

10 February 2025

Response to Ofgem's Forward Work Plan for 2025/26

LCP Delta welcome the opportunity to respond to the Forward Work Plan (FWP) for 2025/26.

LCP Delta is an independent energy transition research and advisory consulting company, entirely focused on the energy transition for over 20 years. Our history, experience and focus on energy transition work, with deep expertise on GB power systems and customer demand dynamics gives us a unique perspective with which to respond to the FWP. We would welcome an opportunity to elaborate on our short response on the 3 key questions of:

1. Is this the right set of problems to tackle?
2. Is anything major omitted?
3. Relative priorities

Our response

We agree with the commitment to the existing 5 Strategic Priorities and the incorporation to the addition key projects into a Integrated Plan, in light of Clean Power 2030 (CP2030) and the establishment of Mission Control. There is much work to be done and the regulator's role of balancing market monitoring without stifling innovation is challenging. Hard decisions will need to be made.

1. Retail market for all consumers that is fair and flexible:

The emphasis on fair pricing and high-quality service is commendable, as well as enabling DSR. LCP Delta has spent a lot of time research DSR across Europe over the last decade. For several years, the industry has spoken about a future energy supplier, yet progress has been slow with customers reverting back to SVTs in light of the recent energy crisis. We would want to see more detail on how Ofgem is proposing to stimulate innovation in the market, and that is likely to be with regards to DSR and flexibility as we progress towards 2030.

LCP Delta observe a number of exciting trends developing across Europe that the UK can learn from, and consider there to be 'no regret' actions for the UK to support acceleration of innovative customer propositions for all types of retail customers.

The system needs to work for everyone, and that means those that want to engage and those that do not. Not everyone will be able to or want to flex their demand, but there are some things that are relevant for everyone, including energy efficiency, competition and innovation.

2. Net zero infrastructure at pace:

We recognise there is a difficult balance to act between moving at pace and ensuring competition. Delivering the required network infrastructure to meet CP2030 may mean reducing the emphasis on competition and just progressing projects through the connection queue, or finding the right balance between ensuring value for money in the LDES Cap & Floor and just progressing projects because we know we will need significant volumes of LDES.

Meeting CP2030 may mean Ofgem taking tough choices to weigh up short term CP 2030 benefits with longer term consumer costs and benefits.

We also note the reporting framework mentioned, in terms of working with Government, NESO and other parties. Whilst transparency is important, we see a light touch & open approach to reporting as more beneficial to achieving the goals of CP2030 & beyond.

3. Consumer protections

It is welcome that switching as a market metric for energy system health is not mentioned in the FWP. We do not see switching as proxy for market engagement. Switching as a metric does not acknowledge the diversity of consumers and segments (residential, SME and I&C). We will welcome alternative engagements metrics to switching, especially as increased innovation around tariffs and services will make switching not a desirable outcome for some consumers. We are happy to discuss our research in this area.

We also welcome the continued focus on targeted support, especially as the market needs to deal with high levels of consumer debt. The retail market has fundamentally changed. As highlighted by Citizens' Advice, and mentioned in 2024, we believe a Consumer duty-type approach to the energy market would support the needs of all consumers, without restricting innovation and access for different types of consumers. Post 2030, consumers will need a mix of financed & nuanced energy solutions, and being flexible rather than prescriptive, will help the market get to the right offers at pace.

Overall, the FWP for 2025/26 sets a strong foundation for achieving a sustainable and consumer-centric energy future for the GB market. We recognise Ofgem has a huge challenge in its role in the energy transition and welcome further engagement to support them in this task, as well as further elaborate on our response.

Yours,

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