

## Proposed Indicators: Ofgem performance and energy sector health

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### About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, we support the development of future leaders.

We are equally committed to our team and are proud to be recognised as a 'Gold' Investors in People employer.

### Introduction

Energy UK is supportive of Ofgem's intent to develop a clear, concise and accountable set of key performance indicators to measure both its own performance and the health of the energy sector. However, greater clarity on the proposed reporting and performance evaluation approach is needed. The indicators should also have clearer links to principles of good regulation, which can be developed from the Competition and Markets Authority's 4Ps: pace, predictability, proportionality, and process.<sup>1</sup>

The indicators should not be developed in isolation but be clearly grounded in the findings of DESNZ's review of Ofgem, including the regulator's statutory duties, which Energy UK has argued should be streamlined to focus on three key areas:

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<sup>1</sup> [Competition and Markets Authority \(2025\), New CMA proposals to drive growth, investment and business confidence](#)

current and future consumers, investment and innovation, and clean power<sup>2</sup>. They should also be accompanied by a credible strategy demonstrating how Ofgem's activities are expected to lead to strong performance against the indicators and positive consumer outcomes over both the short and long-term. Finally, there should be clear expectations on the frequency and transparency of reporting.

The proposed indicators do not effectively cover all the principles of good regulation as there is no measure of overall regulatory burden. While administrative burden is being considered for inclusion, this only represents a part of the total burden that Ofgem places on regulated energy companies. The more significant costs come from the way regulation is implemented and enforced, the uncertainty surrounding regulatory requirements, and the lack of clear responsibility in the governance of parts of the energy system.

The scope of the indicators should be balanced and reflective of Ofgem's regulated licensees, e.g., including heat networks, electricity and gas networks, power market participants, and energy suppliers.

**Q1. Are the indicators outlined in Annex 1 the right set of indicators to illustrate Ofgem's performance, and the health of the energy sector against the priorities in the Multiyear Strategy?**

The proposed indicators should be aligned to the above outlined principles of regulation: including pace, predictability, proportionality, and process. They should be more clearly rooted in Ofgem's statutory duties and the findings of the DESNZ review, linked to macro-outcomes (that it wants to deliver), and a credible theory of change that sets out how Ofgem's use of its powers contributes to these outcomes. Currently, this link is not clear enough.

The indicators should not be developed in isolation; they should be clearly aligned with the Ofgem Multi Year Strategy and Markets Vision and Strategy, ensuring a consistent framework across Ofgem's priorities. Ofgem should also consider whether these two documents could be streamlined, with a clearer role for each. These documents should also be updated alongside the publication of the indicators to demonstrate how Ofgem's activities are expected to drive strong performance against them and deliver positive consumer outcomes over both the short and long term.

Indicators should remain consistent and comparable over time, and resilient to market evolution so they are still relevant in future years. Additionally, KPIs should be

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<sup>2</sup> [Energy UK \(2025\), The future of energy regulation: more efficient, lower cost, better outcomes](#)

aligned to delivery commitments set out in the Ofgem Forward Work Programme (FWP), with clear, timebound milestones. The FWP should clearly set out how each activity contributes to improved performance against the KPIs so that high-level priorities are translated into measurable delivery and progress.

Ofgem should also assess the extent to which it can meaningfully influence outcomes. Some factors are driven by wider economic, policy, and global conditions, and there is a risk that including them as core performance indicators could create perverse incentives or encourage disproportionate regulatory interventions.

Finally, we caution against the indicator on whether consumers believe Ofgem “holds energy suppliers to account”. Framing the indicators in this way seems too focused on a single aspect of retail compliance and might not fully reflect the breadth of Ofgem’s role across the sector.

## **Q2. Are there any other indicators which should be included?**

As outlined in Question 1, there is scope to strengthen the framework’s focus on the health of energy markets. This could be addressed through a targeted set of indicators such as:

- **Competitiveness:** the relative cost of electricity and gas in Great Britain compared to key international comparator markets, to assess the UK’s position as an attractive place to invest and operate.
- **Competitiveness:** Competition in electricity markets and services (open, accessible, technology neutral, transparent).
- **Supply chain confidence:** Adoption of BEAMA industry confidence tracker.
- **Domestic supply chain contribution:** proportion of local content within projects.
- **Workforce growth:** changes in employment levels across a number of representative companies.
- **Skills and training:** levels of training activity across the industry.

Further, considering Ofgem’s intention to assess the health of the sector, we recommend that this should extend beyond regulated companies to include the wider supply chain. Metrics related to supply chain resilience, how local the supply chain is, and the competitiveness of the UK energy sector relative to other countries would provide a more complete picture of sector adaptability and resilience.

There are also outcomes areas that are either missing or underrepresented, including the overall levels of consumer bills. To address this, Ofgem could publish

regular forward-looking analysis of how its policies are forecast to impact bills over the medium term.

Other outcomes that Ofgem should be tracking are:

- The carbon intensity of the grid.
- The system's reliance on gas for balancing, including the percentage of settlement periods that gas is setting the wholesale price.
- The percentage/ volume of renewable electricity curtailed.
- NESO redispatch (average %/ other).
- The level of clean consumer flexibility being delivered
- Competitiveness metrics and ease of access to energy markets.

In addition, there is a gap in indicators related to regulatory burden and the impact of regulation on market participants. This includes direct administrative burden and the wider costs associated with regulatory uncertainty and complexity.

Finally, the framework would also benefit from indicators that reflect the effectiveness of Ofgem's regulatory approach, including how well it balances delivering outcomes with maintaining a proportionate and predictable environment. It should also capture how regulation supports security of supply and resilience to volatile global shocks. Ensuring alignment between Ofgem's regulatory approach and clean power objectives will be critical so that consumers and the system are protected from external pressures and the regulation acts as a facilitator of the transition rather than a barrier. This should include supporting the level of demand electrification required for a low carbon energy system.

### **Q3. What indicators can we use to measure our regulatory burden on the energy sector?**

Measuring regulatory burden should reflect the breadth of costs created by regulation across the sector. Removing requirements that are no longer applicable does not in itself reduce overall regulatory burden, particularly if wider complexities and risk remain.

There is a gap in the current approach in that it does not reflect the full scope of the impact of regulatory risk and uncertainty. Administrative burden is a relatively small part of the regulatory burden in the way that Ofgem operates. The impact of regulatory risk and uncertainty is more significant, as this can impose costs in multiple ways including across investment decisions, operational behaviour, and system delivery.

Metrics on compliance costs, such as FTE resource on regulatory activity or responding to information requests only provide a partial view of the burden. Cost in managing and protecting against uncertainty about regulatory development, the intent of obligations and visibility of cost recovery is also significant. Further, uncertainty created through Ofgem activity, such as when policy ideas are consulted on at an early stage of development without sufficient prior engagement with industry. More early engagement with industry to workshop ideas would help to refine policy design ahead of the consultation, reduce ambiguity, and ensure formal processes are focused on more developed and actionable proposals.

To address this, Ofgem could introduce both a qualitative and structured approach to capturing firms' experience of regulatory burden to understand performance and direction for improvement. Ofgem-led surveys of companies' experience of the level of regulatory burden they face could be a good option. This could include questions on whether regulation is constraining innovation or product development and identifying specific instances where regulatory activity has led to material costs, and for firms to quantify them.

Finally, quantitative metrics like average response times to information requests and timelines for decisions on code modifications can provide a baseline view of regulatory efficiency but should not be relied on as a primary measure of burden as they do not capture the full picture of cost drivers.

#### **Q4. What data might industry hold to assist Ofgem with measuring its level of regulatory burden on the energy sector?**

When considering this, Ofgem should be mindful of existing burden on suppliers from regulatory activity. The volume of data requests already places a significant burden on suppliers and additional requests would increase this further.

If Ofgem does seek to collect further data to measure regulatory burden, this should be offset by reducing requests for information elsewhere, so there is no net increase in reporting and ideally a net reduction over time.

#### **Q5. What indicators would be useful for Ofgem to publish relating to code modifications?**

Ofgem should improve the focus and streamline the scope of the code framework itself, so the code bodies operate efficiently and avoid creating work that adds limited value. We welcome Ofgem's recent consultation on the second preliminary Strategic Direction Statement (SDS) for industry codes to support progress in this area.

Where indicators are used, a useful area would be to improve transparency on the speed of making code modification decisions. This could include measuring the number of working days taken by Ofgem to make a decision following a formal request from a code manager or administrator, with separate indicators for urgent modifications and for standard modifications.

It would be beneficial for Ofgem to report on the number of 'send backs' it issues, as they are a clear indicator of where Ofgem has failed to adequately interact with a code modification when it is being developed. Including this metric could incentivise better engagement between Ofgem and the code bodies during the modification process, improve Ofgem's understanding of individual mods, and reduce the likelihood of incomplete or underdeveloped proposals reaching the decision stage.

Another useful area would be measures that reflect the overall value created by the code bodies, including the consumer benefits delivered and the costs associated with code governance activity. This would support Ofgem's goals to improve accountability and transparency of regulation and help drive a clearer line of responsibility in the governance of the system.

**Q6. What are credible indicators of innovation in energy retail markets that we could report to indicate: the diversity of energy products & services, or the degree of investment by market participants in new products or services, and/or systems that improve the customer experience?**

Innovation in the energy market should be understood as more broad than just new products and services; instead process improvements, system upgrades, and operational efficiencies should also be considered. These forms of innovation can deliver significant benefits through improved customer experience, lower cost to serve, and better service outcomes. This also covers innovation in debt management, which reduces the costs across the system and can significantly benefit customers.

In addition, diffusion of innovation must be considered. New products or services deliver their full value when adopted at scale. Therefore, indicators should capture the extent to which innovative offerings are taken up across the market, rather than just the number of products available.

Finally, innovation metrics should be captured across licensees, including networks, where investment in new approaches and technologies can deliver substantial customer value. Indicators should therefore capture investment in new systems and services, as well as the outcomes they deliver.

**Q7. Are there any indicators in Annex 1 which should include specific targets to drive performance?**

*No views currently.*