

From: Tom Lowe <tomlowe@thermalstorage.org.uk>
Sent: 01 February 2022 17:45
To: Forward Work Programme
Subject: Thermal Storage UK response on forward work programme

Dear Ofgem

Thermal Storage UK is the trade association representing three British companies offering modern thermal storage. To decarbonise heating at the lowest cost for people, the future energy retail market must increase flexibility in when we use electricity. Modern thermal storage has an important role to play in shifting heating demand for people and businesses.

Decarbonising heating

We welcome that Ofgem's Forward Work Programme for 2022-23 focuses more on delivering net zero than previous work programmes. We strongly agree with Ofgem's assessment that "decarbonisation of heat is central" to delivering net zero. The importance of decarbonising heat in homes and businesses is clear from the assessments of the Climate Change Committee and National Grid's Future Energy Scenarios.

Ofgem can further support decarbonisation of heat by:

- Incentivising or requiring energy suppliers to offer smart time of use tariffs.
- Encouraging flexibility through network charging reform.
- Bringing forward the start date for market-wide half hourly settlement to 2023.
- Considering how regulation of the energy retail market can support decarbonisation of heating.
- Regulating heat networks fairly and efficiently.

We support Ofgem publishing an "Energy transition" roadmap for the forthcoming decade. This roadmap should include the steps that Ofgem will take to encourage flexibility, including demand side response and smart tariffs. These are important components for people and businesses to install and make use of thermal storage.

Increasing flexibility

We agree with Ofgem that "demand for electricity will increase" as people buy electric vehicles and install electric heating systems. People will move away from burning fossil fuels and increase their use of low carbon electricity. This approach when combined with increased flexibility is the least cost way of achieving net zero.

We recommend that the updated Smart Systems and Flexibility Plan 2 allows people to benefit from consuming and storing electricity at cheaper times. This is why we recommend that Ofgem requires energy suppliers to support low carbon electric heating by providing at least one smart time of use tariff to people with smart meters. This will involve network charging reform as energy suppliers will want to offer smart time of use tariffs without making a loss. Network charging reform should maximise the use of renewable generation whenever it is available and optimise use of the electricity network so that any spare capacity is used off-peak. We would welcome participating in the Smart Systems Forum proposed by Ofgem.

Reforming the retail market

We support Ofgem taking steps to redesign the energy market through its "Future of Retail" strategic change programme. The last 6 months of 2021 have demonstrated the need for deep reform of the energy retail

market. This reform should protect vulnerable people now and support the transition to a cleaner and more resilient energy retail market for everyone.

We agree that Ofgem's retail market strategy should enable people to secure reliable carbon-free energy at least cost. This means shifting away from fossil fuels in heating. This involves Ofgem and the government setting out the role of energy suppliers in decarbonising heating and improving energy efficiency advice. We would welcome engaging with Ofgem on its future of retail strategic change programme.

Capacity

Taken together, the current draft of the forward work programme includes a very wide range of activities. It is not clear that the budget available for the year will allow Ofgem to scale up personnel quickly enough to deliver on all strands. We recommend Ofgem ruthlessly prioritises activities that protect customers now and ensure the future market is cleaner, more resilient and more flexible.

We would welcome a meeting with Ofgem to discuss the points made above and answer any questions. This response is not confidential and may be published by Ofgem.

Best wishes

Tom Lowe

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Thermal Storage UK