

Some observations on Ofgem's use of consumer representation in price control processes

Gavin Knott

EPRG Seminar, Cambridge Judge Business School

25 March 2026

Starting point

- Before the current price controls, we did a review of the price control framework.
- We concluded that future price controls would not be a single decision that sets all elements of the price control for 5 years.
- We don't think that such a single decision is feasible in the context of a changing system.
- A “price control” such as RII0-3 is now a combination of distinct decisions, including during the period, particularly for electricity.

Customer engagement

- Ofgem doesn't use Negotiated Settlement in setting the level of the price control
- What we do have is extensive consumer engagement.
- We have independent stakeholder groups (ISGs) for all of our network companies.
- They don't just work on reviewing and resetting the price control – they are also involved in the monitoring of them.
- Their views are particularly relevant on developing incentives and outputs.

Customer engagement (contd)

- The largest transmission projects have to go through all the stakeholder consultation associated with any large infrastructure developments.
- The triggers for investments in electricity are driven by external factors: connection requests and/or NESO plans.
- Much of Ofgem's work here is on creating the funding framework for projects that have gone through that process.
- We use consumer panels & research to get direct input on what consumers want from network companies.

What's left for the 5 year price control?

- The price control process determines some of the quantitative inputs: efficient unit cost, cost of capital, and performance measures, including asset resilience.
- Negotiated settlement could be one way of calibrating these cost and output measures.
- However, we have an established framework with extensive precedent.
- It's not clear that the benefits of changing the approach would outweigh the costs and risks from change.

Going forward

- One option is that, as data improve, we may move in a different direction
- Potentially continuing to move away from all decisions being made following a single consultation/negotiation in an all-encompassing price review
- Towards more ongoing monitoring, with a 5 year price review being a more limited check on progress of that ongoing framework.
- This might bring a different role for stakeholder/consumers in that process.