

# Consultation

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## Supplier GSOP Payments Inflation Uplift - Statutory Consultation

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We are consulting on our finalised proposal to implement an inflation-based uplift to the payments suppliers are required to make to customers when failing to meet any of the Guaranteed Standards of Performance (GSOP). This includes consulting on the draft Statutory Instrument that would implement Ofgem's minded-to payment uplift based on historical and forecast inflation, leading to an increase in payments from £30 to £40. We welcome responses from energy suppliers, consumer groups and charities. We would also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

## **Consultation** – Supplier GSOP Payments Inflation Uplift - Statutory Consultation

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## **1. Introduction**

### **Background**

- 1.1 On 10 May 2024 we published a Policy Consultation<sup>1</sup> (referred to as the “May consultation”) that set out our proposal to update the level of payments that suppliers are required to credit to a customer when a supplier fails to meet any of the minimum standards contained in *The Electricity and Gas (Standards of Performance)(Suppliers) Regulations 2015* (the “2015 regulations”).
- 1.2 The payment level, which was last reviewed and updated in 2015, is currently set at £30 (referred to as a “standard payment”) for each breach of the Guaranteed Standards of Performance (GSOP), and a further £30 (referred to as an “additional standard payment”) for failure to pay this compensation within 10 working days of the initial breach. For clarity, our proposal will uplift both the standard payment and additional standard payment by the same amount.
- 1.3 Our May consultation set out our proposal to uplift this payment level in line with inflation since it was last set, and the options we had considered to calculate the uplift amount.
- 1.4 We also explained our underlying rationale and intended scope for this workstream, limiting the payment level update to an inflation-based uplift and aligning, where possible, with the methodologies used to update the payment level in 2015 as well as recent updates to the network GSOPs.
- 1.5 This workstream also follows from our Consumer Standards<sup>2</sup> work completed in 2023, where we consulted on and implemented reputational incentives for suppliers. We explained that reputational incentives were an initial step towards introducing more developed incentives in the future, which could include financial incentives. We remain of the view that financial incentives for suppliers play a key role in driving up standards and outcomes for consumers.
- 1.6 This targeted workstream focusses on ensuring that the existing financial incentive found in the GSOP compensation payments at the very minimum remains at the level intended in 2015 by implementing an inflation-based uplift.
- 1.7 We set out our intention to undertake this work in our *Forward Work Programme 2024/25* to support our strategic objective of ensuring high quality of service in

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<sup>1</sup> [www.ofgem.gov.uk/consultation/supplier-guaranteed-standards-performance-gsop-payments-inflation-uplift-consultation](http://www.ofgem.gov.uk/consultation/supplier-guaranteed-standards-performance-gsop-payments-inflation-uplift-consultation)

<sup>2</sup> [www.ofgem.gov.uk/decision/consumer-standards-decision](http://www.ofgem.gov.uk/decision/consumer-standards-decision)

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the retail market.<sup>3</sup> It is in consumers' interests for Ofgem to ensure that the compensation payment levels are updated to take account of the fiscal and market developments since 2015, including the increased inflationary pressure across the economy in recent years.

- 1.8 In response to our May consultation, some stakeholders requested a more fundamental review of the GSOP or suppliers' financial incentives. We will reflect on these responses that it may be beneficial to do so. Any such review would be separate to this inflation-based uplift as we consider it in consumers' interest to implement this increase as soon as possible to ensure that payments are updated to reflect inflation.
- 1.9 Ofgem also acknowledges the new Government's manifesto commitment to achieving higher standards of supplier performance and ensure there is automatic customer compensation for failure. The GSOP are one mechanism for providing consumers with compensation and we will work with the Government on its manifesto commitment, separately and in addition to this proposed inflation-based uplift.

### **What are we consulting on**

- 1.10 This Statutory Consultation builds on the work contained in the May policy consultation, where we put forward our initial thinking and preferred methodology to uplift the compensation payment level.
- 1.11 Following our review of stakeholder responses, in which our proposals received broad support, we are maintaining our minded-to position to update the payment level based on historical and forecast inflation, leading to an increase in payments from £30 to £40.

### **Chapter 2: Rationale and Scope for Change**

- 1.12 This section sets out a summary of the responses we have received to the May consultation regarding our proposed rationale and scope for this workstream. This included the key assumptions we have made for implementing an inflation-based uplift, such as only considering an inflation adjustment to payment levels and maintaining alignment with recent adjustments to network GSOPs.

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<sup>3</sup> Ofgem Decision For: Consultation of Ofgem's Forward Work Programme 2024/25, 28 March 2024, [www.ofgem.gov.uk/publications/decision-consultation-ofgems-forward-work-programme-202425](https://www.ofgem.gov.uk/publications/decision-consultation-ofgems-forward-work-programme-202425)

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- 1.13 We provide our response to the comments made by stakeholders and detail our rationale for maintaining Option 2 (historical and forecast inflation) as our minded-to position progressing the payment level uplift.

### **Chapter 3: Options for Uplifting Payments**

- 1.14 As a result of the consultation responses to the three options we put forward to calculate an inflation-based uplift, we have maintained our minded-to option for uplifting the compensation payment level to reflect inflation since 2015.
- 1.15 In this section we provide a summary of the consultation responses we received relating to our proposed options, including the preferred option we had highlighted in the May consultation. We set out our response to stakeholder comments and provide our rationale for maintaining our minded-to position on implementing a one-time uplift based on historic and forecast inflation.

### **Chapter 4: Implementation of Payment Level Uplift**

- 1.16 In this section, we provide an overview of our intended timelines for an inflation-based uplift to supplier GSOP payment levels should we decide, after consultation, to implement our minded-to position.
- 1.17 In order to implement our minded-to position of a one-time uplift to the payment level from £30 to £40, we have produced a draft Statutory Instrument (see Appendix 1) to amend the 2015 regulations. We are seeking stakeholders' views through this consultation as to whether the draft Statutory Instrument will achieve our minded-to policy objective.
- 1.18 We also clarify the intended impact of the uplift and its timing on those standards that include a timeframe for supplier action, such as provision of final bills, credit balance refunds and completing supplier switches.
- 1.19 **Consultation Question 1: Do you have any comments on the drafting of the Statutory Instrument (see Appendix 1) to implement our minded-to position?**

### **Context and related publications**

- 1.20 This consultation relates the supplier Guaranteed Standards of Performance (GSOP) that are set out in *The Electricity and Gas (Standards of Performance) (Suppliers) Regulations 2015*. In this document we refer to these as the "2015 regulations".

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- 1.21 The Electricity Act 1989 and Gas Act 1986<sup>4</sup> grant Ofgem the power to set minimum standards for supplier performance through regulation, which can include compensation payments to customers. Such standards were first introduced for suppliers by Ofgem in 2002. As part of Ofgem’s Simplification Plan 2012/13, we reviewed whether the existing, and separate, Guaranteed Standards and Overall Standards of Performance for gas and electricity remained fit for purpose.
- 1.22 Our review concluded that a performance standards mechanism would still play a valuable role to protect consumers’ interests and streamlined the standards into one Statutory Instrument (the 2015 regulations).
- 1.23 The resulting 2015 regulations set out minimum standards that all suppliers must adhere to, and that a supplier’s failure to meet these standards within the specified timescale results in a compensation payment of £30 (referred to as a “standard payment”) to be credited to the customer.
- 1.24 Currently, these minimum standards include:
- Making and keeping appointments for home/microbusiness visits.
  - Investigating and fixing/replacing credit meter faults.
  - Investigating and fixing/replacing prepayment meter faults.
  - Reconnection following disconnection due to debt.
  - Switching time to a new supplier.
  - Reversing an erroneous transfer of supplier.
  - Provision of a final bill following switch of supplier.
  - Refund of customer credit following switch of supplier.
- 1.25 In addition, the regulations require an additional £30 payment to be made to the customer if the original £30 compensation payment is not provided within 10 working days, or where the supplier has failed to relay a compensation payment due to a customer from their gas transporter or electricity distributor. This is referred to as an “additional standard payment” within the 2015 regulations.
- 1.26 Suppliers self-assess their compliance against GSOP and are required to automatically pay compensation as set out in the 2015 regulations, before reporting compliance performance to Ofgem quarterly in response to a permanent Request for Information. Supplier performance is monitored by

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<sup>4</sup> Sections 33A(1) and 47 of the Gas Act 1986 (the “Gas Act”) and sections 39(1) and 60 of the Electricity Act 1989 (the “Electricity Act”) provide Ofgem with powers to set guaranteed standards in relation to gas and electricity suppliers.

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Ofgem, and we will take action where we identify systemic poor performance or consumer detriment. For example, in 2023 we concluded compliance engagement with three suppliers in relation to their application of the GSOP and non-payment of compensation, resulting in £8m being paid in redress to consumers.<sup>5</sup>

### 1.27 Related publications:

- Ofgem 2024 Policy Consultation on Supplier Guaranteed Standards of Performance (GSOP) Payments Inflation Uplift:  
[www.ofgem.gov.uk/consultation/supplier-guaranteed-standards-performance-gsop-payments-inflation-uplift-consultation](http://www.ofgem.gov.uk/consultation/supplier-guaranteed-standards-performance-gsop-payments-inflation-uplift-consultation)
- Ofgem’s 2014 Statutory Consultation on Supplier Guaranteed and Overall Standards of Performance: [www.ofgem.gov.uk/publications/supplier-guaranteed-and-overall-standards-performance-statutory-consultation-and-proposals](http://www.ofgem.gov.uk/publications/supplier-guaranteed-and-overall-standards-performance-statutory-consultation-and-proposals)
- Ofgem’s 2015 Decision on The Electricity and Gas (Standards of Performance) (Suppliers) Regulations 2015:  
[www.ofgem.gov.uk/publications/supplier-guaranteed-and-overall-standards-performance-reforms-final-decision-and-statutory-instrument](http://www.ofgem.gov.uk/publications/supplier-guaranteed-and-overall-standards-performance-reforms-final-decision-and-statutory-instrument)
- The Electricity and Gas (Standards of Performance) (Suppliers) Regulations 2015: [www.legislation.gov.uk/ukxi/2015/1544/contents/made](http://www.legislation.gov.uk/ukxi/2015/1544/contents/made)
- Ofgem’s 2019 Decision to introduce first phase of Switching GSOP:  
[www.ofgem.gov.uk/publications/supplier-guaranteed-standards-performance-switching-final-decision-and-statutory-instrument](http://www.ofgem.gov.uk/publications/supplier-guaranteed-standards-performance-switching-final-decision-and-statutory-instrument)
- Ofgem’s 2020 Decision to introduce second phase of Switching GSOP:  
[www.ofgem.gov.uk/publications/supplier-guaranteed-standards-performance-switching-second-phase-final-decision-and-statutory-instrument](http://www.ofgem.gov.uk/publications/supplier-guaranteed-standards-performance-switching-second-phase-final-decision-and-statutory-instrument)
- Ofgem’s 2024 Decision to amend Switching GSOP:  
[www.ofgem.gov.uk/publications/supplier-guaranteed-standard-performance-switch-speed-decision](http://www.ofgem.gov.uk/publications/supplier-guaranteed-standard-performance-switch-speed-decision)
- Ofgem’s 2021 Decision on changes to the gas distribution networks (GDN) GSOP payment levels: [www.ofgem.gov.uk/publications/decision-statutory-consultation-amendments-gas-guaranteed-standards-performance-statutory-instrument](http://www.ofgem.gov.uk/publications/decision-statutory-consultation-amendments-gas-guaranteed-standards-performance-statutory-instrument)

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<sup>5</sup> [www.ofgem.gov.uk/publications/three-suppliers-pay-total-ps8-million-relation-guaranteed-standards-performance-final-billing-compensation-failures](http://www.ofgem.gov.uk/publications/three-suppliers-pay-total-ps8-million-relation-guaranteed-standards-performance-final-billing-compensation-failures)



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- Ofgem’s 2023 Decision on changes to the distribution network operator (DNO) GSOP payment levels: [www.ofgem.gov.uk/publications/final-decision-and-statutory-instrument-guaranteed-standards-performance-gsops-reliability-and-connections](https://www.ofgem.gov.uk/publications/final-decision-and-statutory-instrument-guaranteed-standards-performance-gsops-reliability-and-connections)

### **Consultation stages**

- 1.28 The consultation will be open until 30 August 2024. Responses will be reviewed and we currently intend to publish the consultation decision in autumn 2024.

### **How to respond**

- 1.29 We want to hear from anyone interested in this consultation. Please send your response to [FutureConsumers@ofgem.gov.uk](mailto:FutureConsumers@ofgem.gov.uk).
- 1.30 We’ve asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 1.31 We will publish non-confidential responses on our website at [www.ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations).

### **Your response, your data and confidentiality**

- 1.32 You can ask us to keep your response, or parts of your response, confidential. We’ll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 1.33 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we’ll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- 1.34 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK’s withdrawal from the European Union (“UK GDPR”), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

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- 1.35 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

### General feedback

- 1.36 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:
1. Do you have any comments about the overall process of this consultation?
  2. Do you have any comments about its tone and content?
  3. Was it easy to read and understand? Or could it have been better written?
  4. Were its conclusions balanced?
  5. Did it make reasoned recommendations for improvement?
  6. Any further comments?

Please send any general feedback comments to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk)

### How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. Choose the notify me button and enter your email address into the pop-up window and submit.

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**Upcoming** > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

## 2. Rationale and Scope for Change

### Section summary

This chapter sets out a summary of the responses we have received to the May consultation regarding our proposed rationale and scope for this workstream. This included the key assumptions we have made for implementing an inflation-based uplift, such as only considering an inflation adjustment to payment levels and maintaining alignment with recent adjustments to network GSOPs.

We provide our response to the comments made by stakeholders and detail our rationale for maintaining Option 2 (historical and forecast inflation) as our minded-to position for progressing the payment level uplift.

### May 2024 Policy Consultation Questions

Q1. Do you agree with our rationale and assumptions for the supplier GSOP payment level uplift?

### Rationale for Uplift

#### What we consulted on

- 2.1 In our May consultation we considered that it is appropriate and in consumers' interests to uplift the GSOP payment level to reflect the significant inflation experienced across the wider economy since the level was set in 2015.
- 2.2 When we reviewed the GSOP framework in 2015, Ofgem updated the payment level from £22 to £30 to account for inflation, utilising the same methodology that was used for the distribution network operators' (DNOs) GSOP payment levels under the RIIO-ED1 price control process which had recently been undertaken at that time.
- 2.3 This methodology resulted in Ofgem uplifting the payment level in line with the CPIH<sup>6</sup> inflation rate since 2002, in addition to forecast inflation to the mid-point of the RIIO-ED1 price control period, 2018-19.
- 2.4 Our underlying rationale for this targeted uplift included the previous commitment made in our 2015 decision to keep the payment level under review and to consider updates in the future in line with fiscal and market developments, and any changes to the payment levels in networks' GSOPs.

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<sup>6</sup> The Consumer Prices Index including owner occupiers' housing costs (CPIH)

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- 2.5 In our rationale for this workstream we set out the work that Ofgem had recently undertaken to update the GSOP payment levels for gas distribution networks in 2021 and distribution network operators in 2023. As a result of these updates, we considered that it was appropriate for us to now also update the supplier GSOP payment levels to account for inflation.
- 2.6 In doing so, we consider that this workstream aligns with the *Quality & Standards* aspect of Ofgem’s Consumer Interest Framework, as set out in our Forward Work Programme 2024/25.<sup>7</sup> It is in consumers’ interests for Ofgem to ensure that the compensation payment levels are updated to take account of the fiscal and market developments since 2015.
- 2.7 We proposed to use CPIH as the measure of inflation in this workstream, the same as we used both in the 2015 update to the supplier GSOP payment level and the 2023 update to the DNO GSOP payment level. This is explored further in the next chapter.

### **Responses to our consultation**

- 2.8 We received twenty-two responses to our policy consultation. Respondents included three consumer representative groups, eight suppliers, ten individual consumers, and one other organisation. Twenty of the respondents addressed the questions we asked in our policy consultation.
- 2.9 We received widespread support for the rationale we set out as part of the consultation. Respondents broadly welcomed our proposal to increase the payment level to reflect recent high levels of inflation. Many considered an uplift appropriate, if not necessary, to ensure the incentive on supplier performance remains at the intended level.
- 2.10 All three consumer representative groups agreed that the payment level should be raised to maintain the desired incentive on suppliers and protect consumers. However, one of these groups suggested that uplifting a baseline payment that is too low to begin with will not have the positive impact that we intend.
- 2.11 All eight suppliers that responded to the consultation agreed with our rationale. Suppliers considered an uplift to be proportionate and reasonable given high inflation rates in recent years.

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<sup>7</sup> Ofgem Decision For: Consultation of Ofgem’s Forward Work Programme 2024/25, 28 March 2024, [www.ofgem.gov.uk/publications/decision-consultation-ofgems-forward-work-programme-202425](http://www.ofgem.gov.uk/publications/decision-consultation-ofgems-forward-work-programme-202425)

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- 2.12 Individual consumers agreed that a financial incentive is important and favoured an increase to the payment level. However, some stated that an inflation-based uplift is inadequate compensation for supplier failings, and the proposed increase would not be enough to improve supplier performance. These consumers would like to see a substantial increase to the payment level.

### **Ofgem's consideration of responses**

- 2.13 We welcome the broad support received for our rationale in updating the GSOP payment levels to reflect increases in inflation since its last review. We maintain that it is in consumers' interests to implement the payment uplift, as we have already done for the GSOPs relating to GDNs in 2021 and DNOs in 2023.
- 2.14 We reflect on the challenges raised regarding the payment level and its purpose in response to stakeholder views on our scope and assumptions, set out below in paragraphs 2.28 – 2.31 in this document.

## **Scope and Assumptions**

### **What we consulted on**

- 2.15 In our May consultation, we set the three key assumptions we have made to strictly define the scope of the inflation-based uplift to the GSOP payment levels. These were:
- 2.16 **Assumption 1** – The purpose of this uplift is only to reflect the significant increase in inflation across the wider economy since the payment levels were last set in 2015. This is in line with our commitment made in our previous decision to reflect the fiscal and market developments in the future. We did not intend to conduct a wider review of the standards through this workstream, or the underlying purpose or rationale of the compensation payments themselves. Any such review would be separate and not dependent upon this proposed uplift.
- 2.17 **Assumption 2** – As far as is appropriate, we will have regard to the approach undertaken in the 2023 update to the DNO GSOP payment levels. As the current £30 supplier GSOP payment level was set in line with the methodology and data used to set the DNO GSOP payment level in 2015, we consider it to be reasonable to uplift the payments from the same baseline and using the same measure of inflation (CPIH).
- 2.18 **Assumption 3** – In uplifting the payment levels in line with inflation, we will use the same rounding methodology as used for DNOs and GDNs and set the

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level to the nearest £5 increment. We consider that aligning with this decision would have benefits for consumers' understanding of the compensation payments, but also for suppliers' systems and clear communications of the standards to their customers.

- 2.19 Following these assumptions allowed us to determine the three options for the uplift methodology and the resulting uplift amount. We asked stakeholders whether they agreed with these assumptions guiding our targeted proposals for change.

### **Responses to our consultation**

- 2.20 Most respondents agreed with the scope we set out and the assumptions we relied on to determine our options. These respondents included two of three consumer representative groups and all eight suppliers.
- 2.21 One consumer representative group disagreed with our proposal to limit our scope to just an inflation-based increase, questioning the effectiveness of the compensation payments in driving supplier performance improvements.
- 2.22 This consumer group suggested changes that could better incentivise supplier performance, including increasing the payment level to at least £50, publicising and improving access to the payment, doubling payments for repeat breaches, adjusting levels every 3-5 years by a different inflation forecast (Household Cost Index), and reporting breaches/payments each year to provide a reputational incentive.
- 2.23 While five of nine individual consumers also agreed, two commented on, and a further two challenged our first assumption. These respondents believed that a greater financial incentive is necessary to improve supplier performance, so consider an uplift for inflation alone insufficient. Two respondents suggested a wider review of the standards on this basis.
- 2.24 No respondents commented on or challenged our second or third assumptions.

### **Ofgem's consideration of responses**

- 2.25 We received challenge from a number of stakeholders, particularly individual consumers, on the level of the payment and its underlying purpose.
- 2.26 In principle, the payments made under the current and previous standards are not designed to provide compensation reflecting the levels of any financial loss suffered as a result of a failure. For example, the customer can seek independent redress from the Ombudsman which can take into account any

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additional financial loss suffered by the customer when determining its compensation award.

- 2.27 We did not intend to review this principle as part of this workstream, which is instead targeted at just an inflation-based increase to the existing level as outlined in Assumption 1. Following our May consultation, we maintain that it is in consumers' interest to implement the inflation-based uplift guided by the rationale and key assumptions we proposed.
- 2.28 However, based on the feedback received and as part of our broader programme of work to drive up customer service standards, we are now considering whether it is appropriate for us to undertake a wider review of the GSOP framework in the near future. This potential future review would assess whether the GSOP framework is still working efficiently in today's market and acting as an effective financial disincentive to deter poor supplier service and drive improvements.
- 2.29 We consider that it is in consumers' interests to implement the inflation adjusted compensation in the shortest time possible, and that this should not be delayed or stopped by any potential future and broader review of the GSOP framework. We will therefore continue with our proposed inflation-based uplift.
- 2.30 As set out in our assessment of inflation in the next chapter, the current payment level has been outpaced by inflation in recent years and we consider this update to be essential to maintain the intended consumer benefit and financial incentive on suppliers to improve consumer outcomes.
- 2.31 In doing so, we continue to consider it reasonable to use CPIH as the measure for historical inflation. This aligns with our previous decision in 2015 on the supplier GSOP payment level, as well as our recent changes the network GSOPs.



### 3. Options for Uplifting Payments

#### Section summary

In this section we provide a summary of the consultation responses we received relating to our proposed options, including our preferred option highlighted in the May consultation. We set out our response to stakeholder comments and provide our rationale for maintaining our minded-to position on implementing a one-time uplift based on historic and forecast inflation.

#### May 2024 Policy Consultation Questions

- Q2. Do you agree or disagree with our preferred option for uplifting payments?
- Q3. Are there any factors that we have not considered for each of the options under consideration?

#### Options for Uplift Methodology

##### What we consulted on

- 3.1 In line with our key assumptions, our May consultation set out our assessment of historical and forecast inflation, as well as three options we considered to implement an inflation-based uplift to the payment level.
- 3.2 We explained that the existing payment levels, set in 2015, already included forecasted inflation to 2018-19. As a result, any uplift we implement will be calculated using the 12-month January CPIH index from 2019 onwards so as to not double-count inflation. The use of CPIH for historical inflation and forecast CPI<sup>8</sup> was in line with our approach in 2015.
- 3.3 As there is no official forecast of future CPIH inflation, we used the Office of Budget Responsibility's (OBR) latest CPI forecast published in March 2024 to best illustrate the potential impact of future inflation on the level of GSOP payments to inform our policy considerations.
- 3.4 Tables 1 and 2 below were included in the May consultation to show the impact that historical inflation has had on the expected payment level, and the impact that forecast inflation would have in the following years.

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<sup>8</sup> The Consumer Prices Index

*Table 1: Impact of historical inflation on existing £30 supplier GSOP payment level (ONS CPIH Annual Rate at January each year<sup>9</sup>).*

<b>Year</b>	<b>Inflation (%)</b>	<b>Actual<sup>10</sup></b>	<b>Nearest £5</b>
Jan-20	1.8	£30.54	<b>£30</b>
Jan-21	0.9	£30.81	<b>£30</b>
Jan-22	4.9	£32.32	<b>£30</b>
Jan-23	8.8	£35.17	<b>£35</b>
Jan-24	4.2	£36.65	<b>£35</b>

*Table 2: Additional impact of forecast inflation on the supplier GSOP payment level (OBR Forecast CPI<sup>11</sup>).*

<b>Year</b>	<b>Inflation (%)</b>	<b>Actual<sup>12</sup></b>	<b>Nearest £5</b>
2025	1.1	£37.05	<b>£35</b>
2026	1.6	£37.64	<b>£40</b>
2027	1.8	£38.32	<b>£40</b>
2028	2.0	£39.09	<b>£40</b>
2029	2.0	£39.87	<b>£40</b>

3.5 From our three key assumptions and the assessment of historical/forecast inflation, we put forward three options to implement an inflation-based uplift and our view of each<sup>13</sup>:

3.6 **Option 1 – Historical Inflation Only.** Under this option we would only update the payment level based on changes to the CPIH index from 2019 up to and including January 2024, rounded to the nearest £5 increment. This would result in a final updated payment level of £35.

3.7 **Option 2 – Historical and Forecast Inflation.** Through this approach, we would set the payment level in line with historical inflation (as in Option 1) but

<sup>9</sup> CPIH annual rate, Office for National Statistics, [www.ons.gov.uk/economy/inflationandpriceindices/timeseries/l55o/mm23](http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/l55o/mm23) accessed March 2024.

<sup>10</sup> Note that annual inflation rate to January 2020 assumes payment base level is January 2019.

<sup>11</sup> Office for Budget Responsibility detailed economy forecasts, Table 1.7, [obr.uk/download/march-2024-economic-and-fiscal-outlook-detailed-forecast-tables-zip-file/?tmstv=1711376200](http://obr.uk/download/march-2024-economic-and-fiscal-outlook-detailed-forecast-tables-zip-file/?tmstv=1711376200) accessed March 2024. Note that the Q1 figure for each year from 2025-2029 was used for the inflation figures outlined in the table above.

<sup>12</sup> Note that these calculations are a continuation from the figures used in Table 1 for historical inflation impacts on the payment level.

<sup>13</sup> For our view on the benefits and drawbacks for each option, please see paragraphs 3.6 – 3.23 in our May consultation: [Supplier Guaranteed Standards of Performance \(GSOP\) payments inflation uplift consultation | Ofgem](#)

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also take account of forecast inflation over the coming three years. This is the approach taken by Ofgem when updating the payment level in 2015. This would result in an actual payment figure of £38.62, based on forecast CPI inflation up to and including 2027, as set out in *Table 2*. Based upon our assumption of setting the payment level at the nearest £5 increment, we would set the supplier GSOP payment level at £40.

3.8 **Option 3 – Historical inflation and automatic adjustment mechanism.** As in Option 1 we would uplift the payment level based on historical inflation since 2019, leading to a payment level of £35. However, we would also include an automatic adjustment mechanism in the regulations to update the level each April based on the previous January’s 12-month CPIH index published by the ONS, rounding the payment level to the nearest £5 increment. This is the general approach that Ofgem took to update the DNO GSOPs in 2023.

3.9 Overall, we considered that Option 2 best met the purpose of the inflation adjustment and struck the best balance between ensuring the consumer benefits and the supplier incentives are maintained at the level set in 2015, while minimising any future resource requirements to make further minor adjustments. Based on current forecasts, the £40 payment level will remain appropriate into the 2030s, negating the need for a further review and change implementation in the medium-term.

3.10 We stated in the May consultation that the impact this would have on suppliers or consumers is dependent upon suppliers’ compliance with the minimum standards set out in the 2015 regulations in future years. However, based on the average annual number of breaches over 2022 and 2023, raising the payment level to £40 could increase the overall value of payments by around £10.2m annually. This estimated value assumed that the average number of breaches across 2022 and 2023 continues at a similar level in future years and did not account for changes we may observe in supplier performance or customer service, or systemic market-wide issues such as further crises or system failures.

### **Responses to our consultation**

3.11 Most respondents who answered question 2 agreed with our preferred approach for uplifting payments. Fifteen respondents addressed this question.

3.12 Nine respondents agreed with our preferred option: all three consumer representative groups and six of eight suppliers. These respondents considered option 2 to be proportionate and in consumers’ interests.

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- 3.13 Although one of these consumer representative groups did state that option 2 was nearest to their wishes in terms of an uplift mechanism, it also stated its preference for a higher increase to the payment level in addition to a doubling of the required payment in cases of repeated or severe breaches.
- 3.14 Another consumer representative group suggested that regular review of the payment level will be important to ensure it does not fall behind inflation, and if it does so in the near-term it may be prudent to move to an automatic adjustment mechanism. Otherwise, this group considered there to be no greater consumer benefit in the medium term to necessitate the additional resources of an automatic adjustment mechanism.
- 3.15 Some respondents noted that clarity for consumers is an advantage of option 2, whereas option 3 may prove more confusing and complex for a range of stakeholders. Most suppliers believed implementing an increase once (as in option 2) would be less resource-intensive than multiple minor adjustments in the medium term (as in option 3).
- 3.16 Three of four individual consumers responding to question 2 were content with option 2, although they viewed aspects of option 3 favourably. In particular, they were of the view that consumers should automatically benefit from increases to compensation payment levels in the event of significant increases to inflation.
- 3.17 Two suppliers and one individual consumer challenged our preference for option 2, and preferred option 3. These respondents generally considered more frequent reviews and automatic increases to be more accurate and fairer to consumers. The two suppliers viewed option 3 as not overly resource-intensive to implement. One of these suppliers suggested Ofgem could reduce complexity for new market entrants by signposting the current rate.
- 3.18 Seven respondents, all individual consumers, did not address question 2.

### **Ofgem's consideration of responses**

- 3.19 With feedback received, we continue to consider that option 2 is the best approach to implement the inflation-based uplift to the GSOP payment level and have produced the draft Statutory Instrument to implement this option (see Appendix 1).
- 3.20 Some stakeholders considered that an automatic adjustment mechanism would provide a fairer outcome for consumers and ensure that the payment level more accurately tracked the effects of inflation across the wider economy. However, based on our assessment of forecast inflation, this mechanism would provide

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little to no consumer benefit until the 2030s but would incur annual resource from Ofgem and suppliers to track the impact of inflation on the payment level. We do not consider that this would be a proportionate means to uplifting current payment levels.

- 3.21 A majority of suppliers also supported our rationale that it would be less resource-intensive to implement a one-time adjustment. We agree with stakeholders that also raised that our preferred approach would be less complex and therefore less confusing for consumers and supplier messaging.
- 3.22 We explain in the previous chapter in (paragraphs 2.28-2.31) that we are considering undertaking a wider review of the GSOP framework in the future. As in our 2015 decision, whether this wider GSOP review is undertaken or not, we will keep the payment level under review and will consider any future changes based on market and economic developments as well as any decision on the networks GSOPs.

## **Further Views on Our Approach**

### **What we consulted on**

- 3.23 In addition to our May consultation question seeking views on our preferred option for uplifting payments, we also asked for stakeholders' views on whether there were any factors we had not considered (question 3 in the May consultation).

### **Responses to our consultation**

- 3.24 Three suppliers raised practical considerations in response to question 3. These included timescales, wider market changes, and potentially related work being undertaken by the Department for Energy Security and Net Zero (DESNZ).
- 3.25 One of these suppliers suggested that due to market changes since the GSOPs were last reviewed in 2015, it would be beneficial to have a broader industry discussion about GSOPs' value, impact, coverage and potential alternatives. This would be to ensure that they remain fit for purpose in the current and evolving market.
- 3.26 Two consumer groups and a utilities consultancy focused on the theory and effectiveness of the payment as an incentive in their responses to this question. These respondents encouraged us to ensure the payment incentivises better supplier performance.

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- 3.27 A consumer group also questioned the effectiveness of the GSOPs as a driver of supplier performance if it is self-assessed by suppliers, suggesting that there was the potential for consumers to miss out on compensation if they are not able to request it themselves. It suggested that such an approach is inappropriate and counter to the purpose of the scheme, and that consumers must be able to report breaches easily, and for data to be published and reviewed annually on the number of breaches and payments.

### **Ofgem's consideration of responses**

- 3.28 As set out in Chapter 2 (paragraphs 2.28-2.31), we are considering a wider review of the GSOP framework. The GSOPs are intended to act as a financial incentive for suppliers to improve consumer service and drive improved outcomes, so it will be important to ensure that they are delivering as effectively as possible. We will take stakeholders' views into consideration as part of our developing thinking as well as any related work being undertaken by DESNZ.
- 3.29 However, as stated in Chapter 2, we do not consider that it is in consumers' interests to delay or stop this work delivering an inflation-based uplift to the payment level under the current GSOP framework. We want consumers to be entitled for the overdue inflation-updated compensation as soon as possible.

## **4. Implementation of Payment Level Uplift**

### **Section summary**

In this section, we provide an overview of our intended timelines for an inflation-based uplift to supplier GSOP payment levels should we decide, after consultation, to implement our minded-to position. We are seeking stakeholders' views through this consultation as to whether the draft Statutory Instrument in Appendix 1 will achieve our minded-to policy objective.

### **Statutory Consultation Question**

**Q1. Do you have any comments on the drafting of the Statutory Instrument (see Appendix 1) to implement our minded-to position?**

## **Implementation of Payment Level Uplift**

### **Draft Statutory Instrument**

- 4.1 Implementing any of the options to uplift the supplier GSOP payment levels will require a new Statutory Instrument (SI) to amend the original 2015 regulations. In addition to approval by Ofgem's governing body, the Gas and Electricity Market Authority (GEMA), the SI will also need to be approved by the Secretary of State for Energy Security and Net Zero.
- 4.2 We have included in Appendix 1 a draft SI to implement our minded-to position for the inflation-based uplift, as outlined in Option 2 in the previous chapter. This draft SI sets out the amendments that we intend to make to the original 2015 regulations to update the payment levels for both "standard payments" and "additional standard payments".
- 4.3 We would welcome stakeholders' views on the drafting of the SI in response to this consultation.

### **Impact Assessment Statement**

- 4.4 Section 5A of the Utilities Act 2000 ("the Act") requires that before implementing a proposal that is important, we need to either carry out and publish an assessment of the likely impact of implementing the proposal ("a section 5A IA") or publish a statement explaining why we consider such an assessment is not necessary.

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4.5 Our guidance on impact assessments sets out the reasons why a proposal may be considered important for the purpose of section 5A.<sup>14</sup> In line with that guidance, in order for a proposal to be considered important it needs to have a significant impact on suppliers. We consider that proposed inflation uplift to existing compensation payments does not meet the definition of ‘important’ as set out in section 5A or our guidance. We consider that it is not necessary to carry out a section 5A IA for this policy as it will only increase supplier payments to consumers in line with inflation across the wider economy since the payment levels were last set.

### **Intended Implementation Timelines**

- 4.6 We stated in our May consultation that we intended for the uplift in the GSOP payment level to take effect from **January 2025**, if we decide to progress with our proposal. This is still our intention.
- 4.7 There are a number of standards that include a timeframe for supplier action, and failure to meet that timeframe for action will result in a breach of the standard and a payment being due.
- 4.8 For clarity, the draft SI sets out that the new payment level is to be used where a supplier fails to meet any of the standards after the SI takes effect. This is the case even if the timeframe for meeting the relevant standard had started prior to the new payment level taking effect.
- 4.9 For example, if a customer switches away from a supplier on 1 December 2024 and the supplier fails to provide a final bill within 6 weeks of the switch, then the new £40 payment would be due when the 6 weeks elapses in January 2025.
- 4.10 This also includes the requirement to pay an “additional standard payment” if the supplier fails to provide the compensation payment within 10 working days. If the end of those 10 working days occurs after the new SI has taken effect, then the new £40 payment level will be due, even if the original “standard payment” had been due prior to the new SI taking effect.

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<sup>14</sup> <https://www.ofgem.gov.uk/publications/impact-assessment-guidance>



## Appendix 1 – Draft Statutory Instrument

Statutory consultation as required by section 40B Electricity Act 1989 and section 33BAA Gas Act 1986 which sets out the procedures for prescribing or determining standards of performance.

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### STATUTORY INSTRUMENTS

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2024 No. 000

**ELECTRICITY**

**GAS**

#### The Electricity and Gas (Standards of Performance) (Suppliers) (Amendment) (No. 2) Regulations 2024

<i>Made</i>	- - - -	2024
<i>Coming into force</i>	- -	2025

The Gas and Electricity Markets Authority<sup>(15)</sup> (the “Authority”) makes the following Regulations in exercise of the powers conferred by sections 33A(1) and 47 of the Gas Act 1986<sup>(16)</sup> (the “Gas Act”) and sections 39(1) and 60 of the Electricity Act 1989<sup>(17)</sup> (the “Electricity Act”).

In accordance with section 33BAA(1)(a)<sup>(18)</sup> of the Gas Act and section 40B(1)(a)<sup>(19)</sup> of the Electricity Act, the Authority has arranged and considered the results of research to discover the views of a representative sample of persons likely to be affected by these Regulations.

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<sup>(15)</sup> The Gas and Electricity Markets Authority was established by section 1(1) of the Utilities Act 2000 (c.27).

<sup>(16)</sup> 1986 c.44; section 33A was inserted by section 11 of the Competition and Service (Utilities) Act 1992 (c.43) and amended by paragraph 34 of Schedule 3 and paragraph 1 of Schedule 6 to the Gas Act 1995 (c.45), and by section 90(1) of, and paragraph 13 of Schedule 6 and Schedule 8 to, the Utilities Act 2000, and section 47 was amended by Schedule 2 to the Offshore Safety Act 1992 (c.15), paragraph 9 of Schedule 1 to the Competition and Service (Utilities) Act 1992, paragraph 53 of Schedule 3 to the Gas Act 1995 and sections 3(2) and 100 of the Utilities Act 2000.

<sup>(17)</sup> 1989 c.29; section 39 was amended by sections 3(2) and 54(1) of, and paragraph 32 of Schedule 6 and paragraph 1 of Schedule 8 to, the Utilities Act 2000; and section 60 was amended by section 3(2) of the Utilities Act 2000.

<sup>(18)</sup> Section 33BAA was inserted by section 92 of the Utilities Act 2000 and amended by paragraph 4 of Schedule 1 to S.I. 2014/631 and paragraph 2 of the Schedule to S.I. 2022/34.

<sup>(19)</sup> Section 40B was inserted by section 56 of the Utilities Act 2000 and amended by paragraph 5 of Schedule 1 to S.I. 2014/631 and paragraph 3 of the Schedule to S.I. 2022/34.

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In accordance with section 33BAA(1)(b), (2) and (3) of the Gas Act and section 40B(1)(b), (2) and (3) of the Electricity Act, the Authority has published a notice of its proposals and considered the representations made in respect of those proposals.

In accordance with section 33BAA(1)(c) and (4) of the Gas Act<sup>(20)</sup> and section 40B(1)(c) and (4) of the Electricity Act<sup>(21)</sup>, the Authority has consulted Citizens Advice and Consumer Scotland, gas suppliers, electricity suppliers, and persons and bodies appearing to be representatives of persons likely to be affected by these Regulations.

The Secretary of State has consented to the making of these Regulations, in accordance with section 33A(2) of the Gas Act and section 39(1) of the Electricity Act.

### Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Electricity and Gas (Standards of Performance) (Suppliers) (Amendment) (No.2) Regulations 2024 and come into force on xxx.

(2) In these Regulations, “the Principal Regulations” means the Electricity and Gas (Standards of Performance) (Suppliers) Regulations 2015<sup>(22)</sup>.

### Amendment of regulation 8 of the Principal Regulations

2.—(1) Regulation 8 of the Principal Regulations (Suppliers’ payment obligations) is amended as follows.

(2) In paragraphs (2) and (3), for “£30” substitute “£40”.

### Transitional provisions

3. Where immediately before these Regulations come into force a supplier is required by regulation 8(2) or (3) of the Principal Regulations to make a payment of £30, that amount is not increased by the coming into force of these Regulations.

The seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of



*Name*

A member of the Gas and Electricity Markets Authority

Date

I consent

*Name*

Parliamentary Under Secretary of State  
Department for Energy Security and Net Zero

Address

Date

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<sup>(20)</sup> Section 33BAA was amended by art. 1(1) and paragraph 2(10) of the Schedule to S.I. 2022/34.

<sup>(21)</sup> Section 40B was amended by art. 1(1) and paragraph 3(11) of the Schedule to S.I. 2022/34.

<sup>(22)</sup> S.I. 2015/1544 as amended by S.I. 2019/218, S.I. 2020/116, paragraph 11 of the Schedule to S.I. 2022/34, and S.I. 2024/108.

**EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

These Regulations amend the Electricity and Gas (Standards of Performance) (Suppliers) Regulations 2015 (S.I. 2015/1544) (the “Principal Regulations”).

Regulation 2 amends regulation 8 of the Principal Regulations (Suppliers’ payment obligations), by increasing the payment that a supplier must make to the customer if they-

- fail to meet a relevant standard of performance; or
- fail to make a standard payment within 10 working days; or
- fail to relay a distributed payment within 10 working days.

The payment is increased from £30 to £40.

Regulation 3 makes transitional provision for circumstances where immediately before these Regulations come into effect a supplier is required by the Principal Regulations to make a £30 payment. Where this applies, the payment is not increased by the coming into force of these Regulations and remains at £30.

A full impact assessment has not been produced for this instrument as no, or no significant, impact on the private, voluntary or public sectors is foreseen.

## Appendix 2 – Privacy notice on consultations

### Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

#### **1. The identity of the controller and contact details of our Data Protection Officer:**

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at [dpo@ofgem.gov.uk](mailto:dpo@ofgem.gov.uk)

#### **2. Why we are collecting your personal data:**

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

#### **3. Our legal basis for processing your personal data:**

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

#### **4. With whom we will be sharing your personal data:**

Unless you indicate otherwise, we may make your response, as provided, available online. If you indicated to us that your response is confidential, we will not publish it online and nor will we share your personal data with any other organisations.

#### **5. For how long we will keep your personal data, or criteria used to determine the retention period:**

Your personal data will be held for as long as an audit trail on decision-making relating to the questions discussed in this document should reasonably be available.

#### **6. Your rights:**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete

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- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3<sup>rd</sup> parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

**7. Your personal data will not be sent overseas.**

**8. Your personal data will not be used for any automated decision making.**

**9. Your personal data will be stored in a secure government IT system.**

**10. More information:**

For more information on how Ofgem processes your data, click on the link to our "[ofgem privacy promise](#)".