

# Energy UK Response to DESNZ Review of Ofgem: call for evidence

## About Energy UK

Energy UK is the trade association for the energy industry with over 100 members - from established FTSE 100 companies right through to new, growing suppliers, generators and service providers across energy, transport, heat and technology.

Our members deliver nearly 80% of the UK's power generation and over 95% of the energy supply for 28m UK homes as well as businesses.

The sector invests £13bn annually and delivers nearly £30bn in gross value - on top of the nearly £100bn in economic activity through its supply chain and interaction with other sectors. The energy industry is key to delivering growth and plans to invest £100bn over the course of this decade in new energy sources.

The energy sector supports 700,000 jobs in every corner of the country. Energy UK plays a key role in ensuring we attract and retain a diverse workforce. In addition to our Young Energy Professionals Forum, we are a founding member of TIDE, an industry-wide taskforce to tackle Inclusion and Diversity across energy.

## Forward from Dhara Vyas, Chief Executive, Energy UK

Economic growth is dependent on policy, governance, and regulatory frameworks that are stable and transparent. Good regulation should clearly signal to investors that a market is open for business, drive productivity, and allow businesses to deliver innovation, choice, and value for customers. The UK is at a crossroads in our energy transition, and the Government has set out a bold agenda for its 2030 Clean Power mission. In the coming decade it will be crucial to deliver on policies that tackle climate change and bolster our energy security through a rapid expansion of clean, homegrown energy. This can only be achieved by ensuring that the UK continues to attract international private sector investment into low carbon projects; providing jobs, skills, and economic growth to parts of the country that need it most.

This review of Ofgem, its duties, powers, and role in relation to customers today and in the future is crucial. At a time when the industry should be ramping up to deliver the £40bn of annual investment needed to achieve the Clean Power mission, regulation must keep pace with the changing nature and demands of the system. Ofgem has a vital role to play if we are to successfully deliver the energy transition, with fair and stable bills, whilst at the same time protecting customers, particularly those in vulnerable circumstances. This vision of the energy market requires a fair and proportionate approach to regulation, an approach that also recognises the key challenges facing the industry.

Energy is an essential service, that people and businesses across the country depend upon. A competitive market not only gives users the ability to choose between suppliers, it also underpins the energy transition. Energy UK remains motivated by the prospect of innovative low-carbon products and services which will transform the way that households and businesses interact with energy, and we are clear that this must go hand in hand with strong consumer protections.

Energy UK and our members have given considerable thought to this consultation response. It is imperative that we carefully consider and learn from the failings of energy regulation over the last decade. The energy industry looks forward to working closely with the Government and the regulator to establish the building blocks of a new regulatory settlement that unlocks investment, drives growth, and delivers high quality, well priced energy supply, products and services for every household and business in Great Britain.

## Introduction

Ofgem has a complex task. It regulates a system that provides an essential service which underpins the entire economy while independently balancing the need to serve customers, deliver Net Zero, and support growth. The potential of this transition is huge; Net Zero could boost the UK's economy by £240 billion in 2050<sup>1</sup>.

Ofgem is economically influential but has limited transparent direction, conflicting duties, and poorly delineated responsibilities. It is often unclear the degree to which Ofgem is a policymaking, regulatory, or delivery body carrying out the Government's objectives. Driven by the way it is overseen and governed, Ofgem's approach to its purpose, scope, and operation is increasingly poorly aligned to long-term customer value. As a result, it is currently ill-suited to perform its roles, in particular, to facilitate economic growth.

Ofgem has a history of failing to anticipate - and then reacting slowly - to key weaknesses impacting the sector. For example, the underdevelopment of electricity network system operation capabilities, the inadequacy of network connections processes, under-recovery and instability in the retail market, distributional cost unfairness, and bill affordability challenges. Much of this is rooted in Ofgem's prioritisation of avoiding short-term costs without adequate anticipation of the energy system's evolving needs.

The complex patchwork of regulatory licenses and obligations; the detrimental politicisation of retail policy; a historic lack of attention to the rest of the energy system; the short-term interpretation of consumer benefit; and the bulging scale of sometimes siloed and uncollaborative activity across energy governance, contribute to what is now a significant identity crisis. This is demonstrated by confusing public messages on the direction of and rationale for regulation, and a burdensome, prescriptive enforcement-led approach to compliance that limits investment and constricts businesses' capacity for innovation and customer service provision.

This needs to change.

Energy UK believes Ofgem needs to become a regulator focused on purposeful and efficient interventions, through a collaborative, proportionate and risk-based approach to engagement and compliance. It should provide well-thought-through, prioritised, consistent decision-making as part of a long-term value-focused approach.

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<sup>1</sup> [Energy UK \(2024\) Net Zero is an economic opportunity](#)

First, while Ofgem's scope is expanding, such as through heat networks and (potentially) third-party intermediary regulation, Energy UK thinks a simplified purpose, streamlined duties, and clearer remit and priorities would help improve the regulator's efficiency and effectiveness. It would help build confidence in three constituent stakeholders that need to be balanced in Ofgem's decisions: consumers, investors, and service providers. This is vital to encourage the investment, innovation and competition that will be key to driving growth.

Second, equally important for enabling investment and growth is changing the way Ofgem interacts with industry. The current burdensome, opaque and at times combative approach should be replaced by transparent, collaborative processes and clear, consistent decision-making. There are positive examples of constructive engagement and transparency, which we welcome. Ofgem needs adequate resources, skills, and capacity to deliver in this way. This would give the industry the confidence and certainty it needs to invest and innovate in competitive energy markets.

Third, Ofgem must become more focused on value for future customers by delivering forward-looking evidence-led development of an efficient energy system. The regulator needs to be better able to signpost early the big-picture priorities, in energy costs and wider energy system capabilities, and seek to address them proactively and transparently, ensuring regulatory stability and confidence.

This is critical if we are to encourage the investment required for the Clean Power 2030 mission and Net Zero more broadly. From generation and distribution, to supply and wider energy services, investment in each part of the energy market will benefit from regulatory certainty and long-term clarity. The regulator should strive to set out a clearer, bolder, and longer-term articulation of the positive impact that system change will have on households and businesses, including the expectation of high-quality customer service.

This would in turn unlock a diverse array of high-quality, inclusive, and innovative services to be offered to customers, while delivering growth and progress towards net zero.

Focusing on delivering a positive future for the energy sector, Ofgem can support investment and growth, looking across the entire system to identify common challenges and remedies. We provide our diagnosis of issues and a blueprint for Ofgem's future below.

## The current situation

### Unclear remit and priorities

Ofgem is forced to navigate a lack of clarity about what it is expected to prioritise by the Government. There is a lack of clarity in how it is steered by the Government; the trade-off between different duties; what the Strategic Policy Statement expects Ofgem to prioritise; and the extent that Ofgem anticipates issues on behalf of customers.

We provide three different examples of where Ofgem's response to the Government limits efficiency and ultimately increases costs for consumers.

1. **Affordability:** While the Government commitment to a Warm Homes Plan and the consultation on extending the Warm Home Discount are welcome, there has not been an overarching government strategy to tackle bill affordability and debt post-energy crisis, nor a review of how to fairly manage the distribution of energy costs. This has led to multiple efforts by Ofgem to fill in the gaps through socialisation of costs via bills, price regulation, and debt schemes. This has included the evolution and heightened complexity of the price cap, levelisation, and new standing charge proposals. These are a highly reactive set of responses to try and tackle the policy chasm. Ofgem policies and proposals in this area can become overcomplicated, poorly targeted, labour-intensive to develop and implement, and breed uncertainty that stymies investment and dissuades innovation.
2. **Government support scheme delivery:** Ofgem enforces the Government's requirements for various schemes, including smart meters, the Energy Company Obligation (ECO) and Warm Home Discount (WHD). Ofgem does not have the remit to assess whether suppliers and other scheme entities have the scope, capability, or capacity to deliver long-term value for customers. It also does not appear to have the capacity to effectively administer the schemes and struggles with staff retention and churn. While there is huge customer value in these schemes and they are a proven route for energy efficiency installations, the scheme complexity, the fit with Ofgem's core competencies, and the highly prescriptive targets create numerous issues. A lack of stability and central coordination capability in schemes is as much a problem for supply chains, stakeholders, and industry as it is for the regulator trying to enforce delivery. In the case of ECO delivery, this has resulted in some suppliers reporting an average response time of three months to general email queries relating to the scheme. It also appears that the schemes struggle to secure Ofgem IT capacity, with bugs in the ECO Register being left

unresolved.

3. **Network and system adequacy:** The lack of political attention on the speed of network build at a time when Ofgem's regulation focussed on immediate cost savings over long-term cost-efficiency means that the UK is now having to play catch up through the Accelerated Strategic Transmission Investment (ASTI) framework and rapid connections reforms. Similarly, the system operation capability to manage the rapid expansion of assets to run the system efficiently has not had the necessary pace. The lack of government attention on network and system capability (until recently) as a driver of growth, and limited clarity on how Ofgem should approach it (given the system efficiency and wider negative economic impacts that constrained networks and asset skip-rates represent) is problematic. The Government Review of Electricity Market Arrangements (REMA) will need to address the scale of constraint costs and the costs of skip rates as a result of poor visibility, as well as develop routes/access to markets for batteries and other smaller assets. Ofgem has a crucial role to play in ensuring that the energy system can respond to this challenge. Given the importance of both network development and energy connection to development industry and growth, the integration with Regional Energy Spatial Plans (RESPs) to provide more democratic input into energy supply and network development has been missing and will be important going forward. The regulator will also need to remain engaged in these conversations. It will be crucial to ensure the RESPs are both representative and genuinely impactful at the local level.

## Operational approach

Alongside remit and priority issues, Ofgem's monitoring of - and the relationship with - industry can also result in further challenges.

The dilemma of all regulators is tackling information asymmetry with licensees about their businesses. Ofgem's approach of seeking to overcome this through a reliance on information requests rather than collaboration often leads to disruption and uncertainty, poorly targeted interventions and inconsistent levels of engagement. In this section we set out areas of concern, as well as more positive examples.

**Information requests:** Trying to address asymmetry by collecting ever-more detailed information from licensees and utilising it through complex interventions is resource intensive and disruptive of confidence in regulatory direction.

The domestic retail market is an example of where the quantity and approach to information requests can be hugely problematic. These requests have ballooned from around 50 per year to several hundred. They are often detailed, duplicative, and siloed requests that have a disproportionate impact on suppliers, often without a clearly communicated concern about customer detriment or risk.

The commitment from Ofgem's senior team to provide a simplified and improved information-gathering process across retail regulation is welcome. Yet the pace of change is at odds with the impact it has on resources, the apparent impact on the clarity of direction of interventions and therefore increased industry uncertainty.

**Engagement:** Here are several examples of recent concerning engagement and some seemingly broader challenges as well as good practice.

Ofgem's recent approach to developing proposals on standing charges has led to confusion. Announcing a commitment to deliver a solution without clarity about what is being proposed resulted in significant disruption and concern for energy suppliers and wider stakeholders<sup>2</sup>.

Ofgem's use of a series of blogs to improve information sharing regarding the connections reform process has been welcome. But not all stakeholders were aware of the blog or the implications of the proposals set out, leaving it to seem that Ofgem had introduced a policy shift on connections processes via a blog. This reflects a poor approach to coordinated stakeholder engagement; however, we have more recently seen progress on industry engagement from the regulator on this workstream.

These examples are symptomatic of a lack of transparency and collaboration about proposals that are coming forward. This increases Ofgem's regulatory burden as it is resource intensive to respond to, and reduces the confidence of market participants, reducing the amount of resource that could arguably be better focused on self-improvement and innovation.

It is vital that DESNZ and Ofgem pursue the principles of better regulation that support a stable market. This review of Ofgem asks for views on whether the regulator has the necessary powers to give a quicker response to emerging issues and make "*Urgent rule changes*". It is crucial that Government understands the impact the regulator can have on the day-to-day operating capacity of businesses in the energy sector. Ofgem has already shortened its consultation processes to the point it is regularly unmanageable. We are concerned by the idea of removing the consultation period in any instance. It is an important part of the process, allowing

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<sup>2</sup> BBC (2024) Backlash over energy standing charges shake-up



stakeholders to refine proposals, identify implementation challenges, and highlight potential unintended consequences. For example, in Ofgem's Review of the Microbusiness Market, the final set of measures was markedly improved from the original proposals, having been refined through consultation including a thorough cost-benefit analysis.

There is not enough clarity about why certain aspects of industry regulation are seen as more urgent than others. For example, Ofgem oversight and industry-led code decisions appear to be being deprioritised, which is a significant barrier to achieving Net Zero. Ofgem has been responsible for multiple code change hiatus periods and delays over recent years. The regulator has failed to hold the NESO code team to account in progressing code changes in a timely way. It is our view that the voice of the industry in changes like this should be utilised effectively to deliver efficient change.

In contrast, in the Non-Domestic Market Review (NDMR) process, Ofgem has been outcomes-focused and has attempted to use guidance over the prescriptive rule-making approach. Ofgem also worked with suppliers to co-create industry guidance such as on deemed contracts and billing transparency. Some of our members also report that Ofgem's non-domestic energy supply policy team has approached them for informal bilateral engagement to help Ofgem better understand matters surrounding billing and energy theft. This is a positive model of engagement.

A further challenge of this approach is that the presentation of market monitoring information about suppliers is not balanced and is regularly not constructive. The communication about supplier activities is skewed heavily to enforcement and responses to accusations of poor performance. It does not seem that Ofgem is inclined or feels able to use information available on supplier compliance in a balanced way. This is detrimental to consumer trust of suppliers.

**Complex, inconsistent and under-evidenced interventions:** New agendas and proposals are still issued unexpectedly and at times when industry is not sufficiently informed and consulted. Further, Energy UK and our members often have concerns on the evidence base or value proposition for Ofgem interventions.

For example, the recent license condition proposals on Radio Teleswitch (RTS), are very reactive, with unclear value for customers. Repeated consultations on the same issue without further evidence of detriment or rationale on issues such as opening supplier priority phonelines to charities is unmanageable. In contrast, Ofgem has also worked with Energy UK and the End Fuel Poverty Coalition on trials of sharing specific supplier contact information to establish effective support partnerships



where mutually perceived to be beneficial for consumers. This is a helpful model for future work.

An evidence-based approach to intervention is critical. A key failure in this regard occurs in attempts to apply the inefficiency and cost of protections too broadly, in particular, from domestic customers on to non-domestic customers. Households and businesses have different risk profiles and while there are common goals of good value, good service, and cleaner energy, their energy supply needs are catered to differently. Replicating domestic energy supply policy can drive up costs with little meaningful benefit. For the Faster Switching initiative, non-domestic energy suppliers had to implement a major change at significant cost for limited benefit to many of their customers, given the typically fixed-term and longer-term nature of non-domestic energy supply contracts.

Further examples of where Ofgem has considered potentially disproportionate regulatory approach, that are over standardised and without thorough impact assessments for the non-domestic supply market include cooling-off periods, 24/7 metering provisions, standing charge reform and billing interventions. Ofgem took a collaborative approach and listened to industry but the default towards expansion of protection is not reflective of a consistent standard for interventions.

### **Failing future consumers**

Alongside issues with the remit, priorities, and operational challenges, the lack of consistent regard to the future interests of consumers appears to limit Ofgem's ability to see future risks. It also limits innovation, competition, and growth.

**Failing to see future challenges:** While Ofgem clearly recognises the need to move away from reactionary interventions and poor communications through proactive efforts to set a clearer strategy with better focus and accountability, the initiatives in this area have had minimal impact.

The consumer and competition frameworks, the Ofgem multi-year strategy and the Consumer Confidence work have, in part, recognised the change necessary to better prioritise future customers. But this has not been accompanied by a process that avoids rushed and poorly thought-through workstreams.

Further, there are ongoing alignment issues. For example, Ofgem's objective to meet Net Zero is inconsistent with network code objectives which do not include a Net Zero goal. This has worked to date because Net Zero support mechanisms have existed outside of code (for example through CfDs). However, now that Ofgem has adopted Clean Power 2030 as an objective, this has become problematic because it

is a short term, time limited goal which is inconsistent with the market based, non-discriminatory principles of the code. The regulator has indicated that it will judge modification proposals on the basis of whether they will help achieve Clean Power 2030 at least cost. This is not the same as Net Zero at least cost.

**Stifling innovation, competition and growth:** The price cap model and approach is characterised by a pursuit of supplier data and setting an increasingly precise direction on the customer offers a supplier should provide. This in turn increasingly means reallocating costs between suppliers. This approach reduces confidence and predictability of cash-flow and fundamentally constrains incentives for innovation and diversification, reducing scope for investment. It threatens the clarity of access and scope for fair returns in the wider home energy service markets.

The impact of reactionary interventions and poorly thought-through communications has resulted in a lack of investor confidence, and heightened the perceived risk from the presence of the regulator. This is demonstrated by a supplier ranking the regulator a more significant risk to an investor than volatile wholesale market costs, to which suppliers are heavily exposed.

Attempting to out-manoeuvre licensees via highly detailed and broad view of licensee activities has led to overly complex regulatory interventions. Particularly when attempts are made to define the precise solution businesses should offer in either markets or for monopoly networks. This creates pressure for expertise and resources at the regulator that drive up costs – as we have seen at Ofgem in recent years. The complexity of interventions also creates opportunities for gaming and value capture that lead to poor outcomes through not providing a level playing field and favouring specific business models by being able to replicate the notional supplier.

We have two further examples of failures to anticipate the needs of future customers.

Firstly, on grid connections, there has been a clear lack of consideration given to the implications to the wider economy of the lengthy process and the high costs of connecting to the energy grid. Ofgem allowed grid connections to massively back up in the queue. There has been 760 GW waiting to connect. Ofgem has been in crisis mode and has been working well to tackle this challenge and order a queue for efficiency and strategic need. The level of urgency and transparency from Ofgem in this area has been positive, if overdue.

Secondly, on skip rates, the NESO ability to operate an electricity system fit for the future has not progressed at the requisite pace due to foreseeable underinvestment in national and local energy system operation capabilities to support investment in batteries.

Until mid-2024, the NG ESO was effectively an entity contracted and funded by Ofgem to carry out a specific set of activities. A lot of the current inability of these technologies to access the market and compete to drive system efficiency and reduce bills is down to a lack of strategic foresight and underinvestment by Ofgem.

Market access has been largely left to the networks themselves (6 years of Open Networks) despite the governance issues this presents.

The ramp-up in renewable generation and corresponding impact on the system, could have been better managed by the regulator – for example by ensuring that the control room's dispatch capability, and its underlying models were invested in and transforming in line with the changes on the physical system.

There have been numerous abandoned initiatives to try and get to grips with limited visibility on distribution networks. We need a regulator that can show more leadership.

### **A blueprint for Ofgem's future: efficiency-driven, consistent and forward-looking**

#### **Efficiency-focused regulation, with a clearly defined remit, priorities and boundaries of responsibility**

For Ofgem to support economic growth, it needs to both operate efficiently and be tasked with monitoring and ensuring system efficiency. To do that requires clearer strategic direction and focus set by the Government, from which Ofgem needs to operate independently with self-discipline and due process to tackle key issues systematically.

Energy UK recommends that the Government:

- Provide a renewed focus on investment, growth, and the modernisation of a visible and transparent energy system and costs.
- Reform Ofgem duties with a primary duty focused on realising long-term consumer value from the modernisation of an efficient energy system. A small number of further consistent duties and issues to have regard should be set out in the same place<sup>3</sup>.
- Set a prioritisation strategy for the realisation of benefits from the energy transition, and how it should be funded as part of the Strategic Policy

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<sup>3</sup> Currently Ofgem's duties are spread across: Gas and Electricity Acts, DTC Act, NEFA, Deregulation Act

Statement (SPS) or other mechanism. Ofgem then must be able to confidently point to strategic direction and market monitoring to maintain focus.

- Delineate more clearly Ofgem's competency and capabilities and what role it will take on policy issues alongside DESNZ, NESO and code bodies. This is vital for confidence in due process. A lack of clarity and attempts to avoid principles of better regulation damage investment.
- Ensure the management and performance of the new Code Managers is aligned to wider strategic priorities and prioritise engagement with industry.
- Expand Ofgem's scope to include the increased range of services that impact the energy supply and service customer journey. Including heat networks and Third Party Intermediaries (TPIs). We have concerns about Ofgem being a regulator for broader range of home changes, such as energy efficiency installations and low carbon technologies, which it is not set up for.
- DESNZ should not take forward attempts to make it easier for Ofgem to impose lower-level penalties for straightforward cases where there is an "objective indication" that a breach has occurred i.e. potentially changing the process to allow for penalties to be issued without the need for a thorough investigation every time by default. The onus should remain on Ofgem to carry out a thorough investigation. Turning this around to a "guilty until proven innocent" position, where the supplier has to demonstrate mitigating circumstances as part of an appeal, is inappropriate and could result in unwarranted reputational damage. The only scenario where a full investigation might not be required is where a supplier has self-reported non-compliance.

### **Supporting investment and growth through transparent, collaborative processes, and clear, consistent decision-making**

Ofgem should be seeking to minimise the impact of the information asymmetry power dynamic by being more collaborative in understanding how and why energy businesses are run as they are before representing views externally. With competitive markets, Ofgem should be looking for innovative policy solutions that can deliver at an efficient cost. Operating more transparently and creatively before publishing ideas will deliver better proposals.

The regulator should be aiming to facilitate a predictable and investable regulatory framework. While the recent need for changes has been necessary to shift Ofgem's approach towards being a more proactive regulator, protection against regulatory shift resulting from changes in political priorities is essential to encourage investment. Transparency of process and decision making is key to this market confidence.

Markets should be accessible for entrants through lower complexity but while maintaining a level playing field. Further, Ofgem should monitor its own impact on investability throughout the energy market, in particular in the retail energy market to encourage competition.

Energy UK recommends that the regulator should:

- Collaborate and codesign whole system proposals with Government, markets, monopoly networks, local authorities, and consumer groups to support data-led proposals for solutions that improve operational energy system functions. These must improve visibility of the energy system and improve simplicity and quality of interventions, which lead to both investment and better outcomes for customers. Ofgem must seek a no-surprises approach with those delivering the future energy system and services.
- Take a principle and outcomes-based approach to policy that must run parallel to the simplification of duties, license, and change of approach and not just be a backstop catch-all for regulation in addressing future challenges. A risk-based and proportionate approach to market monitoring and compliance and enforcement is needed, seeking to reflect a fair assessment of licensee behaviour and performance.
- Create firm statutory regulations, backed by clear guidelines, to safeguard, investments from changing political headwinds wherever possible.
- Ensure statutory rules on code modifications are fit for purpose and clearly signalling to the market when exemptions to following those rules must be made.
- Develop key guidelines and requirements for the straightforward tracing of regulatory and code body decision making and policy developments. In the interest of transparency, decisions must be clearly linked to the broader strategic direction Ofgem is aiming for.
- Carry out, as accurately as possible, impact assessments of the costs and benefits to end consumers of regulation changes. Decision making should focus on long-term delivery of better consumer outcomes.
- Ofgem should further develop a framework for assessing the effectiveness of competition. This should include a renewed emphasis on resilience of suppliers and allow for innovative contractual structures around the new functionalities required to apply new technology. There should be no return to measures which distort the market towards new entrants, smaller suppliers, or using switching as an indicator of effective competition.

## **Protecting current and future consumers through a forward-looking approach**

Through simplifying and clarifying Ofgem's purpose, scope, remit, and priorities, then reflecting where necessary through license simplification, the regulator will be able to better serve the interests of both current and future customers. Alongside the longer-term interests of customers met through network investment, there is a need for a longer-term approach to both the energy demand side of the market and to how energy is supplied through generation agreements to reflect the value to the wider economy.

It should be foundational that an economic regulator has a clear approach to the level and scope of competition that supports positive outcomes for customers. Current claims about the lack of competition and shortcomings of competition are not being evidenced and should not be the basis for regulation of the retail market.

While opening the market is a credible route to innovation, this should not be achieved through derogations providing shortcuts and advantages that deviate from a level playing field, as is beginning to happen again. The number of supplier failures during the energy crisis and the pursuit of a more effective customer experience should encourage Ofgem to avoid past mistakes and seek a market that continues to provide clear touch points for customers.

The development of energy demand adaption to Net Zero requires a clear plan and investment in physical, data, financial and governance infrastructure over which markets can operate smoothly to deliver value. A lack of proactive regulation, poor visibility of the system, governance or unclear changes, and costs for suppliers unnecessarily adds risk and therefore costs to customers.

Ofgem is making strides in facilitating data infrastructure development in certain areas and improved access to markets is important. The power of digital exchanges for the breadth of the sector represents an opportunity to set expectations and serve customers in a tailored way at efficient cost. This will only eventuate with a regulator pursuing this opportunity in a joined-up and collaborative way.

Ofgem is also, to its credit, making progress in creating a more proactive approach to network price controls. But there is an essential need for this proactiveness to be aligned, as standard practice, with the shift to strategic planning. There is a key role here for the RESPs and Ofgem must take steps to ensure that governance and decision-making framework is representative of relevant stakeholders from across civil society and industry, not just the networks. This is essential for ensuring strategic planning is not just a top-down process led by NESO, but a truly iterative top-down and bottom-up process that accounts for local uncertainties and economic/social priorities.

In collaboration with the Government, the building of systems and supply chains fit for the future on the back of regulatory support and interventions needs longer term signals. It has been positive to see efforts to facilitate this through the Advanced Procurement Mechanism (APM) for RII0-T3. But this challenge does not just concern networks and supply. There is a need for a long-term strategy to secure the wider energy supply chain, and communicate and pursue the complex relational engagements customers need to make to see benefits, such as coordinating procurement across the sector, getting smart meters, retrofit and engaging with flexibility.

To enable the benefits of the energy transition for consumers, Ofgem needs to anticipate issues in a coordinated manner, far in advance and boldly strive to enable stable, purpose-driven markets.

Energy UK recommends the Government work with the regulator to:

- Set a decade-long approach to regulatory priorities
  - Including projections on costs and benefits for bills
  - Plans to maintain financial resilience
- Simplify market monitoring and market deliverables to achieve stable purposeful outcomes for consumers:
  - Efficient cost
  - Evidence of inclusive access to affordable and low-carbon energy services for vulnerable customers
  - Provision of suitable and, where necessary, tailored future-ready tariffs and energy services
  - Monitor availability of tariffs and energy service propositions and the support provided in enabling effective service use
  - Provision of appropriate protections and remedies – favouring a single and well-integrated sectoral redress scheme
- Ensure the RESPs' governance and decision-making structures involve a broad range of relevant industry and civil society stakeholders.
- Review the Cost/Benefit Analysis (CBA) of least-regrets options for investments. The current framework by Ofgem provides too many conditions under which certain investments would be scrapped. This needs revision if strategic network projects are to progress with confidence.
- Widen the ambition from policies like the APM to secure the supply chain across the energy sector in the long run.
- Consider the impact of some decisions on the overall economy (eg for interventions on connections and bill affordability)



If you have any questions or would like to discuss this response further please contact [ed.rees@energy-uk.org.uk](mailto:ed.rees@energy-uk.org.uk) or [ned.hammond@energy-uk.org.uk](mailto:ned.hammond@energy-uk.org.uk)