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Impact Assessment

Consumer Standards - 24/7 Metering Support Impact Assessment (IA)

Division:	Retail Policy
Team:	Domestic Retail Policy Team
Associated Document:	Consumer Standards – 24/7 Metering Support Decision
Coverage:	Full coverage
Type of measure:	Specific incentive
Type of IA:	Not Qualified under Section 5A UA 2000
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Summary

The document provides a final impact assessment (IA) of the costs and benefits of the licence changes outlined in the accompanying decision. In response to challenges received to our draft IA, we have made a small number of changes. We have summarised these, together with our response to other challenges, in paragraphs 2.31 to 2.53 of the 24/7 Metering Support Decision document.

What is the problem under consideration? Why is Ofgem intervention necessary?

Currently, where a customer is off-supply due to a meter fault outside of their supplier's contact hours (such as overnight or on weekends) many customers are unable to report the fault or receive any assistance until the next working day (which can be longer than one day in the case of weekends and bank holidays).

This is leading to poor customer outcomes, and has the potential to cause significant customer harm, especially if that customer is already in a vulnerable circumstance prior to being off-supply.

There has been insufficient progress by industry parties in developing an industry-led solution since our decision in October 2023[1] and the issue for consumers remains unresolved. Following a full assessment of new costs data that we requested from suppliers and a Statutory Consultation, we are now activating the dormant licence condition to address the poor outcomes that consumers who are off-supply due to a meter fault outside of regular contact hours continue to experience. We do not consider that activating the licence condition would prevent suppliers and network operators to deliver an industry-wide approach, if that can be agreed between the parties and still deliver the expected outcomes for customers.

What are the policy objectives and intended effects including the effect on Ofgem's Multiyear Strategy

Activating the licence condition will contribute to Objective 2: Ensure high quality of service, of our Multiyear Strategy.[2] In particular, it addresses sub-objective 2.1: Improve protections for all consumers, particularly the vulnerable.

What are the policy options that have been considered, including any alternatives to regulation?

One option is to maintain the status quo as the "do nothing" option. However, we are concerned that competitive pressure alone will not deliver good outcomes for customers. As

[1] Consumer standards decision | Ofgem
[2] Multiyear Strategy sets out Ofgem's vision for delivering clean, affordable and secure energy system | Ofgem

evidenced by the absence of sufficient progress on an industry-led solution since our October 2023 decision.

The other option that has been considered (and our preferred option) is activating supplier licence condition 31G.3A(c), which requires suppliers (through providing, or procuring the provision of, an enquiry service) to be available 24 hours every day to receive enquiries from, and offer assistance, guidance, or advice to, Domestic Customers who are experiencing an interruption in supply of electricity/gas caused by a meter fault.

Preferred option - Monetised Impacts (£m)

Net Monetised Benefit to GB Consumer

£-9.11m to £-5.40m per year, or £-0.29 to £-0.17 per customer per year.

How the Net Benefit was monetised

Cost benefit analysis using economic costs and benefits in June 2024 prices.

Costs include the additional ongoing supplier costs associated with activating the licence condition. A lower and an upper bound have been estimated from domestic supplier submissions to a Request for Information issued in June 2024. Full details are provided in Sections 4 and 5.

Benefits are made up of the estimated value consumers associate with faster restoration of supply for those that are off-supply for electricity or gas due to a meter fault and we expect to be impacted by the policy. A range has been calculated using submissions to Requests for Information issued to domestic suppliers, distribution network operators (DNOs) and gas distribution networks (GDNs) in June 2024, along with, other sources of data. Full details are provided in Sections 4 and 5.

The lower net benefit estimate uses the lower benefit and the upper cost estimates. The upper net benefit estimate uses the upper benefit and the lower cost estimates.

We also consider that there are non-monetised benefits in addition to those quantified above, see the section below on Hard to Monetise Impacts.

Preferred option - Hard to Monetise Impacts

Hard to monetise impacts
The main non-monetised benefit is the reduced risk of harm (injuries, fatalities and/or damage to property) as a result of faster guidance/advice and/or faster restoration of supply, and lower call waiting times for emergency calls to network operators. This and other non-monetised benefits are detailed in Section 4. We expect any impacts on innovation and/or market entry/resilience to be minimal (see section 6).

Key Assumptions/sensitivities/risks
The analysis is conditional on some suppliers stating that they consider themselves to already meet the requirements of the licence condition. This analysis assumes that this classification of suppliers is accurate. We assume that the cost information provided to us is accurate, includes all relevant costs and presents the most efficient (ie lowest cost) solution to meeting the requirements of the licence condition. Monetised benefits rely on assumptions regarding the expected average reduction in time off-supply. A range we assess as being feasible has been used but given the uncertainty, these monetised benefits should be treated as illustrative.

Will the policy be reviewed? No	**If applicable, set review date:** N/A

Is this proposal in scope of the Public Sector Equality Duty?	Yes

Summary table for all options

Summary of options	Main effects on Consumer outcomes	Benefits	Costs	Key considerations
Status quo (as described in Paragraphs 3.1 to 3.3)	Some, but not all, consumers[3] should already be seeing positive benefits in relation to improved "Quality and Standards" and better protection from harms.	Some, but not all, consumers[4] should already be seeing the benefits we expect from activating the licence condition (as listed below under Option 1).	Total ongoing costs faced by suppliers who state that they already meet the requirements of the licence condition: £6.70m to £8.76m per year (£0.21 to £0.27 per customer[5] per year).	The analysis is conditional on which suppliers stated that they consider themselves to already meet with the requirements of the licence condition.
Option 1: Activating the licence condition (as described in Paragraph 3.4)	Improved "Quality and Standards" in the market by ensuring that (all) energy suppliers are accessible, transparent, and responsive to their customers' needs in relation	Total monetised benefit from faster restoration of supply (additional to status quo): £0.10m to £1.08m per year.[6] The main non-monetised benefit[7] is the	Additional total ongoing costs: £6.49m to £9.21m per year (£0.20 to £0.29 per customer per year). Sum of status quo and additional ongoing costs: £13.18m to	The analysis is conditional on which suppliers stated that they consider themselves to not already meet with the requirements of the licence condition. It also assumes that the cost information

[3] Ie the approximately 65% of consumers with suppliers that state that they already meet the requirements of the licence condition. This being based on market share as calculated using electricity and gas domestic meter point data from May 2024, sourced from Xoserve (gas) and DNOs/IDNOs (electricity).
[4] Ibid.
[5] For ease of comparison of average impacts across the entire market, costs per customer are across all consumers, not just those served by particular suppliers.
[6] Monetised benefits rely on assumptions regarding the expected average reduction in time off-supply, a range we assess as being feasible has been used but, given the uncertainty, these monetised benefits should be treated as illustrative.
[7] This and other non-monetised benefits are detailed in Section 4.

Summary of options	Main effects on Consumer outcomes	Benefits	Costs	Key considerations
	to off-supply meter faults. Consumers are better protected from harm, especially those in vulnerable circumstances through all suppliers being available 24/7 for those that are off-supply due to a meter fault (and better able to provide enhanced protection for those in vulnerable circumstances, eg through better prioritisation).	reduced risk of harm (injuries, fatalities and/or damage to property) resulting from faster guidance/advice and/or faster restoration of supply, and lower call waiting for emergency calls to network operators.	£17.97m per year (£0.41 to £0.56 per customer per year). Total one-off costs: £1.05m to £1.50m (£0.03 to £0.05 per customer).	provided to us is accurate, includes all relevant costs and presents the most efficient (ie lowest cost) solution to meeting the requirements of the licence condition. We expect any impacts on innovation and/or market entry/resilience to be minimal (see Section 6).

1. Problem under consideration

Section summary

This section outlines existing issues with suppliers' customer service in the domestic retail energy market in relation to customers that are experiencing an interruption in the supply of electricity or gas caused by meter issues. Further detail can be found in the accompanying decision.

1.1 As we had previously stated in our October 2023 decision, we continue to consider that it is critical for customers without supply due to meter issues to be able to receive appropriate guidance and support from their supplier at all times.

1.2 Currently, where a customer is off-supply due to a meter fault outside of their supplier's regular contact hours (such as overnight, weekends or on bank holidays) many are not able to report the fault immediately nor receive any advice or assistance until, at best, the next working day. This can be longer than a day in the case of weekends and bank holidays.

1.3 We consider that this is leading to poor customer outcomes and has the potential to cause significant customer harm, especially if that customer is already in a vulnerable circumstance prior to being off-supply.

1.4 Without access to a 24/7 enquiry service, domestic customers off-supply due to a meter fault face the risk of being without power or gas for an extended period of time without any assistance, guidance or advice being provided by the supplier that is ultimately responsible for that meter. For example, there could be significant risk of harm to consumers that are medically dependent upon electricity and have their supply interrupted due to a meter fault. Faster restoration of supply or simply providing assistance, guidance and advice to customers who are off-supply is expected to reduce the risk of harm through injury and fatality.

1.5 Responses to our RFI indicate that some suppliers consider themselves to already be compliant with the dormant licence condition. As a result, it appears that the majority of domestic customers could already be with suppliers that are contactable outside of regular working hours should they be off-supply due to meter faults.

1.6 This could currently result in the outcomes that we want these consumers to experience to be dependent upon the supplier the consumer has a contract with.

We do not consider that this is in the best interests of consumers as a whole and are therefore activating the dormant licence condition to ensure all domestic consumers, no matter the supplier they are with, have a route to receive advice and support on a 24/7 basis when they are off-supply due to meter faults.

2. Policy Objective

Section summary

This section outlines the policy objectives in relation to customers that are experiencing an interruption in the supply of electricity of gas caused by meter issues. Further detail can be found in the accompanying decision.

2.1 The underlying rationale of improving the contact ease for domestic customers by activating the dormant licence condition remains the same as when we first introduced it, as do the expected consumer outcomes.

2.2 For additional clarity, we have set out these expectations in the associated Contact Ease guidance document, to which suppliers must have regard. More information on our updates to the Contact Ease guidance document can be found in Chapter 3 of the accompanying decision. The outcomes that we would expect suppliers' 'assistance, guidance or advice' to deliver for Domestic Customers include:

- The customer is provided with information that enables them to understand which organisation to contact when they are off-supply and how to do so.
- The supplier is available 24/7 to receive enquiries from Domestic Customers off-supply due to meter faults, to triage what might be causing the interruption in supply and determine if it is urgent. We would expect the supplier to offer assistance, guidance or advice to resolve the issue at the time of the enquiry where this is possible to do so remotely through the enquiry service, or at the earliest opportunity.
- The customer's supply is restored as soon as possible in line with existing obligations, and the customer is advised of the supplier's process to investigate and fix any meter fault, including an estimated timeline for the issue to be investigated or resolved.
- The supplier to consider whether a customer requires further urgent assistance as a result of being off-supply due to a meter fault, in line with existing licence obligations, especially if that customer was already in a vulnerable situation prior to being off-supply.

3. Description of options considered

Section summary

This section provides a brief description of the status quo and the option we have assessed for customers that are experiencing an interruption in the supply of electricity or gas caused by meter issues.

Status quo

3.1 Principle-based requirements currently exist in the supply licence conditions to address customer service issues, mainly SLC 0, which requires customers to be treated fairly and existing licence conditions as part of SLC 31G which set out assistance and advice information requirements.

3.2 Many suppliers state that they already meet the requirements of SLC 31G.3A(c), despite the licence condition not currently being active, ie they are already available 24 hours every day to receive enquiries from, and offer assistance, guidance, or advice to, Domestic Customers who are experiencing an interruption in supply of electricity/gas caused by a meter fault. Our analysis[8] shows that approximately 36% of active domestic suppliers state that they meet the requirements of the licence condition, and these suppliers make up 65% of the domestic market.[9] We assume that this reflects choices made by supplier in consideration of the existing principle-based requirements, in addition to, their corporate and social responsibility stance.

3.3 Network operators are already required to provide enquiry services 24/7 to customers without supply due to issues relating to their network. In their responses to the Consumer Standards statutory consultation,[10] responses to the REC0053 Code Modification shared with us,[11] and responses to requests for information (RFIs) issued to distribution network operators (DNOs) and gas distribution networks (GDNs) in June 2024; network operators have indicated that they receive several enquiries from customers who are off-supply due to meter

[8] We analysed supplier submissions in relation to a request for information issued in June 2024.
[9] This being based on market share as calculated using electricity and gas domestic meter point data from May 2024, sourced from Xoserve (gas) and DNOs/IDNOs (electricity).
[10] Consumer Standards - Statutory Consultation | Ofgem
[11] Responses to Retail Energy Code (RECC) Modification RFI for R0053 – 24/7 Emergency Metering Service. The purpose of the RFI was to determine issues surrounding where customers are off-supply due to a fault with the Metering Equipment rather than DNO equipment and where DNO operatives attending are not able to resolve the issue, leaving the fault not fixed and customers without supply.

faults and have been taking action to address these issues outside of their own regulatory requirements (eg visiting properties to reset meters and/or provide a temporary meter bypasses). Network operators have however indicated that such actions are usually only undertaken in cases of vulnerability or hardship and the procedures/criteria that are used to determine when to take action do not appear to be consistent across the different network operators (and, by extension, geographical region).

Option 1: Activating the licence condition

3.4 Activating supplier licence condition 31G.3A(c), which requires suppliers to be available 24 hours every day to receive enquiries from, and offer assistance, guidance, or advice to, Domestic Customers who are experiencing an interruption in supply of electricity/gas caused by a meter fault.[12]

3.5 As noted in the accompanying decision, supplier standard licence condition (SLC) 31G.3E requires suppliers to have regard to any guidance that Ofgem publishes in relation to the Consumer Standards SLCs 31G.3A to 31G.3D, which includes the currently dormant requirement for a 24/7 enquiry service for customers off-supply due to meter faults (SLC 31G.3A(c)).

3.6 Alongside our October 2023 Decision we published a Contact Ease Guidance document, setting out our expectations of suppliers and outcomes for consumers of the new licence conditions. We are updating this guidance document, and the updated guidance can be found in the accompanying decision.

[12] The exact wording for the Electricity Supply Licence: "Be available 24 hours every day to receive enquiries from, and offer assistance, guidance, or advice to, Domestic Customers who are experiencing an interruption in supply of electricity caused by a meter fault." The exact wording for the Gas Supply Licence: "Be available 24 hours every day to receive enquiries from, and offer assistance, guidance, or advice to, Domestic Customers who are experiencing an interruption in supply of gas caused by a meter fault."

4. Monetised and non-monetised costs and benefits of activating the licence condition

Section summary

This section outlines our best estimates of the monetised and non-monetised costs and benefits associated with activating the licence condition. Including our best estimate of monetised benefits, the net benefit to customers from the policy could range from £-9.11m to £-5.40m per year, or £-0.29 to £-0.17 per customer per year (not including one-off costs in Y0).

The costs to suppliers (who state that they do not already meet the requirements of the licence condition) could be in the range of £6.49m to £9.21m per year, or £0.20 to £0.29 per customer per year (not including one-off costs in Y0). We estimate one-off costs to the market in Year 0 to be between £1.05m to £1.50m, or £0.03 to £0.05 per customer.

In addition, we believe there are non-monetised benefits that could accrue to customers, including customers in vulnerable circumstances. The main non-monetised benefits are associated with an expected reduction in the risk of injury, fatality and damage to property. We believe these benefits to consumers will accrue through faster restoration of supply or simply providing assistance, guidance and advice to customers who are off-supply as well as lower expected waiting times for emergency calls to network operators (ie calls related to suspected gas leaks, carbon monoxide emergencies and electrical emergencies).

Overall, we consider that this policy is consistent with our duties, will provide benefits to customers, and assess the costs to suppliers of implementing these policies as proportionate.

Monetised and non-monetised benefits

Monetised benefits

4.1 Suppliers have indicated that some meter faults that cause a customer to lose their supply can be resolved remotely or by instructing customers on how to restore supply via the meter. We therefore expect that all suppliers being available 24/7 would result in some customers having their supply restored much faster than they

otherwise would, ie having to wait until their supplier is available, something which could be many hours or days[13] away.

4.2 Even if supply is not able to be restored remotely or through instructing the customer on what to try, we expect that all suppliers being available 24/7 would allow at least some customers to have an engineer/metering appointment (and have their supply restored) at an earlier time[14] through the supplier being made aware of the customer's issue earlier than they would otherwise. Currently if a customer is off-supply due to a meter fault and an engineer/metering appointment is required to resolve the issue but their supplier is unavailable, the customer would need to wait until their supplier is available before the issue can be raised and an appointment booked.

4.3 To monetise the benefit associated with faster restoration of supply, we have estimated the number of off-supply meter faults per year, separately by fuel, for suppliers who state that they do not already meet the requirements of the licence condition, ie they do not currently offer a 24/7 enquiry service. The analysis used data received through RFIs issued to domestic suppliers, DNOs and GDNs in June 2024. Full details of these calculations are provided in Section 5.

4.4 As it has not been possible to reliably estimate an expected average reduction in the time off-supply (for each off-supply fault), we have provided estimates for a range that we assess as being feasible but should be treated as illustrative. Although an average is presented here, it should be noted that we expect some customers to have a much larger reduction in their time off-supply (eg a day or more) and others to have very little or none.

4.5 In order to monetise the benefit to consumers from reducing time off-supply, we apply an estimate of the value domestic customers (on average) associate with avoiding being off-supply of either gas or electricity. This is known as the Value of Lost Load (VoLL). For gas, this VoLL is £2.92 per hour and is based on the current payment that domestic customers are entitled to for a 24 hour unplanned gas supply interruption that is caused by a fault on the network.[15] For electricity, this VoLL is £4.30-8.15 per hour and is ultimately based on a study commissioned by Ofgem and the (former) Department of Energy and Climate Change.[16] Full details of this methodology and the calculations are provided in Section 5.

[13] For example, over consecutive weekend days and bank holidays.
[14] We do not assume any change in the hours that engineer/metering appointments are available.
[15] Compensation for energy supply issues | Ofgem
[16] london-economics-value-of-lost-load-for-electricity-in-gb_0.pdf (ofgem.gov.uk)

4.6 We do not know with confidence what impact a 24/7 enquiry service will have on average customer restoration times and so we present monetised benefits for a feasible range of average reduction times: between 1 and 7 hours. We estimate that the total monetised benefit from faster restoration of supply per year could range between £0.10m and £1.08m depending on the average reduction in time off-supply. These figures are shown in Table 1.

Table 1: Estimated monetised benefit from faster restoration of supply, per year (£m), for different average reductions in time off-supply

	1 hour	3 hours	5 hours	7 hours
Electricity	£0.06-0.11	£0.18-0.33	£0.29-0.55	£0.41-0.77
Gas	£0.04	£0.13	£0.22	£0.31
Total	**£0.10-0.15**	**£0.31-0.46**	**£0.51-0.77**	**£0.72-1.08**

Non-monetised benefits

4.7 Faster restoration of supply or simply providing assistance, guidance and advice to customers who are off-supply is expected to reduce the risk of harm through injury and fatality.[17] For example, confirmation of when an engineer is able to attend and how long they are likely to be off-supply is something which would allow customers to make a more informed choice about whether they should seek help/support from others such as friends, family, neighbours, or, in extreme cases, the emergency services (eg if they are medically dependent on electricity). Another example would be practical advice on how to keep warm and/or how to access food or medication. As noted in Section 2, network operators have indicated[18] that they receive several enquiries from customers who are off-supply due to meter faults and have been taking action to address these issues outside of their own regulatory requirements (eg visiting properties to reset meters and/or provide a temporary meter bypasses). They did however indicate that such actions are not routine and are usually only undertaken in cases of vulnerability or hardship (eg being medically dependant on electricity and/or there is a risk to life), thus

[17] However, due to limited information on current rates or likelihood of such harms associated with being off-supply, we are unable to provide reliable estimates for how many cases of harm may be prevented or associated monetised values.
[18] Namely, in their responses to the Consumer Standards statutory consultation (Consumer Standards - Statutory Consultation | Ofgem), responses to the REC0053 Code Modification shared with us, and responses to requests for information (RFIs) issued to distribution network operators (DNOs) and gas distribution networks (GDNs) in June 2024.

indicating that some customers are at a particular risk of harm from meter faults that cause them to lose their supply. We have not attempted to quantify this risk given the limited information available.

4.8 We expect that some of the benefits of reduced risk of harm (from losing supply) have already been included in the monetised benefits through the estimation of VoLL as this should incorporate, to some extent, consumers' expectations of the consequences of losing supply, including the risk and impact of harms such as those outlined above. However, we consider that the VoLL estimates may not fully capture these benefits as consumers may not fully account for low probability but high impact events,[19] such as those that that could put consumers at a particular risk of harm (eg losing the ability to heat your home at a time of particularly cold weather and alternative sources of heating are not easily available).

4.9 The above examples highlight how the risk of harm from being off-supply (and therefore the benefit from the policy) is likely highest for those who are vulnerable. All suppliers being available 24/7 would also allow better prioritisation of support and/or appointment booking (or other actions) for customers who are vulnerable and/or at greater risk of harm from being off-supply.[20] We asses that this would provide enhanced protections for those in vulnerable circumstances, in line with our Consumer Interest Framework[21] and provide particular protections in relation to the following characteristics: age, disability and pregnancy and maternity.

4.10 The risk of injury and fatality is also expected to be reduced through lower call waiting times for emergency calls to network operators, namely the National Gas Emergency Service for suspected gas leaks and carbon monoxide emergencies and DNOs via the emergency 105 number for electrical emergencies. In addition, as such emergencies can pose a threat to property, we also expect that the risk of damage to property to be reduced for the same reason. Network operators report that many customers call the emergency network numbers when suppliers are unavailable for meter fault enquires and this can cause extended waiting times for genuine emergencies. Therefore, if the number of such calls is reduced, then we expect that the call waiting times for genuine emergencies (and the delay experienced before advice can be given and/or actions taken) would fall and, as a

[19] For example, due to cognitive biases such as availability bias and hyperbolic discounting.
[20] Through suppliers being made aware of each customer's issue and their circumstances at the earliest opportunity.
[21] Multiyear Strategy sets out Ofgem's vision for delivering clean, affordable and secure energy system | Ofgem

result, we expect the risk of harms (injury, fatality and damage to property) to be reduced, or alternatively for the cost of providing emergency numbers to fall.

4.11 We recognise that many customers will not be able to identify if they are off-supply due to a meter fault or due to a network issue, however, even if the volume of enquiries to network operators in relation to meter faults does not fall significantly, we still expect call waiting times to the emergency numbers to reduce (and some harms may be prevented as a result). This being the case as at least some network operators, once they have determined that the issue appears to be supplier related (which would include meter faults), typically try to assist the customer in getting in contact with their supplier and provide additional assistance/advice if the supplier is unavailable. Therefore, if all suppliers are available 24/7, we would expect the duration of calls to network operators to reduce as all customers should be able to be redirected to their supplier for any issues that are suspected to be meter related, rather than the call duration being extended due to supplier unavailability.

4.12 If there is a reduction in off-supply meter fault enquires to network operators and/or the average duration of such calls is reduced, then there would also be a benefit to customers through less time spent on such enquires (eg the duration of a call, including any waiting time) before enquiring with their supplier who is able to provide the necessary support.

4.13 For suppliers that do not already offer a 24/7 service, we expect that if they did offer such a service, then they would receive fewer enquiries during the hours that they are currently available as some enquiries would instead be received at different times. This may improve waiting times during the hours that suppliers are currently available (directly benefiting consumers) and/or allow suppliers to make cost savings during current available hours (indirectly benefitting consumers if bills are reduced), something we have not attempted to quantify.

4.14 We expect that the policy will help to improve consumers' experience of the market more generally. This could in turn improve the reputation of the suppliers and the market in general (and/or trust in suppliers/the market), thereby encouraging consumers to engage with it more, which could benefit competition. For example, encouraging consumers to explore alternative tariffs (either with their current or other suppliers) which may be cheaper or more appropriate for them. Wider competition impacts are discussed in more detail in Section 6.

Monetised and non-monetised costs

Monetised costs

4.15 To collect information on suppliers' estimated costs of implementing the minimum requirements of Supplier SLC 31G.3A(c) (and estimated historical one-off costs for those that already meet the requirements, along with current ongoing costs), we issued a Request for Information (RFI) to all domestic suppliers in June 2024. The submissions to this RFI and one supplier's response to the Statutory Consultation where they provided revised cost estimates have been used to estimate monetised costs. Further details of how these estimates have been calculated are provided in Section 5 and Appendix 1.

4.16 We estimate that the total annual additional ongoing costs of activating Supplier SLC 31G.3A(c) range between £6.49m and £9.21m per year (£0.20 to £0.29 per customer[22] per year). We estimate one-off costs would range between £1.05m and £1.50m (£0.03 to £0.05 per customer). These costs are shown (in bold) in Table 2 (ongoing costs) and Table 3 (one-off costs).

4.17 The estimates above assume that no additional costs are incurred by suppliers who state that they already meet the requirements of the licence condition. For reference, we estimate that the total annual ongoing costs (associated with meeting the requirements of the licence condition) faced by suppliers who already meet the requirements of the licence condition (ie the status quo) range between £6.70m and £8.76m per year (£0.21 to £0.27 per customer per year). We estimate that historical one-off costs (associated with meeting the requirements of the licence condition) faced by suppliers who state that they already meet the requirements of the licence condition range between £0.38m and £0.90m (£0.01 to £0.03 per customer). For comparison, these costs are also shown in Tables 2 and 3, along with the total of these costs and the additional costs associated with the policy as stated above (ie adding together the estimates for the costs associated with the suppliers who state that they already meet the requirements of the licence condition and the estimated costs of the policy; the costs associated with the suppliers who state that they do not already meet the requirements of the licence

[22] Customers being all customers across the whole market, not just those served by suppliers that state that they do or do not already meet the requirements of the licence condition. This is the case for all the following per customer values reported in this section. Per customer values that are calculated as being across only the customers served by the relevant suppliers (ie suppliers that state that they already meet the requirements or those that state that they do not) are also reported in Tables 2 and 3.

condition). This shows that, as might be expected,[23] to increase the service from most customers to all is relatively high (compared to the costs that have been faced and are currently being faced to offer the service to most customers). However, costs per customer remain modest and we consider that the cost of the policy is not likely to result in a large burden to the market. This is discussed further in Section 6.

Table 2: Total and per customer ongoing costs per year to the market

	Lower range of total ongoing costs (£ million per year) (£ per customer – relevant suppliers)[24]	**Upper range of total ongoing costs (£ million per year) (£ per customer – relevant suppliers)[25]**	**Lower range of total ongoing costs (£ per customer per year – whole market)**	**Upper range of total ongoing costs (£ per customer per year – whole market)**
Costs currently faced by suppliers who already meet the requirements of Supplier SLC 31G.3A(c)	£6.70 (£0.32)	£8.76 (£0.42)	£0.21	£0.27
Additional costs associated with activating supplier SLC 31G.3A(c): Open 24/7 for customers that are experiencing an interruption in supply caused by meter issues[26]	**£6.49 (£0.58)**	**£9.21 (£0.82)**	**£0.20**	**£0.29**
Total costs (existing plus additional)[27]	£13.18	£17.97	£0.41	£0.56

[23] It could be the case that it is the suppliers who face lower costs of implementing the service who have already implemented them, and so we may expect the cost of expanding the service across the market to be higher than for first-movers, ie those suppliers who state that they are already meet the requirements.
[24] These are per customer values that are calculated as being across only the customers served by the relevant suppliers (ie suppliers that state that they already meet the requirements or those that state that they do not).
[25] Ibid.
[26] Costs are only included for suppliers that do not already meet the requirements of Supplier SLC 31G.3A(c).
[27] As all values have been rounded following any calculations, some totals may not appear to be consistent with the values being added together due to this rounding. This is the case throughout the document (eg monetary units are given to two decimal places and values for the estimated number of enquiries are given to the nearest whole number).

Table 3: Total and per customer one-off costs to the market

	Lower range of total one-off costs (£ million) (£ per customer – relevant suppliers)[28]	Upper range of total one-off costs (£ million) (£ per customer – relevant suppliers)[29]	Lower range of total one-off costs per customer (£ per customer – whole market)	Upper range of total one-off costs per customer (£ per customer – whole market)
Historical costs faced by suppliers who already meet the requirements of Supplier SLC 31G.3A(c)	£0.38 (£0.02)	£0.90 (£0.04)	£0.01	£0.03
Additional costs associated with activating supplier SLC 31G.3A(c): Open 24/7 for customers that are experiencing an interruption in supply caused by meter issues[30]	**£1.05 (£0.09)**	**£1.50 (£0.13)**	**£0.03**	**£0.05**
Total costs (existing plus additional)	£1.42	£2.40	£0.04	£0.08

Non-monetised costs

4.18 There is a risk that suppliers stretch available resources (eg call centre staff) to accommodate an increase in contact centre hours for off-supply meter faults. This could result in adverse customer outcomes such as more limited customer service opening hours (for other enquiries), longer call wait times and decreased quality of customer service. However, we consider that existing licence obligations mitigate this risk. For example, suppliers are required to ensure that customer service arrangements and processes are complete, thorough, and fit for purpose (SLC 0), and, that their enquiry service be available to receive enquiries and offer assistance, guidance, or advice at times that meet the needs of Domestic

[28] These are per customer values that are calculated as being across only the customers served by the relevant suppliers (ie suppliers that state that they already meet the requirements or those that state that they do not).
[29] Ibid.
[30] Costs are only included for suppliers that state that they do not already meet the requirements of Supplier SLC 31G.3A(c).

Customers, including those of Domestic Customers in Vulnerable Situations (SLC 31G.3A).

Summary of overall benefits and costs

4.19 Overall, the monetised costs and benefits[31] of activating the licence condition are estimated to result in a net monetised benefit to the GB consumer of between £-9.11m and £-5.40m per year, or between £-0.29 and £-0.17 per customer per year respectively (based on June 2024 prices).[32]

4.20 However, as outlined above, there are non-monetised benefits that could accrue to customers, including vulnerable customers. The main non-monetised benefits are associated with an expected reduction in the risk of injury, fatality and damage to property. This would occur through faster restoration of supply or simply providing assistance, guidance and advice to customers who are off-supply[33] and expected lower call waiting times for emergency calls to network operators (ie calls related to suspected gas leaks, carbon monoxide emergencies and electrical emergencies). These are low probability, high impact events and as such may not be incorporated in consumers' valuations of lost load.

4.21 Thus, although we are not able to monetise some of these benefits, we expect the non-monetised benefits of the policy to customers would be additive to the monetised benefits values we have quantified above. Furthermore, we consider that overall, for the non-monetised costs, suppliers are already required to mitigate the risks we outline above through existing licence requirements. Therefore, we consider that the costs are proportionate to the benefits that customers may receive, and we consider the policy to be in line with our duties as a regulator.

[31] Note the illustrative nature of the monetised benefits calculations.
[32] Each net monetised benefit calculation uses the monetised benefits minus the monetised costs. The lower estimate uses the lower benefit and the upper cost estimates. The upper estimate uses the upper benefit and the lower cost estimates.
[33] As noted above, we consider that the VoLL estimates may not fully capture the benefits of reduced risk of harm from losing supply, see Paragraph 4.8 for more discussion on this.

5. Key assumptions underpinning analysis

Section summary

This section outlines the assumptions we have used and risks we have identified in presenting the costs and benefits information in this impact assessment.

5.1 Our analysis (for both costs and benefits) is conditional on which suppliers stated[34] that they consider themselves to already meet with the requirements of the licence conditional and which do not. As a result, if the policy is implemented, there is a risk that this supplier classification is not accurate, either through the original RFI responses not reflecting the requirements of the implemented policy or suppliers changing their customer service offering since the data was provided. If this were to be the case, then this may result in the analysis being less accurate than it otherwise would be. We however consider that, in the absence of newer/additional information, the approach taken in this analysis is appropriate and proportionate as it makes use of the best information available at the time.

Assumptions underlying cost information provided to us

5.2 The approach we have taken to model the costs are as follows. Firstly, we took the cost data and information provided to us by domestic suppliers through an RFI issued in June 2024 and in response to the Statutory Consultation, ensuring correct splitting of one-off costs and ongoing costs. Where further information was required, we contacted suppliers to provide us with further context on how their costs have been derived. This costs data is then used to create our lower and upper range of costs, as detailed in the sections below.

5.3 We did not include any costs that we assessed as not being applicable to the policy. Namely, any supplier provided costs that directly related to actions to restore supply, eg engineer/metering visits, were excluded as these actions are not a requirement of this specific licence condition and would likely be incurred anyway in the counterfactual, but just at a later date.

5.4 For the very limited number of suppliers that provided a range for cost information, the mid-point of the range provided was used for the subsequent analysis.

[34] In their responses to the RFI issued in June 2024.

5.5 We assume that the cost information provided to us is accurate, includes all relevant costs and presents the most efficient (ie lowest cost) solution to meeting the requirements of the licence condition. We do however note that there is a large range of cost estimates from across the different suppliers (both in terms of total costs and on a per meter or customer basis). We have tried to account for any underlying uncertainty in the cost estimates by calculating lower and upper ranges, as described in detail below.

5.6 In addition, it is feasible that innovation will, over time, allow more efficient solutions to be developed, reducing (ongoing) costs through, for example, greater use of Interactive Voice Response systems or such systems becoming cheaper to use. Due to the level of uncertainty associated with this, we have not assumed anything about such a possible reduction in costs. If such cost reductions were to occur, then our cost estimates provided may be overestimated.

Calculation of lower and upper ranges of total costs to the market

5.7 This section outlines the approach we have taken to calculate the range of costs we outline in the impact assessment. Appendix 1 provides further details, including Table A1 which provides a summary of the different calculations.

5.8 For the costs associated with activating the licence condition, we assume that no additional costs are incurred by suppliers who state that they already meet the requirements of the licence condition, ie costs are only incurred by those suppliers that state that they do not already meet the requirements of the licence condition.

5.9 For most costs per customer and costs per customer per year, the relevant total costs (as outlined below) are divided by an estimate of the number of customers in GB across all suppliers,[35] ie even if the costs relate to only a particular subset of suppliers, an average cost across all customers is presented for ease of comparison of average impacts across the entire market. For completeness, Tables 2 and 3 also report per customer values that are calculated as being across only the customers served by the relevant suppliers (ie suppliers that state that they already meet the requirements or those that state that they do not).

Lower range of total costs

[35] Using data from June 2024 on the number of households served by each supplier (where available) from a monthly RFI that is issued to suppliers.

5.10 For the costs associated with activating the licence condition, we make use of cost information from all suppliers that were able to supply cost data to estimate the total costs for the suppliers that state that they do not already meet the requirements of the licence condition (including those that were not able to supply cost data).

5.11 For costs faced by those that state that they already meet the requirements of the licence condition (not directly relevant for assessing the impact of the policy but provided for comparison purposes), we use the sum of the relevant costs for these suppliers (ie a cost of £0 is assumed for those that were not able to provide cost data).

Upper range of total costs

5.12 For the costs associated with activating the licence condition, we make use of cost information from only those suppliers that state that they do not already meet the requirements of the licence condition (and were able to supply cost data) to estimate the total costs for the suppliers that state that they do not already meet the requirements of the licence condition (including those that were not able to supply cost data).

5.13 For costs faced by those that state that they already meet the requirements of the licence condition (not directly relevant for assessing the impact of the policy but provided for comparison purposes), we make use of cost information from only those suppliers that state that they do already meet the requirements of the licence condition (and were able to supply cost data) to estimate the total costs for the suppliers that state that they do already meet the requirements of the licence condition (including those that were not able to supply cost data).

Monetising the policy benefits

5.14 The approach we have then taken to model the benefits associated with some customers being off-supply for a shorter period of time is as follows. Firstly, we estimated the number of cases (per year) where a customer is off-supply due to a meter fault and expected to be impacted by the policy[36] using enquiry information provided to us by domestic suppliers, DNOs and GDNs through RFIs issued in June 2024. Where further information was required, we contacted suppliers/DNOs/GDNs

[36] We account for some suppliers stating that they already meet the requirements of the licence condition by assuming that there are no benefits in relation to customers served by these suppliers.

to provide us with further context on how their enquiry numbers were calculated. The number of off-supply meter faults for electricity and gas (separately) were then estimated as shares of the total based on the proportion of network enquiries received by DNOs and GDNs respectively. Estimates for the value domestic customers (on average) associate with being on-supply for electricity or gas, per hour, were then applied to the estimated number of electricity and gas off-supply meter faults for electricity and gas, for a range of average reduction in the time off-supply figures. The full methodology is described below and Appendix 1 outlines the formulas used in the calculations.

5.15 To estimate the number of cases where a customer is off-supply due to a meter fault we used the total number of enquiries that domestic suppliers, DNOs and GDNs received (across all enquiry methods and, in the case of suppliers, irrespective of whether they were available to respond to the enquiry that had been received) between 20:00 and 8:00 (the next day), on any day of the week, in relation to an interruption in the supply of electricity or gas caused by a meter fault. The total figure for June 2023 to May 2024 inclusive (ie over one year) was used.

5.16 We note that suppliers are often unavailable outside of 20:00 to 8:00[37] but this time window was used as, based on our analysis, this corresponds to the times that most suppliers are unavailable and also corresponds to the definition of working day "working hours" currently used by the Guaranteed Standards of Performance (GSOP) for suppliers.[38]

5.17 In addition, some suppliers/DNOs/GDNs note that the enquiry numbers provided are estimates based on the best available data (which may have required making assumptions) and may not correspond exactly to the enquiry classification requested (ie enquiries in relation to the interruption in the supply of electricity or gas caused by a meter fault), we have however assessed the suitability of the data from each supplier/DNO/GDN and determined that the data is suitable for use in the analysis. Specifically, data from calls to GDNs via the National Gas Emergency Service number refer to all "supplier related" calls but we have determined that this is suitable to use as we believe that it is reasonable to assume that most customers would only call this emergency number when they are off-supply (and

[37] For example, network operators have indicated and shared enquiry data with us to suggest that outside of this time window, they receive many enquiries from customers who are off-supply due to a meter fault but are unable to contact their supplier, namely all day over weekends/bank holidays and in the afternoon/evening before 20:00.
[38] The Electricity and Gas (Standards of Performance) (Suppliers) Regulations 2015 (legislation.gov.uk)

not for other reasons such as billing) and that the majority of "supplier related" off-supply incidents would be meter faults.

5.18 We assume that each relevant enquiry (as detailed above) corresponds to one off-supply meter fault and the total number of enquiries across suppliers, DNOs and GDNs is suitable as a proxy for the total number of such faults. We note that it is likely that some customers who have an off-supply meter fault do not attempt to make any contact with their supplier until they believe that the supplier is available (which may be a mistaken belief) and do not attempt to contact the network operator instead. We have however not attempted to correct for such cases given the limited information available. We also note that some customers may contact a network operator and then contact their supplier, or vice versa, and may therefore be counted more than once. Again, we have not attempted to correct for such cases given the limited information available.

5.19 In some cases, suppliers/DNOs/GDNs were not able to provide such data across all calendar months. Where data was not available for some months, we used the average from the months with available data (for that Supplier/DNO/GDN) to estimate a total for the year (ie the average from the months with available data multiplied by 12).

5.20 As some suppliers were unable to provide any data, to account for this, for those suppliers with data for the total number of enquiries in the year (either directly or estimated as detailed above when some, but not all, data was missing), a weighted average number of enquiries per meter was calculated, weighted using the number of domestic electricity/gas meters served by each supplier.[39] This weighted average was then applied to the total number of meters across all the suppliers[40] to give an estimated number of enquiries across the entire market.

5.21 Applying the above methodology results in a total estimated number of enquiries between 20:00 and 8:00 (per year) of 83,204 (53,232 from suppliers and 29,973 from DNOs/GDNs).[41]

5.22 As we assume that activating the licence condition would only provide benefits to customers served by suppliers who state that they do not already meet the requirements of the licence condition, an estimated number of enquiries/faults (as detailed above) is calculated for these suppliers by multiplying the total previously

[39] Calculated using electricity and gas domestic meter point data from May 2024, sourced from Xoserve (gas) and DNOs/IDNOs (electricity).
[40] Ibid.
[41] Each number presented here is rounded to the nearest whole number, this being why the supplier and DNO/GDN figures do not exactly sum to the total shown.

calculated by the proportion of electricity/gas meters served by these suppliers.[42] This estimate is then split into separate estimates for electricity and gas using the proportion of enquiries received by DNOs (for electricity) and GDNs (for gas) as a proportion of the total for DNOs and GDNs together. The allocation was done using only data from network operators as the data from suppliers is not broken down by fuel type (electricity/gas). This results in estimates of 13,574 for electricity and 15,137 for gas (for enquiries between 20:00 and 8:00 per year).

5.23 In relation to the methodology and assumptions given above, if the true number of relevant faults is higher than is used in the analysis here, then the benefits may be underestimated. Similarly, if the true number is lower than is used in the analysis here, then the benefits may be overestimated, we do however assess this as being relatively unlikely.

5.24 The value associated with each hour of being off-supply for electricity (and therefore the value of supply being restored faster and being off-supply for one hour less) is estimated by using a value of lost load (VoLL) of £10.289[43] per kWh (10,289 per MWh) or £21 per kWh[44] (£21,000 per MWh). These two different VoLL values are used to provide a range that reflects the range for domestic consumer VoLL found in the literature.[45] As these VoLL values are for 2013 and 2018/19 prices respectively, they have been uplifted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)[46] to give a VoLL of £13.96 or £26.47 per kWh. To convert these VoLL values per kWh into ones that are per hour, the current "medium" Typical Domestic Consumption Value (TDCV) of 2,700

[42] Calculated using electricity and gas domestic meter point data from May 2024, sourced from Xoserve (gas) and DNOs/IDNOs (electricity).
[43] This value comes from a 2013 study by London Economics (london-economics-value-of-lost-load-for-electricity-in-gb_0.pdf (ofgem.gov.uk), specifically, the peak winter workday VoLL for domestic users that they concluded.
[44] This value is ultimately also based on the 2013 study by London Economics (london-economics-value-of-lost-load-for-electricity-in-gb_0.pdf (ofgem.gov.uk)) but the most recent value (£21,000 per MWh) from the RIIO-2 Final Determinations has been used (see the Electricity Transmission (ET) System Annex: RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem). Further discussion of this VoLL value and the justification for basing it on the 2013 study can be found in the RIIO-2 draft determinations: RIIO-2 Draft Determinations - Electricity Transmission Annex (ofgem.gov.uk).
[45] Although the higher VoLL (as used by RIIO-2) is based on a weighted average across domestic and SME customers (not just domestic), other literature finds domestic VoLLs that are within this range. For example, a 2018 study by ACER found a domestic VoLL of €15.90/kWh (in 2015 Euros) (CEPA study on the Value of Lost Load in the electricity supply.pdf) and study by ENWL published in 2018 found a domestic VoLL of £17.50/kWh (https://www.enwl.co.uk/globalassets/innovation/enwl010-voll/voll-general-docs/voll-phase-3-report.pdf).
[46] Calculated using the CPIH index in July 2013 (the date the London Economics study was published), April 2018 and June 2024 (the month the RFIs for cost and enquiry information were issued). CPIH index from ONS data: CPIH INDEX 00: ALL ITEMS 2015=100 - Office for National Statistics (ons.gov.uk).

kWh per year[47] is used in combination with the number of hours per year (8766, assuming an average number of days per year of 365.25, accounting for leap years), this gives a VoLL of £4.30 or £8.15 per hour. This calculation effectively uses average hourly electricity usage over the year. We have assessed this as a suitable approximation given the limited information about when off-supply meter faults occur (during periods that suppliers are currently unavailable) and how long customers are currently off-supply.

5.25 The value associated with each hour of being off-supply for gas (and therefore the value of supply being restored faster and being off-supply for one hour less) is estimated by using the current payment level of £70 that domestic customers are entitled to (through Guaranteed Standards of Performance (GSOP)) for a 24 hour unplanned gas supply interruption that is caused by a fault on the network.[48] This is divided by 24 to give an estimated gas VoLL of £2.92 per hour.[49]

5.26 The total estimated benefits are calculated by multiplying the estimated number of relevant off-supply meter faults by the relevant VoLL per hour and an assumed average reduction in the time off-supply in hours (for each off-supply fault).

5.27 The average reduction in hours off-supply uses a range from 1 hour to 7 hours, a range that we assess as being feasible but should be treated as illustrative given the absence of information available to estimate such an average. For example, if a supplier is currently unavailable between 20:00 and 8:00 and a fault occurs in the middle of this time period, ie 2:00, then it would be a further 6 hours until 8:00 and the customer is first able to make the supplier aware of the fault. Therefore, in such a situation, a reduction in time off-supply of around 6 hours is feasible for a fault that can be resolved remotely or through instructing the customer on what to do (as suppliers have indicated is the case for some off-supply meter faults).

5.28 Although an average reduction in hours off-supply is used, it should be noted that we expect some customers to have a much larger reduction in their time off-supply (eg a day or more, as noted in Section 4) and others to have very little or none.

[47] Average gas and electricity usage | Ofgem
[48] Compensation for energy supply issues | Ofgem
[49] We note and are aware of literature that estimates the domestic consumer VoLL for gas (such as london-economics,-estimating-value-of-lost-load---final-report-to-ofgem.pdf), however, given that these VoLL estimates are highly dependent on several factors (such as the time of year, the length of the interruption in supply and interruption frequency), we have decided to base the VoLL estimate on the current GSOP payment level.

6. Wider impacts

Section summary

This section outlines our views on competition impacts, and administrative, strategic and sustainability issues. It also contains our statement on the Public Sector Equality Duty.

Competition impacts

Positive impacts

6.1 We expect that the policy will help to improve consumers' experience in the market, resulting in better outcomes for consumers. This will, in turn, improve the reputation of the suppliers and the market overall, increasing trust in suppliers/the market and encouraging greater consumer engagement. Increased customer engagement could ultimately have a positive impact on competition. However, the overall effect may be limited due to the relatively small proportion of customers that we expect to use of a 24/7 enquiry service.

Negative impacts

6.2 While we expect the policy to improve the level of service offered by all suppliers, the policy may impact – to a degree - the ability of suppliers to differentiate themselves in terms of customer service, which could ultimately reduce customer switching. However, we expect the impact on suppliers' ability to differentiate themselves through 24/7 enquiries to be limited. Firstly, as mentioned above, we expect only a limited proportion of customers to require using a 24/7 enquiry service. Secondly, suppliers will still be able to differentiate based on the quality of the 24/7 enquiry service provided (eg the speed of responding to customer enquiries and the quality of suppliers' responses to these queries). Thirdly, customer service is not the main driver of customer switching.[50] In our January/February 2024 survey, 49% of those energy consumers who said that they had switched or compared supplier or tariffs in the past 6 months, agreed that at least one of the reasons why they switched/compared was to switch to a cheaper tariff (the most common reason given), whereas, 21% agreed that at least one of the reasons was because the supplier offers good customer service, they

[50] Past consumer behaviour may not be indicative of future consumer behaviour.

were having issues with their current supplier or tariff, or, their current supplier's customer service was poor so they wanted to move to a new one.[51]

6.3 Supplier responses to the Consumer Standards statutory consultation[52] mention that increased investment in customer service, and the regulatory burden of complying with these policies, may divert some funds away from innovation, and may have a negative impact on sector investment. However, we have not seen any evidence to suggest that suppliers who invest more in innovation restrict their spending on customer service as a result (or vice versa), so it is not clear to us that such a trade-off exists. On the contrary, it appears that the level of innovation of those suppliers that state that they already meet the requirements of the licence condition is on a par with, if not higher than, the other suppliers. In addition, any effect is likely to be limited as some suppliers (covering approximately 65% of the market[53]) are already offering the service and, therefore, we do not expect them to divert funds away from innovation.

6.4 There may be a minor negative impact on market entry or resilience of new suppliers who may have issues accessing capital markets to invest, due to the small additional costs these policies may entail. Responses from suppliers to the RFI in June 2024 indicate that, on average, the relative cost of complying with the policy is higher for smaller suppliers. However, we think that any effects will be minimal as the fact that suppliers of varying sizes (including several small suppliers) already comply with the requirements of the licence condition indicates that that these costs are still manageable for smaller suppliers. We also note that the RFI responses demonstrated that cheaper options for small suppliers also exist, such as using an external service provider. Specifically, for the suppliers that provided data[54] (including those that say that they do not already meet the requirements of the licence condition and those that say they do), the median

[51] The figure for those that agreed that at least one of the reasons why they switched/compared was to switch to a cheaper tariff can be found in Table 72 of the Data Tables for Wave 5 of the Consumer impacts of market conditions survey: Consumer impacts of market conditions survey: wave 5 (January to February 2024) | Ofgem. The other figure has been calculated from Ofgem analysis of the responses to the same question (ie it does not appear directly in the Data Tables). Note that the figures here include those who switched tariff but stayed with the same supplier, or, compared tariffs but did not switch, these figures therefore differ from some in the associated report where more information on these particular subgroups can be found (eg in Figures 39 and 40): CIM Wave 5 Final Report (ofgem.gov.uk).

[52] Consumer Standards - Statutory Consultation | Ofgem

[53] Calculated using electricity and gas domestic meter point data from May 2024, sourced from Xoserve (gas) and DNOs/IDNOs (electricity).

[54] This data coming from domestic suppliers in response to the same RFI issued in June 2024 that was used in the analysis in Section 4.

estimated one-off cost per meter[55] of implementing the requirements of the licence condition for small suppliers is £0.53, for medium suppliers it is £0.00 (the majority stated that they estimate no additional one-off costs) and for the large suppliers it is £0.06.[56] The corresponding statistics for median estimated ongoing costs per meter per year are, £4.08 for small suppliers, £0.27 for medium suppliers and £0.32 for large suppliers.

6.5 Regulatory intervention in the market always carries a risk of negatively influencing suppliers' perceptions of the market, both in terms of the impact of the measures being introduced and in terms of the likelihood of future interventions. In this case, however, we think these effects will be minimal. This is because, the new policy reinforces and builds on existing licence obligations, many suppliers already comply (approximately 65% of the domestic market[57]) and the cost of the policy is not likely to result in a large burden to the market.

Ofgem views

6.6 On balance, it is our view that through improving customer service by raising standards across the market, this policy would have a small, and possibly temporary negative impact on competition, primarily due to reduced differentiation which may impact the small, but not insignificant, number of customers who may switch based on service. However, we consider that this negative competition impact is outweighed by the significant benefits to consumers this policy would entail. In addition, we do not expect the policy to impact price competition as we do not consider the expected costs to be at a level that would impact on suppliers' ability to differentiate on price and/or price competitively.

6.7 Above we outline that there may be a negative effect on competition, primarily from the policy options raising standards of customer service across the market, where some suppliers may have previously benefitted from competitive advantages through better service provision, which could result in less switching on the basis of service. However, it is possible this could be a short-term impact before suppliers are able to invest and differentiate their customer service offer above this

[55] Calculated using electricity and gas domestic meter point data from May 2024, sourced from Xoserve (gas) and DNOs/IDNOs (electricity).
[56] These statistics and those for ongoing costs classify suppliers according to our standard definitions (see the definition of domestic supplier groups in the "more information" tab of our market share indicators: Retail market indicators | Ofgem) with the "Large Legacy" and "Other large" groups being combine to make up the "large supplier" group used in this analysis.
[57] Calculated using electricity and gas domestic meter point data from May 2024, sourced from Xoserve (gas) and DNOs/IDNOs (electricity).

higher cross-industry standard. We consider that our principle-based licence condition should allow suppliers space to differentiate themselves.

6.8 Additionally, the diversity of the market may not be affected as new, smaller suppliers may have more flexible processes and systems, which allow faster and simpler changes to their customer facing systems than larger suppliers, even outside of being able to access traditional capital markets. Furthermore, we do not expect an impact on innovation investment in absence of any evidence showing these policies would have a material impact on such investment.

Administrative burden, and strategic and sustainability issues

Administrative burden

6.9 We consider that the total one-off costs of between £1.05m to £1.50m represent the monetary value attached to administrative changes, such as systems changes to accommodate the policy option for those suppliers who state that they do not currently meet the requirements of the licence condition. For example, some suppliers have indicated that they would need to make systems changes to be able to be available 24/7 or would need to make changes to Interactive Voice Response systems to better prioritise/triage customers that are off-supply. As these costs are relatively small, we do not envisage these to result in a significant burden to suppliers.

Strategic issues

6.10 In our multiyear strategy,[58] we outline that a key objective for Ofgem as a regulator is to ensure that all consumers receive a high quality of service. Further, our role and responsibilities include that we should protect the interests of energy consumers, especially vulnerable consumers.[59] In addition, we have recently consulted on Refreshing our Consumer Vulnerability Strategy and this policy would contribute to "Theme 3: Driving significant improvements in customer service" with the outcome "Vulnerable customers should be provided with tailored

[58] Multiyear Strategy sets out Ofgem's vision for delivering clean, affordable and secure energy system | Ofgem

[59] We have a statutory duty to consider the needs of people with disabilities, who are chronically sick, of pensionable age, on low income or living in rural areas. Statute also allows us to consider the specific needs of other groups of consumers. (See section 3A (3) Electricity Act 1989 and section 4AA (3) Gas Act 1986.)

communications that are easy to understand, are able to engage with their energy company with ease and do not face exclusion based on their circumstances."[60]

6.11 Under our Consumer Interest Framework,[61] our reforms are aimed at improving "Quality and Standards", by ensuring that energy suppliers are accessible, transparent, and responsive to their customers' needs. In addition, consumers should be protected from harm, with enhanced protections for those in vulnerable circumstances.

6.12 We consider that the policy we outline above has been designed to protect consumers, especially those in vulnerable circumstances. For example, through suppliers being available 24/7 for those that are off-supply due to a meter fault, we expect that consumers, and particularly those who are vulnerable, will be better protected from harms that could arise from being off-supply. The principle-based nature of these policies ensures that the way they comply with the policies are tailored to their own customers' needs. Further, these policies will ensure fairness for all customers by ensuring that there are improvements in standards of customer service across the domestic retail energy market.

Sustainability issues

6.13 We consider that these policies do not have a direct impact on our Net Zero commitments, as they cover improvements in domestic retail market customer service standards. However, the policy may result in some indirect enabling mechanisms. For example, making it easier for customers to contact their suppliers (ie 24/7 when off-supply due to a meter fault) may allow for further, more regular engagement between suppliers and customers. This improved communication and relationship may allow suppliers to provide better information to their customers on product and service offerings that would facilitate progress towards Net Zero.

Risks

6.14 There are some risks we have identified that could arise from implementation of the policy option. These can be found below.

6.15 Smaller suppliers who responded to the Consumer Standards statutory consultation[62] have indicated to us that the economies of scale of larger suppliers means that they would be better able to implement the policies discussed in that

[60] Refreshing our Consumer Vulnerability Strategy | Ofgem
[61] Multiyear Strategy sets out Ofgem's vision for delivering clean, affordable and secure energy system | Ofgem
[62] Consumer Standards - Statutory Consultation | Ofgem

statutory consultation (such as extended contact hours), for example by being more easily able to outsource contact centre operations, a risk that is also relevant for the policy discussed here. In addition, we have analysed the supplier responses to the cost questions in the RFI by supplier size (see the above section on competition) and there is some quantitative evidence to support costs disproportionately impacting smaller suppliers although these costs remain relatively small. However, it is our overall view that the economies of scale that large suppliers may benefit from are balanced out by the ability of smaller suppliers to more rapidly implement any changes to their operational capacity and systems, particularly as they have a smaller number of customers to serve. Also, as the overall total one-off and ongoing costs to the market do not represent significant costs to the market, we do not envisage that this would have a consequential impact on smaller suppliers' ability to operate in the market.

Public sector equality duty

6.16 Ofgem has a legal duty under section 149 of the Equality Act 2010 to consider the impact of our policies on protected groups under the Public Sector Equality Duty (PSED). The main objective of the PSED is to:

- eliminate discrimination, harassment, victimisation and any other and any other conduct that is prohibited by or under this Act.
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

6.17 Our assessment is that the main objective of these policies overlaps with the PSED for the following portrayed characteristics: age, disability and pregnancy and maternity.

6.18 Our assessment above identifies the impacts of our policies for these groups and thus, it covers a requirement to complete an Equalities Impact Assessment. As we explain in our costs and benefits assessment for the policies above, there are benefits which may accrue to those in these protected groups.

6.19 For example, the risk of harm from being off-supply (and therefore the benefit from the policy) is likely highest for those who are vulnerable. Being available 24/7 for customers who are off-supply due to a meter fault would also benefit those in these groups through the policy ensuring that suppliers are providing for equality

of opportunity between customers in these groups and those who are not in these groups.

6.20 For other protected characteristics such as gender reassignment, race, religion or belief, sex, sexual orientation and marriage and civil partnerships, we have not identified any potential for discrimination or adverse impacts from these policies. Furthermore, due to the transient nature of vulnerability, some of these groups may also benefit from these policies at different stages.

6.21 See the relevant sections for our assessments of the benefits to the protected groups we have identified above.

Appendix 1: Further details of calculations used in the analysis

Calculation of lower and upper ranges of total costs to the market

1.1. Table A1 below provides a summary of the different calculations (further details can be found in the following paragraphs) and outlines the formulas used in the calculations using the following definitions:

m_i = number of domestic meters (electricity and gas) in May 2024 served by supplier i who states that they already meet the requirements of the licence condition and were able to provide the relevant cost data.

m_j = number of domestic meters (electricity and gas) in May 2024 served by supplier j who states that they already meet the requirements of the licence condition (those that were able to provide the relevant cost data and those that were not).

m_k = number of domestic meters (electricity and gas) in May 2024 served by supplier k who was able to provide the relevant cost data (those who state that they already meet the requirements of the licence condition and those that state that they do not).

m_l = number of domestic meters (electricity and gas) in May 2024 served by supplier l who states that they do not already meet the requirements of the licence condition (those that were able to provide the relevant cost data and those that were not).

m_m = number of domestic meters (electricity and gas) in May 2024 served by supplier m who states that they do not already meet the requirements of the licence condition and were able to provide the relevant cost data.

c_i = cost (ongoing or one-off) for supplier i who states that they already meet the requirements of the licence condition and were able to provide the relevant cost data.

c_k = cost (ongoing or one-off) for supplier k who was able to provide the relevant cost data (those who state that they already meet the requirements of the licence condition and those that state that they do not).

c_m = cost (ongoing or one-off) for supplier m who states that they do not already meet the requirements of the licence condition and were able to provide the relevant cost data.

Table A1: Summary of the calculations of lower and upper ranges of total costs (with additional formulaic description)

	Lower range of total ongoing and one-off costs	Upper range of total ongoing and one-off costs
Costs faced by suppliers who already meet the requirements of Supplier SLC 31G.3A(c)	$\sum c_i$ The sum of the costs for the suppliers who state that they already meet the requirements of the licence condition and were able to provide data (ie a cost of £0 is assumed for those that were not able to provide data).	$\sum m_j \frac{\sum c_i m_i}{\sum m_i}$ Apply the weighted average of cost per meter from the suppliers that state that they already meet the requirements of the licence condition and were able to provide cost data to the total number of meters served by such suppliers.
Activating Supplier SLC 31G.3A(c): Open 24/7 for customers that are experiencing an interruption in supply caused by meter issues	$\sum m_l \frac{\sum c_k m_k}{\sum m_k}$ Apply the weighted average of cost per meter from all suppliers who were able to provide cost data to the total number of meters served by suppliers that state that they do not already meet the requirements of the licence condition. By using cost information from all suppliers that provided data, this also uses cost information provided by the suppliers that state that they already meet the requirements of the licence condition and this is done to make use of this information which may be more representative of the actual costs that would be faced as they relate to non-hypothetical costs, ie costs that have already been incurred and/or are currently being incurred.	$\sum m_l \frac{\sum c_m m_m}{\sum m_m}$ Apply the weighted average of cost per meter from the suppliers that state that they do not already meet the requirements of the licence condition (ie not also those that state that they do) and were able to provide cost data to the total number of meters served by such suppliers.

Lower range of total costs

1.2. For the costs associated with activating the licence condition we apply the weighted average (weighted according to the number of domestic electricity and gas meters served

by each supplier[63]) of cost per meter (from all suppliers that were able to provide data) to the total number of meters served by suppliers that state that they do not already meet the requirements of the licence condition. To clarify, this means that we also make use of the cost information provided by those that state that they already meet the requirements of the licence condition (which were lower on average than those that stated that they do not) and, if no data was provided by a supplier, costs are allocated to them based on the weighted average of costs provided by the other suppliers. The reason for including these costs in the calculation of the lower range is that we assess that these costs may be more representative of the actual costs that would be faced as they relate to non-hypothetical costs, ie costs that have already been incurred and/or are currently being incurred.

1.3. For costs faced by those that state that they already meet the requirements of the licence condition (not directly relevant for assessing the impact of the policy but provided for comparison purposes), we use the sum of the relevant costs for suppliers who state that they already meet the requirements of the licence condition and were able to provide data. As some stated that they were unable to provide data, the assumption for this lower range is that the costs faced by these suppliers is zero.

Upper range of total costs

1.4. For the costs associated with activating the licence condition we apply the weighted average (again weighted according to each suppliers' number of electricity/gas meters) of cost per meter (from only the suppliers that state that they do not already meet the requirements of the licence condition and were able to provide data) to the total number of meters served by suppliers that state that they do not already meet the requirements of the licence condition. To clarify, this means that we only use cost information from those that state that they do not already meet the requirements of the licence condition (which were higher on average than those that stated that they do) and, if no data was provided by a supplier, costs are allocated to them based on the weighted average of costs provided by the other suppliers. The reason for only including these costs (those from suppliers that state that they do not already meet the requirements of the licence condition) in the calculation of the upper range is that these are the costs estimated by the suppliers that would face additional costs from the policy and it does not assume that these costs would be comparable to those faced by suppliers who state that they already meet the requirements of the licence condition.

[63] Using electricity and gas domestic meter point data from May 2024 sourced from Xoserve (gas) and DNOs/IDNOs (electricity).

1.5. For costs faced by those that state that they already meet the requirements of the licence condition (not directly relevant for assessing the impact of the policy but provided for comparison purposes) we apply the weighted average (again weighted according to each suppliers' number of electricity/gas meters) of cost per meter (from only those suppliers who state that they already meet the requirements of the licence condition and were able to provide data) to the total number of meters served by suppliers that state that they already meet the requirements of the licence condition. To clarify, we only use cost information from those that state that they already meet the requirements of the licence condition, and, if no data was provided by such a supplier, costs are allocated to them based on the weighted average of costs provided by the other suppliers.

1.6. The key assumption that sits behind the upper ranges of costs (and the lower range for the costs associated with activating the licence condition) is that we assume that the suppliers who were not able to provide us with data mirror the characteristics of those (in the relevant subset of suppliers as detailed above) that have supplied us with data. If it transpires that suppliers who were not able to provide data would face, on average, higher costs of complying with these policies then costs may be higher than outlined in our cost estimates. However, absent of this information being provided by suppliers, we have estimated these costs based on the best information that has been made available to us.

Calculation of the monetised policy benefits

1.7. This section outlines the formulas used in the calculations (as outlined in Section 5 where further details and discussion can be found) using the following definitions:

N_s = 53,232 = estimated total number of enquiries (per year) that domestic suppliers receive (across all enquiry methods and, in the case of suppliers, irrespective of whether they were available to respond to the enquiry that had been received) between 20:00 and 8:00 (the next day), on any day of the week, in relation to an interruption in the supply of electricity or gas caused by a meter fault. See section 5 for further details, including on how missing data was accounted for.

N_e = 14,171 = estimated total number of enquiries (per year) that DNOs receive (across all enquiry methods) between 20:00 and 8:00 (the next day), on any day of the week, in relation to an interruption in the supply of electricity caused by a meter fault. See section 5 for further details, including on how missing data was accounted for.

N_g = 15,802 = estimated total number of enquiries (per year) that GDNs receive (across all enquiry methods) between 20:00 and 8:00 (the next day), on any day of the week, in relation to an interruption in the supply of gas caused by a meter fault. See section 5 for further details, including on how missing data was accounted for.

M_j = total number of domestic meters (electricity and gas) in May 2024 served by suppliers who state that they already meet the requirements of the licence condition.

M_l = total number of domestic meters (electricity and gas) in May 2024 served by suppliers who state that they do not already meet the requirements of the licence condition.

h = average reduction in time off-supply.

e = £4.30 or £8.15 = Value of Lost Load (VoLL) for electricity per hour.

g = £2.92 = Value of Lost Load (VoLL) for gas per hour.

1.8. Monetised benefit of faster restoration of supply for electricity (£ per year):

$$eh\left(\frac{N_e}{N_e + N_g}\right)\left(\frac{M_l}{M_l + M_j}\right)(N_s + N_e + N_g)$$

1.9. Monetised benefit of faster restoration of supply for gas (£ per year):

$$gh\left(\frac{N_g}{N_e + N_g}\right)\left(\frac{M_l}{M_l + M_j}\right)(N_s + N_e + N_g)$$

Appendix 2: Present Value analysis

1.1. For completeness, we also present a 5-year Present Value (PV) for the range of costs outlined above for the policy (ie costs associated with suppliers who state that they do not already meet the requirements of the licence condition), with the inclusion of one-off costs in Year 0, based on a 3.5% Green Book social time preference rate to account for how society values the present compared to the future.[64] These figures can be found in Table A2 below. Note, we have limited the analysis to 5 years as the possibility of future changes in market conditions may mean costs do not accurately reflect the costs that suppliers may incur in later time periods. However, if they deem it appropriate, suppliers are still able to calculate a PV for any number of years using the data provided in this impact assessment in Tables 2 and 3 in Section 4.

Table A2: Present Value of total costs (£ million)

Cost estimate	Y0 (including one-off costs)	Y1	Y2	Y3	Y4	Y5
Lower cost estimates	£7.54	£6.27	£6.06	£5.85	£5.65	£5.46
Upper cost estimates	£10.71	£8.90	£8.60	£8.31	£8.02	£7.75

[64] See The Green Book (publishing.service.gov.uk) for an explanation of social time preference rates. The analysis presented here uses the discount rates taken from Green Book Supplementary Guidance - Discount Factors. Can be found on: Discount_Factors.xlsx (live.com).