
OFGEM FORWARD WORK PLAN 10TH FEBRUARY 2025

Context

On behalf of our mission Empowering Energy Demand, the ADE welcomes the opportunity to respond to Ofgem's Forward Work Plan proposals.

Our mission is to embrace the value of a decarbonised, demand-led energy system, creating a future where households, businesses and industry are properly rewarded. The current electricity system is creaking under the demands of a rapidly changing system. We must harness the millions of EVs, heat pumps and the immense industrial demand we have right now to lower bills and keep our electricity system operable. Instead, we're fighting against them. Even more than that, industrial energy is decarbonising with long-term consequences for our energy system – creating new infrastructure and unlocking even greater sources of flexibility. The Government, Ofgem, the CCC and others all recognise that households, businesses and industry should play an active role in a decarbonised electricity system. Now is the time to make this a reality.

ADE Response

The ADE supports the strategic priorities set out in Ofgem's Forward Work Programme for 2025. It is positive to see that 'Establishing an efficient, fair and flexible energy system' is a primary workstream, along with the focus on consumer-led flexibility and the role it will play in achieving Clean Power by 2030 objectives. Additionally, it is positive that the introduction of a new regulatory framework for the NESO is included within this priority. Given their new role, it is vital that significant changes are made within the NESO licence that reflect the additionality it is supposed to provide to the legislation. Clearer expectations are needed when reputational incentives are the core regulatory lever. We look forward to seeing more detailed intentions from Ofgem on the NESO's regulatory framework and the extent to which the above changes will be implemented. More detail is also required on Ofgem's intentions to reduce further delays to the Smart Meter Roll Out and the implementation of Market Wide Half Hourly Settlement (MHHS). Despite supporting the recent consultation that sets out additional reporting requirements for Elexon, industry needs more information on the measures that will be taken to reduce further delays. Particularly, how further delays as a result of industries reliance on third parties for MHHS migration needs to be set out.

Progress with the Review of Electricity Market Arrangements (REMA), Smart Secure Electricity Systems (SSES) programme on Load Controller Licensing and the Market Facilitator implementation must continue at pace. Particularly, work on revenue stacking that is set to be taken over from Open Networks should not be negatively affected by the transition to Elexon. In establishing the scope of the Market Facilitator role, Ofgem must consider Clean Power by 2030 timelines meaning that Elexon should be given the mandate to participate in strategic decision making now, not having to wait until the end of 2025. As set out in our recent [ED3 Framework consultation response](#), Ofgem must provide clarity on what they consider the future of flexibility on the distribution network to become and therefore, the future role of the Market Facilitator and Distribution System Operators. Within the ED3 price control period, DNO flexibility incentives should be focussed on the full system value of consumer - led flexibility that is equal to supply, supports network resilience, and provides consumer benefits. Moving

away from flexibility as a long-term solution is in no way conducive to achieving Clean power by 2030 ambitions and timelines.

Ofgem's new role as the regulator of the Heat Networks sector is an essential part of the drive to decarbonising heating. With heat network zoning also expected to be introduced next year, Ofgem should see its role ensuring heat networks are considered a part of the 'Enabling infrastructure for net zero at pace' priority, both in their own right as new low-carbon infrastructure, but also as part of a whole systems approach to decarbonisation more widely. Additionally, the work that is being undertaken by the NESO on strategic energy planning is vital for industry's progress to achieving Clean Power by 2030 and Net Zero by 2050, so it is positive that Ofgem considers the methodology and governance of the plans as a key workstream under this priority. Work being carried out on Connections Reform and the ED3 Price Control Framework are significantly dependent on the outcomes of the Spatial Strategic Energy Plan (SSEP), Central Strategic Network Plan (CSNP) and Regional Energy Strategic Plans (RESPs), so the decisions made by Ofgem on their governance and methodology will have a large across industry impact. The recognition of the role that short duration, consumer-led flexibility has within each of these plans will be vital if we are to achieve 10-12GW by 2030.

We agree with Ofgem's priority 'Advancing decarbonisation through low carbon energy and social schemes' which includes that changes must be made to the Boiler Upgrade Scheme and the Energy Company Obligations (ECO) scheme to update processes to make the schemes more appealing to consumers. Additional policy certainty for the longer term is greatly needed in the energy efficiency space. Given its eleven-year-old existence, ECO is far and away the longest-term energy efficiency policy that is currently committed to and has a role to play going forward in the future, so we must ensure development of ECO is as positive and effective as possible.

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