ms Polly Billington
	Torcuil Crichton
	Wera Hobhouse
	Luke Murphy
	Claire Young

Question accordingly negatived.

Paragraph 17 agreed to.

Paragraph 18 read.

Amendment proposed, delete paragraph 18.—(Sir Christopher Chope.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 5
Sir Christopher Chope	Ms Polly Billington
	Torcuil Crichton
	Wera Hobhouse
	Luke Murphy
	Claire Young

Question accordingly negatived.

Amendment proposed, in line 11, delete “The Government should establish and Energy Data Sharing Taskforce by spring 2026” and insert “The Government should immediately establish an Energy Data Sharing Taskforce”.—(Luke Murphy.)

Question put, That the Amendment be made.

The Amendment was agreed to.

Paragraph 18, as amended, agreed to.

Paragraphs 19 to 26 read and agreed to.

Paragraph 27 read.

Amendment proposed, in line 16, after “country.” Delete “Given our proximity to winter, it seems unlikely that a fair social tariff could be introduced until winter 2026–27.”.—(Sir Christopher Chope.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 5
Sir Christopher Chope	Ms Polly Billington
	Torcuil Crichton
	Wera Hobhouse
	Luke Murphy
	Claire Young

Question accordingly negatived.

Paragraph 27 agreed to.

Paragraph 28 read and agreed to.

Paragraph 29 read.

Amendment proposed, in line 4, after “wholesale prices.” insert “the Warm Home Discount should be funded out of general taxation”.—(Sir Christopher Chope.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 5
Sir Christopher Chope	Ms Polly Billington
	Torcuil Crichton
	Wera Hobhouse
	Luke Murphy
	Claire Young

Question accordingly negatived.

Paragraph 29 agreed to.

Paragraph 30 read.

Amendment proposed, in line 4, after “an affordable level.” insert a new paragraph “Despite some points of agreement there is no agreement on how much a social tariff would cost and who should fund that cost. It would not be fair or equitable for the burden to fall on energy companies or individual domestic and non-domestic consumers. According to National Energy Action the Chief Executive of Scottish Power, Keith Anderson, told MPs in 2022 that the introduction of a £1,000 deficit fund or social tariff for vulnerable customers (which if introduced would take £1,000 off the bills of the poorest people in the country) could be recouped either from the Government or through consumer bills. The NEA then describes two options. The first is general taxation. The second is cross subsidy across the energy market which would mean the costs being funded by adding to the existing policy costs already being imposed on bills. As neither of these options is acceptable, we do not believe that a social tariff can be a realistic solution. It would be administratively far easier to increase funding for the Warm Home Discount with the proviso that the costs of any such increase should not be added to the policy costs on the bills of other consumers.”.—(Sir Christopher Chope.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 5
Sir Christopher Chope	Ms Polly Billington
	Torcuil Crichton
	Wera Hobhouse
	Luke Murphy
	Claire Young

Question accordingly negatived.

Paragraph 30 agreed to.

Paragraphs 31 and 32 read and agreed to.

Paragraph 33 read.

Amendment proposed, delete paragraph 33.—(Sir Christopher Chope.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 5
Sir Christopher Chope	Ms Polly Billington
	Torcuil Crichton
	Wera Hobhouse
	Luke Murphy
	Claire Young

Question accordingly negatived.

Paragraph 33 agreed to.

Paragraph 34 read.

Amendment proposed, delete paragraph 34.—(Sir Christopher Chope.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 5
Sir Christopher Chope	Ms Polly Billington
	Torcuil Crichton
	Wera Hobhouse
	Luke Murphy
	Claire Young

Question accordingly negatived.

Paragraph 34 agreed to.

Paragraphs 35 to 46 read and agreed to.

Paragraph 47 read.

Amendment proposed, in line 15, after “Scheme” leave out remaining words and insert “while recognising that a permanent solution is needed to tackle the energy price and affordability crisis.”.—(Sir Christopher Chope.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 5
Sir Christopher Chope	Ms Polly Billington
	Torcuil Crichton
	Wera Hobhouse
	Luke Murphy
	Claire Young

Question accordingly negatived.

Paragraph 47 agreed to.

Paragraph 48 read.

Amendment proposed, delete paragraph 48.—(Sir Christopher Chope.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 5
Sir Christopher Chope	Ms Polly Billington
	Torcuil Crichton
	Wera Hobhouse
	Luke Murphy
	Claire Young

Question accordingly negatived.

Paragraph 48 agreed to.

Paragraph 49 read.

Amendment proposed, delete paragraph 49.—(Sir Christopher Chope.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 5
Sir Christopher Chope	Ms Polly Billington
	Torcuil Crichton
	Wera Hobhouse
	Luke Murphy
	Claire Young

Question accordingly negated.

Amendment proposed, in line 3, after “Energy Debt Relief Scheme” insert “, funded by windfall profits made by energy network companies,”.—(Torcuil Crichton.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 5	Noes, 1
Ms Polly Billington	Sir Christopher Chope
Torcuil Crichton	
Wera Hobhouse	
Luke Murphy	
Claire Young	

Question accordingly accepted.

Paragraph 49, as amended, agreed to.

Paragraphs 50 to 56 read and agreed to.

Paragraph 57 read.

Amendment proposed, in line 10, delete “However, they are mostly designed for affluent consumers, and those with smart meters and high levels of digital literacy. Without measures to protect vulnerable consumers, such as a social tariff and improved adoption of technology including smart meters, this threatens to create a retail market that deepens societal inequalities”.—(Sir Christopher Chope.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 5
Sir Christopher Chope	Ms Polly Billington
	Torcuil Crichton
	Wera Hobhouse
	Luke Murphy
	Claire Young

Question accordingly negated.

Amendment proposed, in line 13, after “social inequalities” insert “Such tariffs must not be a substitute for lowering the costs of energy for everyone”.—(Sir Christopher Chope.)

Amendment agreed to.

Paragraph 57, as amended, agreed to.

Paragraphs 58 to 83 read and agreed to.

Paragraph 84 read.

Amendment proposed, in line 3, delete paragraph 84 and insert “The Government must set strict new targets for suppliers on the reliability of existing smart meters, while emphasising that smart meters are not compulsory and cannot be imposed on customers against their wishes. Furthermore, those who wish to remove the data transmission facility from existing smart meters should be permitted so to do.”.—(Sir Christopher Chope.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 5
Sir Christopher Chope	Ms Polly Billington
	Torcuil Crichton
	Wera Hobhouse
	Luke Murphy
	Claire Young

Question accordingly negated.

Paragraph 84 agreed to.

Paragraphs 85 to 118 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order 134.

Adjournment

Adjourned till Wednesday 22 October 2025 at 2.30pm.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 4 June 2025

Caroline Abrahams, Charity Director, Age UK; **Maria Booker**, Head of Policy, Fair By Design; **Matt Copeland**, Head of Policy and Public Affairs, National Energy Action [Q1-33](#)

Merlin Hyman, Chief Executive, Regen; **Angus McCarey**, Chief Executive Officer, Uswitch; **Dhara Vyas**, Chief Executive Officer, Energy UK [Q34-58](#)

Wednesday 25 June 2025

Alex Belsham-Harris, Head of Energy Consumer Markets, Citizens Advice; **Dr Raj Roy**, Group General Counsel & Company Secretary, Centrica; **Katie Watts**, Head of Campaigns and Policy, MoneySavingExpert [Q59-130](#)

Jonathan Brearley, Chief Executive Officer, Ofgem; **Ed Dodman**, Chief Ombudsman, Energy Ombudsman; **Jonathan Lenton**, Regulatory Director, Energy Ombudsman; **Beth Martin**, Director of Consumer Protection and Competition, Ofgem [Q131-181](#)

Wednesday 9 July 2025

David Mitchell, Senior Energy and Climate Change Executive, Chemical Industries Association; **Beth Barker**, Senior Policy Officer (Industrial Decarbonisation), Aldersgate Group; **Arjan Geveke**, Director, Energy Intensive Users Group [Q182-222](#)

David Wigham, Commercial Director, Admiral Taverns; and representing British Beer and Pub Association; **Paul Wilson**, Policy Director, Federation of Small Businesses; **Verity Davidge**, Director of Policy and Public Affairs, Make UK [Q223-271](#)

Wednesday 15 October 2025

David Buttress, CEO, OVO Energy; **Chris Norbury**, CEO, E.ON; **Chris O'Shea**, CEO, Centrica; **Simone Rossi**, CEO, EDF UK; **Andrew Ward**, CEO, Scottish Power Customer Business; **Rachel Fletcher**, Director of Regulation and Economics, Octopus Energy [Q272-355](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

COE numbers are generated by the evidence processing system and so may not be complete.

1	38 Degrees	COE0020
2	Advice Direct Scotland	COE0034
3	AdviceUK	COE0028
4	Age UK	COE0044
5	Aldersgate Group	COE0071
6	Allsopp, Dr Duncan (Consultant Electrical Engineer, Self; and Consultant Electrical Engineer, Self)	COE0061
7	Anaerobic Digestion and Bioresources Association (ADBA)	COE0076
8	Anonymised	COE0025
9	Association for Decentralised Energy (ADE)	COE0021
10	British Beer & Pub Association	COE0086
11	British Beer & Pub Association	COE0042
12	British Holiday and Home Parks Association	COE0033
13	British Retail Consortium	COE0050
14	Building Controls Industry Association (BCIA)	COE0072
15	Bukhsh, Dr Waqqas (Senior Lecturer, University of Strathclyde)	COE0015
16	Cadent Gas	COE0023
17	Canfield, Nick	COE0032
18	Caves, Mr Timothy (Retired pensioner on basic state pension, Formerly self employed)	COE0007
19	Centre for Net Zero	COE0064
20	Centrica plc	COE0062
21	Chartered Institute of Housing	COE0014
22	Chemical Industries Association	COE0016

23	Citizens Advice	<u>COE0088</u>
24	Citizens Advice	<u>COE0077</u>
25	Citizens Advice Scotland	<u>COE0089</u>
26	Citizens Advice Scotland	<u>COE0063</u>
27	Copeland, Matt (Head of Policy and Public Affairs, National Energy Action)	<u>COE0037</u>
28	Councillor, (Youth & Community Worker, Scalloway Youth & Community Centre)	<u>COE0005</u>
29	Cregan, Mr Andrew	<u>COE0040</u>
30	Department for Energy Security and Net Zero	<u>COE0078</u>
31	E.ON	<u>COE0067</u>
32	E3G	<u>COE0066</u>
33	EDF	<u>COE0052</u>
34	Edmond, Mr Peter	<u>COE0041</u>
35	Electrify Industry, Make UK	<u>COE0049</u>
36	Ember	<u>COE0045</u>
37	End Fuel Poverty Coalition	<u>COE0053</u>
38	Energy Efficiency Infrastructure Group	<u>COE0055</u>
39	Energy Saving Trust	<u>COE0054</u>
40	Energy Systems Catapult	<u>COE0046</u>
41	Energy UK	<u>COE0048</u>
42	Exergy3	<u>COE0024</u>
43	Fair By Design	<u>COE0022</u>
44	Flex Machine	<u>COE0065</u>
45	Fuel Bank Foundation	<u>COE0082</u>
46	Fuel Poverty Action	<u>COE0073</u>
47	Grundfos	<u>COE0068</u>
48	Heat Pump Association	<u>COE0058</u>
49	Independent Heat Networks Group (IHNG)	<u>COE0027</u>
50	Institute for Public Policy Research (IPPR)	<u>COE0079</u>
51	Institution of Civil Engineers	<u>COE0017</u>

52	Kemp, Professor Roger (Professor Emeritus, Lancaster University, School of Engineering); and Shackleton, Professor Mark (Professor of Accounting and Finance, Lancaster University, Management School)	COE0011
53	Liquid Gas UK	COE0047
54	Lorna, Northern Powergrid (External Affairs Lead , Northern Powergrid)	COE0026
55	MP, Sarah Edwards (Member of Parliament for Tamworth, House of Commons)	COE0008
56	Make UK	COE0085
57	Make UK	COE0029
58	Matthews, Mr (Retired, Self)	COE0010
59	Mineral Products Association	COE0030
60	Mitsubishi Electric	COE0039
61	NAPIT	COE0043
62	National Grid	COE0080
63	National Home Decarbonisation Group (NHDG)	COE0074
64	Nesta	COE0084
65	Net Zero Watch	COE0012
66	OVO	COE0031
67	Octopus Energy	COE0075
68	Offshore Renewable Energy Catapult	COE0070
69	Ofgem	COE0087
70	RWE	COE0069
71	Redmire Pub Company Limited	COE0003
72	Regen	COE0001
73	Scottish Federation of Housing Associations	COE0051
74	So Energy	COE0056
75	Social Investment Business	COE0018
76	Socialist Workers Union	COE0083
77	Styles, Mr Peter (Retired water consultant, Retired)	COE0002
78	The MCS Foundation	COE0035
79	Thermal Storage UK	COE0013

80	Turver, Mr David (Freelance Energy Analyst, Eigen Values Substack)	<u>COE0004</u>
81	UCL Institute for Sustainable Resources, Centre for Net Zero Market Design	<u>COE0038</u>
82	UK Energy Research Centre	<u>COE0081</u>
83	Uffen, Mr M J	<u>COE0060</u>
84	Utilita	<u>COE0009</u>
85	uSwitch	<u>COE0036</u>

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

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Number	Title	Reference
4th	The new National Policy Statement for nuclear energy generation	HC 1212
3rd	Pre-appointment hearing for the Chair of the Climate Change Committee	HC 1186
2nd	Gridlock or growth? Avoiding energy planning chaos	HC 868
1st	Retrofitting homes for net zero	HC 453
1st Special	Retrofitting homes for net zero: Government Response	HC 1260