Retail Energy Code Company Ltd
27 Old Gloucester Street
London, WC1N 3AX

Retail Energy Code Company
info@retailenergycode.co.uk
www.retailenergycode.co.uk

Ofgem Retail Price Protection Team

By email only: priceprotectionpolicy@ofgem.gov.uk

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RECCo response to: Energy price cap: updating the time-of-use methodology - call for input

We welcome the opportunity to respond to Ofgem's call for input on updating the time-of-use methodology for the energy price cap.

RECCo is the Code Manager for the Retail Energy Code (REC), a role which is expected to become an Ofgem-licensed role before the end of 2026. The REC governs key arrangements for gas and electricity consumers, including switching, registration, metering information, data enquiry services and performance assurance. RECCo is the delivery body for the Consumer Consent Service (CCS), which is being developed for governance through the REC and will enable consumers to grant, manage and withdraw permissions for access to their energy data. RECCo is also delivering Tariff Interoperability under the Smart Secure Electricity Systems (SSES) Programme.[1] Taken together, these roles give RECCo a direct interest in how the price cap evolves for time-of-use customers. Some of the options set out in the call for input would depend on consistent tariff data and, in some cases, appropriate consumer consent, and would have implications for how consumers move between tariffs and suppliers. These issues sit within or alongside the arrangements we govern and deliver.

In addition to our current roles in the retail market, RECCo is the proposed licensed code manager for the Electricity Commercial Code (ECC). The ECC will consolidate the two existing industry codes that cover commercial arrangements for access to, and use of, the electricity transmission and distribution systems.[2] Our prospective role under the ECC also gives us an interest in ensuring that changes to the price cap do not dilute the time-varying cost signals that network charges are designed to send or create unintended consequences for how network costs are recovered from consumers.

Our detailed answers are set out in the appendix. However, we would highlight the following points:

- **The price cap needs a clear long-term vision, with clarity on the conditions under which it could be relaxed, reformed or removed:** The price cap was introduced to protect disengaged consumers from poor-value default tariffs. Consumers who have actively chosen a smart time-of-use tariff, and/or invested in low carbon technologies (LCTs), are in a different position from the disengaged consumers the cap was originally designed to protect. We consider that the cap risks stifling the competition and innovation that consumer-led flexibility depends on, to the detriment of consumers. RECCo urges Ofgem, working with DESNZ, to set out a clear long-term vision for the price cap, including the conditions under which it could be relaxed, reformed or removed.
- **Considering alternatives to a time-of-use cap:** Alongside the three options in the call for input, we encourage Ofgem to consider a fourth: replacing the time-of-use default cap with a different form of consumer protection, such as a duty on suppliers not to mis-sell, or roll consumers onto, a time-of-use

[1] https://retailenergycode.co.uk/our-programmes/tariff-interoperability-project/.

[2] The Connection and Use of System Code (CUSC) and the Distribution Connection and Use of System Agreement (DCUSA) respectively.

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tariff that does not suit them. This could be part of a wider consumer duty designed to protect consumers while giving suppliers more room to compete and innovate.

- **Consumers must be able to understand, compare and switch:** Changes to the cap should go hand in hand with clear information for consumers, including the savings they are likely to make, so that they can engage with confidence rather than relying on the default tariff. When a fixed-term tariff ends, consumers should be moved to an appropriate tariff and told clearly what it means for them. Any changes to the cap should not discourage switching or make it inadvertently harder for consumers to engage. Tariff interoperability and the Consumer Consent Service are key enablers, helping consumers to compare tariffs like-for-like and allowing consumers to control who can access their data.
- **Fair outcomes for all consumers:** The benefits of a more flexible market must be shared fairly. Changes to the price cap methodology should not move undue costs onto those least able to respond. We urge Ofgem to add outcomes for consumers in vulnerable circumstances and those who are digitally excluded to its assessment criteria, and to build in safeguards from the start.

We would be happy to discuss any of the points raised in this response. RECCo would welcome early engagement with Ofgem as the price cap methodology develops, particularly if it has any bearing on consumer data, consent, switching and tariff interoperability.

Yours sincerely,

Jon Dixon
Director, Strategy and Development

Retail Energy Code Company Ltd
27 Old Gloucester Street
London, WC1N 3AX

Appendix: RECCo response to call for input

General Considerations
RECCo welcomes Ofgem's investigation into time-of-use methodology options for the energy price cap. Suppliers will be best placed to comment on cost recovery and on the detailed calculation of the cap's allowances. Our observations focus on consumer outcomes and retail market arrangements, including those governed by the REC or delivered through RECCo's programmes. RECCo considers that this review is a good moment to step back and ask whether the price cap is still doing what it was designed to do. The cap was originally introduced as a temporary measure to protect disengaged consumers from poor-value default tariffs.[3] It was not originally intended to be a long-term benchmark for the whole market. The cap has been described, including by Ofgem, as ensuring a "fair price"[4, 5], and there is a risk that many consumers see it as a government-endorsed tariff. In Ofgem's 2022 consumer survey, while 77% of respondents had heard of the cap, only 6% knew both what it does and what it covers[6]. Similarly, according to 2023 research by Uswitch, 45% of consumers wrongly believe that the cap is the most they can pay for a year's energy, 31% think the cap stops suppliers offering cheap fixed deals and 26% blame the cap for stopping them from getting a better deal elsewhere[7]. This may discourage consumers from engaging and make them wary of switching to, or fixing on, other tariffs, including the smart and time-of-use products that consumer-led flexibility depends on. We would therefore encourage Ofgem to make it clearer to the public what the cap is and what it is not: a safety net that limits what suppliers can charge, not a guarantee of the best deal available. Competition and innovation need room to deliver good outcomes for consumers. If the cap sets a reference point that supplier's price around, it risks stifling competition and blunting the incentive to offer products that reward flexibility, ultimately to the detriment of consumers. RECCo urges Ofgem, working with DESNZ, to set out a clear long-term vision for the cap, alongside the market reform agenda. Ofgem's August 2026 programme of work for the price cap seems to focus on adapting the cap, rather than considering the conditions that would allow for its removal. The vision for the price cap should also set out how consumers will be supported to move from relying on the cap to taking part in a competitive and increasingly flexible market. It should also set out clear conditions, such as levels of engagement, effective competition and appropriate protections for those who remain vulnerable, under which the cap would be relaxed, reformed or removed, and how progress against them will be reviewed. Being transparent about these conditions would give industry and investors more certainty and help keep the cap a suitable tool for regulating a changing retail market. This is particularly relevant to time-of-use tariffs. Consumers who have actively chosen a smart time-of-use tariff, or who have invested in an electric vehicle, heat pump, battery or solar, are in a different position from the disengaged consumers the cap was designed to protect, and they are well placed to benefit from competition between suppliers. Applying a capped default tariff to this group may therefore be

[3] The Domestic Gas and Electricity (Tariff Cap) Act 2018 originally provided for the cap to end by 2023 at the latest, but the Energy Prices Act 2022 removed this end date.
[4]Ofgem, Future of domestic price protection: discussion paper, April 2024, para 1.1. www.ofgem.gov.uk/sites/default/files/2024-04/Future%20Price%20Protection%20Discussion%20Paper%20v3.pdf
[5] Ofgem, Ofgem proposes price cap to give 11 million customers a fairer deal for their energy, September 2018. www.ofgem.gov.uk/publications-and-updates/ofgem-proposes-price-cap-give-11-million-customers-fairer-deal-their-energy
[6] Ofgem, Household Consumer Impacts of Market Conditions Survey: Waves 1 and 2, September 2022. www.ofgem.gov.uk/sites/default/files/2022-09/2261_Ofgem___CIM_W2_V10%20FINAL.pdf
[7] Uswitch, Price cap confusion: over half of homes don't understand what the price cap is or does, August 2023. www.uswitch.com/media-centre/2023/08/price-cap-confusion/

unnecessary and could limit the range and value of the products offered to them. We recognise that the multi-register cap is currently used predominantly for Economy 7 customers[8], whose circumstances may differ, and that Ofgem is separately reviewing whether the current approach delivers good outcomes for them[9]. Any future approach should distinguish between consumers who have actively chosen a time-of-use tariff or invested in LCTs, and those who have not.

RECCo considers that any changes to the price cap, including updates to the time-of-use methodology, should go hand in hand with a programme to inform and empower consumers. Changes to how the cap works are unlikely to bring the intended benefits if consumers do not understand what they mean for them or what options they have available. Crucially, the value to consumers must be made explicit. Consumers need reassurance about the savings they are likely to make before they will change how they use energy or move away from the cap. Consumers should also be given clear, accessible information on practical ways to reduce or shift their consumption. They should know how to access their own consumption data and understand their consumption profile. With this, consumers would be better able to judge which tariffs and products suit how they use energy and could choose with confidence instead of defaulting to the cap.

Enabling infrastructure, including tariff interoperability and the Consumer Consent Service, has an important role here, as set out under Practical Implications below. Together, these measures would help build the engaged, well-informed consumer base that a competitive and flexible retail market needs.

Options Design

RECCo considers that the options set out in the call for input broadly cover the right ground for setting a time-of-use cap. However, we would encourage Ofgem to also consider a fourth option, set out under Options Analysis below: replacing the time-of-use default cap with an alternative form of consumer protection. We would also highlight two design questions that we believe merit further consideration: how the single-rate and multi-register caps interact, and how any changes would be sequenced.

Ofgem's March 2026 call for input left open the possibility of moving all default tariff customers onto a time-of-use basis or restructuring the cap to cover all default tariffs. Consumer advocates have previously cautioned against moving existing single-rate default customers onto time-of-use defaults without safeguards (for example, Citizens Advice's April 2024 response to DESNZ's call for evidence on the future of default tariffs[10]). We would welcome Ofgem setting out the conditions under which it would revisit these options and confirming that any such move would be subject to full distributional analysis and consumer safeguards. If the caps continue to be set separately, we will welcome further detail on how they would work together to encourage consumers towards flexibility while protecting those who find it harder to engage. We would also welcome Ofgem's view on how increased uptake of the multi-register cap might affect the single-rate cap.

Another point we wanted to raise regarding option design was sequencing. While the introduction to the call for input favours an incremental approach, this is not explored in detail in the options, and it is unclear how any changes to the time-of-use methodology would be phased. RECCo would welcome clarification on whether the options are intended as the next step or as the end state. This affects how the options should be assessed, and whether they can be sequenced. We note Ofgem's suggestion (para 3.7) that Options 1 and 2 could be combined, which could provide a natural incremental path. An incremental approach would

[8] Ofgem, *Energy price cap: updating the time-of-use methodology – call for input*, October 2026, para 2.10. https://www.ofgem.gov.uk/sites/default/files/2026-10/Updating-the-time-of-use-price-cap-methodology-call-for-input.pdf

[9] Ofgem, *Energy price cap: programme of work for 2026 and 2027*, August 2026. https://www.ofgem.gov.uk/sites/default/files/2026-08/Energy-price-cap-programme-of-work-for-2026-and-2027.pdf

[10] *Citizens Advice, response to DESNZ call for evidence.* www.citizensadvice.org.uk/policy/publications/citizens-advice-response-to-desnz-call-for-evidence-on-the-future-of-default/

allow the market to mature further before assessing whether significant intervention is needed. It would also allow time for related developments to progress, including the Cost Allocation and Recovery Review, the completion of migration to MHHS, and the delivery of tariff interoperability. We also recommend that any future changes to electricity standing charges are designed together with the time-of-use methodology, so that the appropriate price signals for flexible customers are maintained.

Assessment Criteria

RECCo broadly agrees with the assessment criteria. However, we suggest three further considerations:

Firstly, we suggest that each option is assessed on how far it encourages consumers to engage with the market and choose a tariff that suits how they use energy, rather than relying on a capped default. Options should be judged on whether they encourage suppliers to compete for time-of-use and LCT customers with innovative products, and whether consumers can easily see the value of those products, compare them with their default tariff and switch. An approach that makes the default tariff the most attractive option for engaged consumers risks discouraging this and could entrench reliance on the cap.

Secondly, each option should be assessed on how well it ensures that consumers are placed on the right default tariff and protected when their circumstances change. The point at which a fixed-term tariff ends needs careful attention, particularly under Option 3, where suppliers would play a greater role in deciding how the cap applies. Where a consumer is moved onto a default time-of-use tariff, this should be made explicit to them in plain language and presented consistently across suppliers. They should be told what it is likely to mean for their bills, and how they can move to a new tariff if they would prefer that option. Correct mapping of consumers to the right default tariff will be key. We are concerned about any approach that relies on suppliers inferring which assets a consumer has or placing them on a default tariff based on past behaviour. Circumstances can change, and the inference may be wrong. We note that the options in the call for input focus on import tariffs. For consumers with bidirectional assets such as vehicle-to-grid chargers, batteries or solar, a material share of the value of flexibility comes from export. Although export tariffs are outside the scope of the cap, some products link export rates to a specific import tariff. RECCo recommends that Ofgem considers how consumers' export arrangements are treated when they roll onto a default tariff, so that the default arrangements do not inadvertently remove the value that underpins their investment in flexible assets. Where a consumer is placed on the wrong default tariff, there should be a straightforward way to correct the tariff and, where appropriate, compensation for any detriment. Ofgem should also assess how each option performs at other consumer touchpoints, such as when a consumer switches supplier, moves to a different tariff, or acquires or disposes of an LCT such as an electric vehicle or heat pump.

Thirdly, RECCo supports the principle that no consumer should be left worse off because they are unable to flex their consumption. Some consumers may be unable to shift demand because of health needs, caring responsibilities, working patterns or the type of property they live in. Others may lack the technology, confidence or digital access that many flexible products currently require. We consider that Ofgem should also assess outcomes for consumers who are less able to shift demand, including those in vulnerable circumstances and those who are digitally excluded, so that changes to the methodology do not move undue costs onto those least able to respond. Safeguards should be built in from the outset, including an onus on suppliers to assess whether a time-of-use tariff is the appropriate default for a consumer.

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Options Analysis

As noted above, our comments on each option focus on consumer outcomes and the operation of the retail market.

Option 1

Option 1 has the advantage of being easy for consumers to understand. Clearly defined peak and off-peak periods make it simple for consumers to know when they should reduce demand and when they can increase it. However, this option is relatively blunt and static. It does little to future-proof the methodology or encourage innovation in time-of-use products. While it would be straightforward to implement, the off-peak period would need regular review and adjustment as patterns of demand change, which reduces some of the simplicity it offers. Any changes to the time bands should be published in a standardised, machine-readable format, so that comparison services and smart devices can respond to them automatically. We would welcome analysis of which LCTs, or patterns of LCT use, would be poorly reflected or incentivised under this option, and of the risk this poses to the growth of consumer-led flexibility.

Option 2

Option 2 builds on the current multi-register metering arrangements but allows demand profiles to reflect which LCTs a consumer has. Over time, aggregated MHHS data could be used to refine these profiles further. A key challenge will be capturing households with more than one asset fairly. RECCo considers that a data-led approach could help here. Periodic analysis could test whether a particular combination of assets differs from an existing demand profile sufficiently to justify a new profile being created. For example, if households with both solar and a battery showed a significantly different profile from those with solar alone, a separate "solar with battery" profile could be introduced. The growing number of possible combinations is a challenge, but this may become more manageable as MHHS data accumulates and tools such as artificial intelligence develop. We note Ofgem's concern about the additional burden of designing and maintaining variants that this option would require. However, each option carries some ongoing burden.

Inferring LCT ownership from supplier product data or from consumption patterns through clustering analysis risks consumers being classified incorrectly. We agree with Ofgem that an asset register would help. Initiatives such as the Smart Data Repository and Flexibility Market Asset Registration may contribute, but as currently scoped they are unlikely to provide a complete record of LCT ownership. We set out other possible data sources, and the role RECCo could play, under practical implications below.

Option 3

Option 3 offers the greatest potential to support innovation and reflect the diversity of time-of-use products as the market develops. However, it would require more flexible supplier, industry and regulatory systems than are currently in place. These include the ability to price, bill and monitor compliance on a tariff-specific basis using half-hourly data, and standardised tariff information to support comparison and switching. These will take time to develop. We are also concerned that consumers on a default time-of-use tariff may find it harder to compare their tariffs with others when default time-of-use tariff levels are derived from each supplier's own demand profiles. The time-of-use methodology should not undermine tariff interoperability or make it harder to switch. Transparency will be key: suppliers' default time-of-use tariffs, including their time bands and rates, should be published in a standardised format so that consumers and third parties can understand and compare them.

As suppliers would apply their own demand profiles to set the cap for their customers, particular attention should be paid to safeguarding consumers in vulnerable circumstances as they move onto a default time-

of-use tariff. Protections should be in place to ensure that consumers understand their tariff and how the default time-of-use tariff may affect their bill. Similarly, they should know how to switch or raise concerns if the default time-of-use tariff does not suit them. We consider that this option could carry a risk of consumer harm if compliance measures are not designed appropriately and like-for-like tariff comparison is not supported. However, we also share Ofgem's concern that a compliance process could discourage suppliers from moving consumers' demand further off-peak, and this trade-off will need careful thought. An outcomes-based approach, such as that described under Option 4 below, may offer a way to strike this balance.

Proposed Option 4

RECCo would encourage Ofgem to consider a fourth option: replacing the time-of-use default cap with a different form of consumer protection. As set out above, consumers who have actively chosen a time-of-use tariff, often alongside an LCT, have engaged with the market. For this group, the main risk may be less the loyalty penalty that the cap was designed to address, and more that they end up on a tariff that does not suit how they use energy. That risk may be better addressed through clear obligations on suppliers than through a price cap. For example, suppliers could be required not to mis-sell a time-of-use tariff or roll a consumer onto one that is unsuitable for them. Suppliers are already subject to the Standards of Conduct and marketing rules, so these obligations would need to go further, for example through a duty to assess suitability when a consumer defaults onto a time-of-use tariff. They could be required to check periodically that a consumer's tariff remains appropriate, with accessible redress where it does not. Ofgem's proposed move towards outcomes-based regulation, including its proposed fair value pricing outcome, could provide a framework for this[11]. There are also precedents in other sectors. The Financial Conduct Authority's Consumer Duty requires firms to deliver good outcomes for retail customers, including products that meet their needs and deliver fair value[12], and its general insurance pricing rules prevent firms from charging renewing customers more than equivalent new customers[13]. Ofcom requires communications providers to tell customers when their contract is ending and what their best available deals are, and to remind out-of-contract customers of their top deals each year[14].

We recognise that this would be a more radical option. As we noted in our November 2024 response on innovation in the retail energy market, some flexibility may be available without legislative change by extending the existing exemption mechanism, currently limited to certain renewable-supporting tariffs, to qualifying time-of-use tariffs. A wider replacement of the cap is likely to require legislative change. It would also need to be carefully targeted, so that consumers who have not actively chosen a time-of-use tariff, or who are in vulnerable circumstances, remain protected. However, it could give suppliers more room to compete and innovate, while ensuring that consumers are on tariffs that work for them. We would welcome Ofgem exploring this option alongside the three set out in the call for input, and as part of its long-term vision for the cap.

Regardless of the option that is pursued, RECCo recommends that Ofgem prioritises improving consumer understanding of the price cap, safeguarding consumers in vulnerable circumstances and making it easy for consumers to compare and switch tariffs.

[11] Ofgem, *Energy consumer outcomes: strategic direction*, June 2026. https://www.ofgem.gov.uk/sites/default/files/2026-06/Consumer-Outcomes-Strategic%20Direction.pdf
[12] Financial Conduct Authority, *PS22/9: A new Consumer Duty*, July 2022. https://www.fca.org.uk/publications/policy-statements/ps22-9-new-consumer-duty
[13] Financial Conduct Authority, *PS21/5: General insurance pricing practices market study – final rules*, May 2021. https://www.fca.org.uk/publication/policy/ps21-5.pdf
[14] Ofcom, *Companies must tell customers about their best deals*, February 2020. https://www.ofcom.org.uk/news-centre/2020/companies-must-tell-customers-about-their-best-deals

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Practical Implications of Implementation

Whichever option is taken forward, its success will depend on the data, systems and processes that support it. RECCo would highlight some practical considerations, several of which relate directly to arrangements we govern or deliver.

- **Data availability:** The accuracy of any time-of-use methodology will depend on having the right data and ensuring that the data has been captured accurately and consistently. As noted above, inferring LCT ownership from consumption patterns risks misclassification. We would encourage Ofgem to consider whether an LCT indicator for consumption profiles could be captured and maintained centrally, and to set out a clear pathway for doing so. This could draw on existing and planned data sources, such as Ofgem's proposals for a Central Asset Register[15], Flexibility Market Asset Registration[16] and the Smart Data Repository[17]. RECCo could also be well placed to support this work. The Electricity Enquiry Service is a trusted, widely used source of MPAN-level registration and metering information. As we set out in our February 2026 response to Ofgem's consultation on Enhancing Asset Visibility for Distribution Network Operator Options, linking asset records to MPANs is likely to be the most effective way to ensure consistency. Extending the Enquiry Service to include asset information, such as an LCT indicator, could provide a practical and efficient route, with onward interoperability to other platforms where required. We would welcome a discussion with Ofgem on how RECCo could help.
- **Tariff comparison and switching:** Under Option 3 in particular, default time-of-use tariffs could be based on increasingly different demand profiles, and under Option 4 they would no longer be anchored to a cap. Consumers, comparison services and other third parties will need to be able to compare those tariffs easily and consistently. Tariff Interoperability is intended to standardise how tariff information is structured and shared so that propositions can be understood and compared across suppliers and devices. We would encourage Ofgem to make sure that any changes to the methodology are designed with tariff interoperability in mind, and we would be happy to work with Ofgem to identify any dependencies or gaps.
- **Consumer consent:** Ofgem notes that consumers need to understand their usage patterns to compare time-of-use tariffs, and that greater diversity in default tariffs would make this harder (paras 3.42–3.43). Tools that analyse a household's consumption and recommend suitable tariffs can help, but they depend on consumers being able to share their data with trusted third parties. The Consumer Consent Service is designed to make this simple and secure, and could help reduce the comparison risk Ofgem identifies, particularly under Option 3.
- **Delivery and coordination:** Changes to the price cap methodology are likely to require changes to supplier systems, industry processes and consumer communications, and potentially to the REC and other industry codes. These will need realistic lead times and clear sequencing alongside the related reforms set out above. We would encourage Ofgem to engage early with code bodies and delivery partners so that dependencies are identified in good time, and to set out how the impact of any changes will be monitored and reviewed once implemented. RECCo would be happy to support this work, particularly where it affects switching, consumer data, consent and tariff interoperability.

[15] Ofgem, *Enhancing asset visibility: central asset register proposals*, October 2026. https://www.ofgem.gov.uk/consultation/enhancing-asset-visibility-central-asset-register-proposals
[16] Ofgem, *Decision: Flexibility Market Asset Registration*, March 2025. https://www.ofgem.gov.uk/decision/decision-flexibility-market-asset-registration
[17] Ofgem, *Smart Data Repository: policy rationale and proposed governance framework*, September 2026. https://www.ofgem.gov.uk/consultation/smart-data-repository-policy-rationale-and-proposed-governance-framework