

Citizens Advice Response to

“Energy price cap: technical approach to market wide half hourly settlement”



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Executive summary

We broadly support incremental reform to the price cap, which we believe should involve maintaining a single-rate cap and introducing a ToU cap variant.

We recognise that the introduction of the MHHS will require targeted changes to ensure the cap remains compatible with market offerings. However, based on current available evidence, we do not consider there to be a case for more fundamental reform at this stage. Any future plans should be grounded in evidence, and supported by robust modelling of distributional impacts across different consumer groups.

We do not support proposals to move all default consumers onto a default ToU tariff. This approach fails to recognise that many consumers are unable to use energy flexibly. Where consumers face additional barriers to switching (e.g. because of debt), consumers may be effectively locked into tariff structures that are incompatible with their consumption patterns, which could cause their costs to rise.

Approaches to targeting should focus on consumer groups where flexibility is more established, such as users of low carbon technologies, particularly when rolling off existing tariffs. In these instances, reverting to current default arrangements may reduce incentives to use LCTs flexibly, and may not fully reflect system costs. However, this should not lead to a proliferation of highly segmented tariff or cap variants over time.

More broadly, we emphasise the need to maintain simplicity in an already-complex market. Introducing multiple default variants, or overly-granular segmentation risks increasing complexity for consumers and suppliers, and could undermine the protective functions of the cap.

We believe it is important to maintain the principle of cost-reflectivity within the price cap. At the same time, Ofgem must conduct distributional analysis to understand the impact of this principle on consumers, and where negative outcomes are identified, further intervention may be required.

We reiterate our support for Ofgem's Cost Allocation and Recovery Review, which has the potential to deliver fairer and more enduring changes to energy

charging. We encourage Ofgem to set out clearly how interactions between this work and the CARR will be managed.

Please see our full response to the consultation below.

Q1. Do you agree that the short-term commodity cost impacts relating to default tariff customers are small on average but that the longer-term dynamic impacts could be much greater? When do you expect material impacts to take effect?

Not answered.

Q2. What are your views on how non-commodity costs relating to default tariff customers could change due to MHHS? Please be specific on which cost you are referring to and explain where you agree/disagree with our assessment.

Not answered.

Q3. Are there any specific groups of default tariff customers we should think about distributional impacts for when trying to understand the impacts of MHHS across the market?

We agree with the consultation's focus on default consumers who are unable to shift their demand, who will likely see their costs rise if changes to the cap mean costs are recovered more closely by ability to flex.

However, the consultation's distinction between consumers who can't flex, and those who "can but choose not to" is perhaps too binary of a framing to capture the range of barriers faced by consumers. Even where shifting demand is theoretically possible based on consumption patterns, consumers may still face barriers to accessing flexible tariffs, or understanding and in turn, realising the benefits of using energy flexibly. Consumers in tenanted properties with relatively flat demand profiles may also appear to have the ability to flex, but capability may be limited in practice, due to housing or tenure restrictions. We believe the latter category overstates the role of active choice in shifting demand.

We note the consultation suggests that impacts on these two groups may be weighted differently when considering consumer protections. Therefore, we ask for clarity on how these groups will be defined in practice, and how far important nuances (such as those outlined above) will be taken into account, to ensure protections are applied fairly.

Q4. Which uncertainties are best captured through scenario-based analysis, and what scenarios do you consider most relevant for assessing future costs under MHHS?

Not answered.

Q5. How might future changes in demand and supply dynamics affect the timing and severity of peak prices, including the potential for pinch points to shift away from the traditional evening peak period?

Not answered.

Q6. How might the rollout of LCTs (such as EVs and heat pumps) and increased consumer-led flexibility change the aggregate and customer-level demand shape over time?

Not answered.

Q7. At what speed and scale do you expect ToU tariffs to influence customer consumption behaviour, and how differentiated do you expect demand profiles to become across different groups of customers?

While it is difficult to comment on this scale, we expect the impact of ToU tariffs on consumption behaviour to be gradual, and not immediate. We acknowledge that ToU tariffs are already available in the market, with uptake skewed predominantly towards more engaged consumers, particularly those in possession of low carbon technology like EVs.

The introduction of the MHHS should increase the availability of ToU tariffs, but availability alone is unlikely to drive widespread changes in consumption patterns.

We also note that a substantial portion of the market is unable to flex, either at all or at scale, which will limit greater participation in ToU tariffs. Some of these groups are outlined in previous questions, but also include those with fixed patterns because of children or employment, those who are unable to work from home, as well as those with medical needs requiring high or constant usage. As a result, their demand is likely to remain relatively inflexible and concentrated in peak periods.

Taken together, we expect wider availability of ToU tariffs to increase heterogeneity in demand profiles. More technologically-enabled households are likely to develop optimised demand shapes, while less flexible households retain more peaky consumption patterns, making distributional outcomes more pronounced over time. However, bill impacts will depend on both demand shape and overall consumption. Risks are likely to be greatest where high consumption coincides with limited flexibility, such as lower-income households using electric heating or storage heaters.

Q8. Do you agree with our intention to proceed with incremental reform, retaining the current cap structure (a single-rate cap and one or more ToU cap variants) but with an updated allowance?

We broadly agree with this approach.

While we recognise that the introduction of the MHHS warrants some action to reform the existing cap to ensure compatibility, the current evidence base is not yet sufficient to support more fundamental reform to the cap.

Any action beyond incremental changes would need to be clearly evidence-led and underpinned by robust modelling of distributional impacts across different consumer groups. Therefore, we encourage Ofgem to further develop its case for change in the short-to-medium term.

We think Ofgem should prioritise simplicity when applying incremental changes. This is especially key, given we don't expect the impact on consumer consumption patterns to be immediate or transformative (as outlined in Question 7).

We do not support option B in the consultation, which proposes moving all single rate default tariff customers onto a ToU default tariff. A blanket application of ToU would likely expose consumers who are unable to flex to higher costs. This risk is heightened for consumers who face barriers to switching, such as those in debt, who could be locked into tariff structures unsuited to their consumption patterns. If a ToU variant is taken forward, we strongly suggest Ofgem implements this *alongside* existing default arrangements.

We would, however, broadly support mandating ToU pricing for EV owners, if staying on the flat cap and charging during peak times materially increases system costs for all.

We welcome Ofgem's intention to use its Cost Allocation and Recovery Review (CARR) as a vehicle for a holistic programme of pricing reforms. We support this work, which has the potential to introduce greater fairness into the energy charging systems, and deliver more enduring change than piecemeal interventions, such as those relating to low and zero standing charge tariffs. As this work progresses, we encourage Ofgem to set out more clearly how the CARR and price cap workstreams will interact, including how potential overlaps, sequencing issues and unintended interactions will be managed.

Similarly, we support calls from stakeholders for greater clarity on Ofgem's longer-term vision for the cap.¹ Providing a clear direction of travel would help stakeholders to engage more meaningfully with calls for input, improving understanding of how near-term changes align with broader strategic priorities.

¹ Energy UK (2026) [Demand Better: A smarter, fairer energy retail market](#)

Q9. Should the cap reflect demand profiles that are specific to default tariff customers? If so, what is your view on the distribution of outcomes across different groups of customers in the longer-term?

We support the principle of cost-reflectivity to allow suppliers to recover efficient costs. On this basis, we broadly support the cap reflecting demand profiles that are specific to default tariff customers. We note that doing so would remove some cross-subsidiation across customers, and could lead to default customers who are unable to shift demand being exposed to higher prices. Whilst Ofgem's analysis shows the impacts are likely to be small in the short-run where uptake of ToU tariffs is relatively low, these impacts could become more significant in the longer-term. Ofgem should continue to conduct analysis on the distributional impacts of changes to demand profiles. It is likely that where negative distributional impacts become more significant, targeted support will be required.

Q10. How should we set the demand profile for the cap allowances? Should the approach differ between commodity and non-commodity costs? In your response, please think about factors such as: how different groups of customers are settled (for example based on actual demand and LSS profiles); the parameters by which we set the cap; the level at which we should benchmark demand (for example whether we should reflect an above average profile of peakiness); please also note any differences in your answers when referring to the single-rate or ToU cap variant.

We understand that there is a risk with variation in individual suppliers' costs and uncertainty with forecasting consumer demand. As a general principle, the price cap should maintain cost-reflectivity and reflect the average level of peakiness. For this reason, we do not support setting benchmark demand at an above average level of peakiness to mitigate differences in consumer bases, as this would not maintain the principle of cost-reflectivity in the aggregate.

Building this risk into the benchmark demand profile would embed a premium on the unit rate for default consumers. This would over-estimate unit rates for less peaky consumers who remain on the default cap, whilst risking over-recovery for suppliers with a lower proportion of peaky customers

If the evidence suggests there is a need to improve cost-reflectivity across suppliers, reflecting differences in consumer groups, for instance by payment or meter type, may be more appropriate. This may become more relevant if any drive towards greater use of smart prepay, for example through Change of Tenancy reform, could impact cost-recovery for some suppliers. To allow this as an option requires some use of actual usage when determining demand profiles. However, Ofgem would need to conduct distributional analysis of the impacts of any such measure. Where unacceptable distributional impacts could materialise, mitigations would be required. For example, levelisation with a corresponding reconciliation mechanism as was decided for standing charges² could be considered.

Q11. What different types of users should we set ToU cap variants for and how should we design these? In particular, what level of prescription should we adopt when setting ToU cap variants and should this differ between different ToU cap variants? For example, should we adopt a separate specific approach for EV customers to reflect stronger price signals?

We have previously called for targeted approaches for users of specific assets³, like EVs or heat pumps, particularly where these customers roll off existing tariffs and revert to default arrangements. This may result in users not contributing proportionately towards system costs, while reducing incentives to use such tech flexibly.

If Ofgem were to move forward with targeting, we think this should be focused on users of low carbon tech transitioning off existing tariffs. However, we do not think this should lead to a proliferation of highly segmented tariffs over time.

²Ofgem (2024) [Decision on adjusting standing charges for Prepayment Customers](#)

³ Citizens Advice (2024) [Don't settle for second best: Ensuring energy market reforms stack up for people](#)

Excessive segmentation would heighten complexity for both consumers and suppliers, and undermines the simplicity and protective function of the cap.

Q13. What default tariff arrangements are required in the future as the market develops greater consumer-led flexibility and LCT adoption?

We believe that default tariffs will remain an essential backstop for consumers who are less able, or less willing, to engage with flexible tariffs.

In fact, we expect the protective function of the cap to become more important to maintain as greater numbers of consumers take up low carbon tech or use energy flexibly. More flexible consumers are likely to move on to ToU tariffs, while the default population may increasingly consist of more peak-aligned consumers.

Given this context, we see limited benefit in introducing multiple default variants. Maintaining a simple default option will retain an adequate means of protecting consumers as the market evolves, particularly those who are less able to respond to price signals.

We note that the price cap may not be suitable for consumers rolling off the most complex products in the market (e.g. where supply is bundled with load control arrangements), given their costs would increase. We have previously called for a fair pricing outcome⁴, which could provide an adequate layer of protection for consumers in these instances.

Q14. How often do you think we should update the demand profile used to set the allowances and what approach should we take to do so? For example should we carry out mechanistic updates similar to other allowances which are updated when the cap level is set?

Not answered.

⁴ Citizens Advice (2026) [Response to Ofgem's Call for Input on Consumer Outcomes](#)

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