

22 February 2022

To: FWP@Ofgem.gov.uk

Ofgem's Draft Forward Work Programme

Thank you for the opportunity to comment on Ofgem's Forward Work Programme (FWP) for 2022/3. Sustainability First is a think-tank and charity focussed on social and environmental issues in essential services. We have contributed to Ofgem's work in a number of areas including as members of Ofgem's RIIO Challenge Group, through our responses to consultations, through various of our projects that Ofgem has supported and most recently through our new partnership on the [Sustainable Futures Energy Forum](#).

At an overall level we note that Ofgem has identified two key challenges for the year ahead – responding to the energy crisis and supporting the net zero agenda. We recognise that these will both be very clearly – and rightly – front of mind for Ofgem. However, as the FWP makes clear, there is a huge amount of other work that Ofgem has to deliver on as well.

In terms of the energy crisis, we are particularly concerned about what steps can be taken to assist individual consumers who may already have been struggling and for whom the impacts of the inevitable increase in prices this year are almost unthinkable. While we are aware that decisions around financial support are essentially for government, we hope that Ofgem is using the consumer insights that it has to advise officials on the steps that need to be taken. We have also argued in a recent [Viewpoint](#) that more focus is needed on **energy saving** and that practical advice for customers is both a licence obligation and good commercial sense at this time. As a practical step that Ofgem could take to help mitigate the impacts of the price rises a focus on energy efficiency and energy saving should be a priority for Ofgem but is not mentioned in the FWP.

More generally we have highlighted in a subsequent [Briefing Paper](#) the need for thinking around short term solutions to the energy crisis to help pave the way for longer term more radical reform of the retail market. We hope that in its work over the coming year Ofgem will be able to make these links between the short-term issues and the longer-term direction and would be very happy to discuss our thinking further if that would be helpful.

While we are aware of the pressures on Ofgem at this time we also wanted to highlight a few areas that we felt were neglected or underplayed in the proposed FWP:

- **Climate adaptation:** The government's latest Climate Change Risk Assessment¹ identified the energy sector as one that required urgent action on climate adaptation recognising the growing dependency on electricity, including cascade risks and cross sector interdependencies. The FWP includes a brief reference to learning the lessons from Storm Arwen which we would support but would also urge you to look ahead to anticipate other future climate risks – not simply to look in the rear-view mirror at what has happened. As well storms there are risks from floods and extreme heat. The need to "stress test" company plans, looking at all dimensions of resilience (including eg cyber), should be one of the wider lessons learned from both the energy crisis and Storm Arwen.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1047003/climate-change-risk-assessment-2022.pdf

- **Vulnerability:** The only references to the needs of customers in vulnerable situations are in the introductory sections and then briefly in relation to the energy crisis. We would encourage you to ensure that this thinking is embedded more widely across the FWP, acknowledging the new categories of vulnerability we are seeing post Covid, with an increase in the working poor. The energy transition will introduce new forms of vulnerability and the issues around a just transition / no-one left behind need to underpin Ofgem's thinking alongside a careful analysis of the distributional impacts of different policy options. Broader thinking on inclusivity should also be a part of this.

- **Data and digitalisation:** We note the emphasis being placed on building Ofgem's own capabilities in this area. We hope that building on the recommendations of our [PIAG work](#) you will also look carefully at what data Ofgem needs to oversee an increasingly smart market which we argued pointed to the need for Ofgem to have access to aggregated or anonymised smart meter data.

- **Network competition:** We note that Ofgem remains firmly committed to pushing forward with increased network competition and are aware that this was endorsed in Kwasi Kwarteng's recent open letter to the regulators. However it is important that this is not seen as an end in itself. In particular we would encourage Ofgem to take time to reflect on the lessons from the recent problems with the retail market – including on moral hazard for example – to help in anticipating future risks with increased competition in the network sector.

- **The consumer voice:** Under "Transforming Ofgem" there is no reference to the need for Ofgem to ensure that it is listening to the consumer (or indeed wider stakeholders and communities) and to continue to find new ways to strengthen the consumer and citizen voice. The new Sustainable Futures Energy Forum which we are setting up for Ofgem is an excellent example of Ofgem leading the way – bringing in the voices of young people and those impacted by climate change, in a more ethnically diverse group. We would hope that it could be positioned within a clear commitment from the organisation to ensure that such voices are heard.

Finally, we note that this proposed FWP does not provide any **timescales** or specific **deliverables**. We are aware that the evolving energy crisis means that Ofgem may need to adjust priorities over the coming year but we hope that the final plan will include an indicative timetable for key activities. This is important to organisations like Sustainability First as we seek to plan ahead how best we can contribute to the regulatory debate over the coming year.

In our view Ofgem cannot count on a return to a steady state in even the medium term. As well as remaining agile and ready to prioritise, Ofgem must also ensure an open and inclusive debate about longer-term lessons from the energy crisis for approaches to market oversight and future energy regulation.

We have long argued that a **Strategy and Policy Statement** is vital to provide a steer as Ofgem's seeks to prioritise its work and make crucial trade-offs. We hope that Ofgem will continue to engage constructively with BEIS to ensure this is published as soon as possible, building on the Kwasi Kwarteng open letter.

Yours faithfully

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