

Consultation

Ofgem's Forward Work Programme – 2023/24

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Email: FWP@Ofgem.gov.uk

We are consulting on our proposed Forward Work Programme for 2023/24. We would like views from people with an interest in our developing consumer interest framework, our short and longer-term strategic priorities, and our proposed key regulatory projects and programmes for the year ahead. We particularly welcome responses from industry, consumer groups and charities. We would also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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Introduction

Foreword from the Chief Executive

The last year has produced some very challenging conditions: both for the industry and more importantly for the customers that we are here to serve. I know many consumers, who I speak to regularly one to one, continue to feel under immense pressure and worry about the future.

Russia’s war in Ukraine continues to drive extremely high prices and volatility in the international gas market, and our working assumption, at least for the medium-term, has to be that this will continue.

There is a very tough road ahead, and one that will take a major combined effort between Ofgem, the industry, the charities involved, and government, to manage as best we can for our customers, both through this winter and beyond.

As Britain’s energy regulator, Ofgem has adapted rapidly to the energy crisis to meet the scale of the challenges posed, taking on major new areas of work and new powers and responsibilities. This document outlines our proposed next steps to continue that mission, setting out the key projects and programmes that we intend to undertake in the coming year to protect consumers’ best interests, including the objectives that we intend to deliver.

In the short-term, it focuses on our work to ensure energy prices are fair, that the sector is resilient and can better withstand market shocks, and that we will monitor and enforce supplier quality and service standards, to ensure that customers are fairly treated.

Equally, as we look out towards our low-carbon future, we know that this is the best way to construct an efficient and secure low-carbon system. We know that the economics of energy have changed, with renewables and low-carbon generation becoming not only the most sustainable but also the cheapest and most secure option. This will also mean rapidly developing new market reforms and governance arrangements so that the energy system is optimised for a more flexible future, delivering new energy

infrastructure at pace, and cost-effectively enabling customers to shift their demand over time, and adapt the system for more intermittent sources of renewable energy.

We will also continue to deliver a range of environmental and social schemes for government, to help vulnerable consumers and to enable decarbonisation through expansion of domestic and non-domestic low-carbon technologies and energy efficiency measures, providing around £10 billion of support a year.

This Forward Work Programme proposal is a crucial component of delivering an advanced, resilient market adapted to the conditions we find ourselves in. One that can deliver the energy transition and protect customers' interests both now and in the future. I look forward to receiving feedback on the priorities proposed and approach taken.

Jonathan Brearley

Ofgem Chief Executive

Consultation overview

As Ofgem plans for the financial year 2023/24, we welcome views from all of our stakeholders for this proposed programme of work. We are interested to receive your feedback on our developing consumer interest framework, our short and longer-term priorities, as well as on our key regulatory projects and programmes for the 2023/24 year.

As always, our final work programme may change to respond to unforeseen challenges that the energy market faces between now and when it is finalised in late March 2023. We will also carefully consider your feedback through this consultation as we agree a final programme of work.

You can respond to this consultation by emailing your submission to FWP@Ofgem.gov.uk by 17:00, Friday, 3 February 2023. Unless you ask us not to, we will publish your submission on our website.

Ofgem's final Forward Work Programme for 2023/24 will be published by 31 March 2023.

Who we are and our principle objective

The [Gas and Electricity Markets Authority \(the 'Authority'\)](#), consists of non-executive and executive members and a non-executive chair, which operates through the Office of Gas and Electricity Markets ('Ofgem'), which is a non-ministerial government department. In this consultation, the terms Ofgem and the Authority are used interchangeably.

The Authority determines strategic direction, sets policy priorities and makes decisions on a wide range of regulatory issues, including price controls and enforcement.

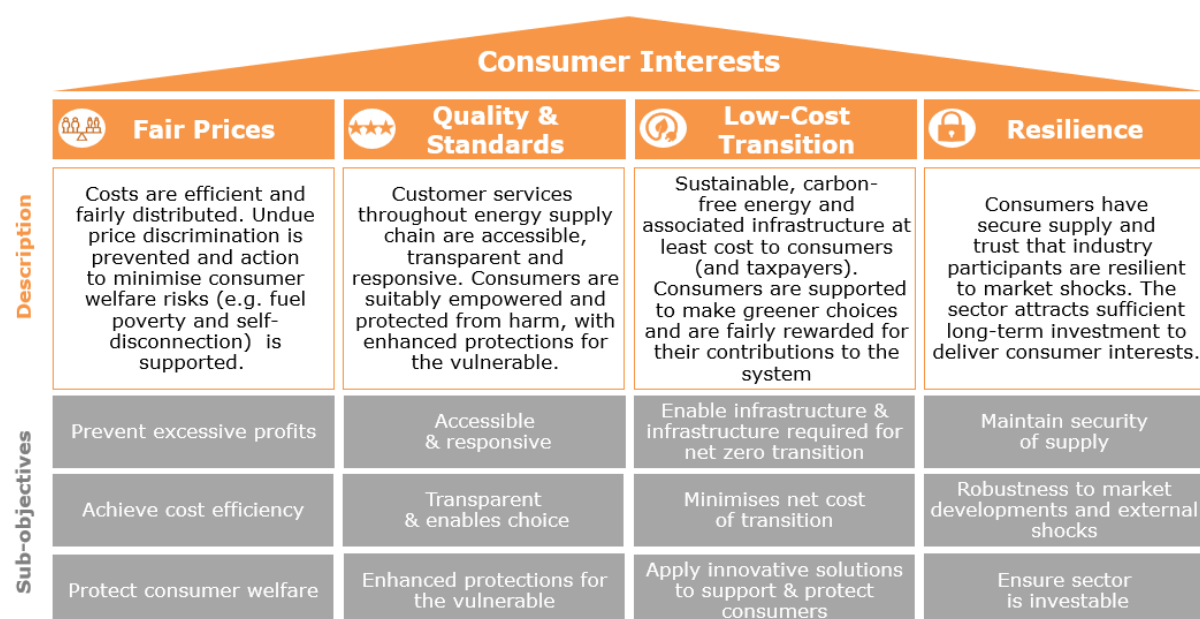
The Authority's principal, statutory objective is to protect consumers' interests, now and in the future, including their interest in a cleaner, greener environment. In 2023/24, we propose to achieve this by deploying our resources to activities that:

- deliver fair prices for consumers
- strengthen resilience across the energy sector
- support a low-cost transition to net zero
- monitor and enforce supplier quality and service standards.

Consumer interest framework

In regulating this complex and transforming sector, Ofgem will inevitably be faced with making a number of trade-offs. To help navigate these and ensure that our decisions are made with the core interests of energy consumers, we have set-up a decision-making framework, to help Ofgem balance 'trade-offs' in a fair and clear way.

This proposed framework, as illustrated below, is made-up of four pillars and sub-objectives. It is based on the understanding that regulatory standards are needed in the energy market when competition fails to provide the protections that consumers need. The framework does not override or substitute our statutory duties; it is intended to support them. Its role is to provide clarity and consistency in the way we consider all aspects of consumer interests, across domestic, non-domestic and vulnerable consumers, and to identify trade-offs and system interactions. The framework has been designed to be relevant to all of Ofgem's regulatory activities; not just those that are consumer-facing.



We welcome your views on this framework and its use as we confront trade-offs. Please provide comment on its components, or any alternative framework you consider that might work better.

Strategic priorities

To address current market conditions and set-up the timely transformation of Great Britain's energy system in consumers' interests, we have identified a set of short-term and longer-term strategic priorities, which we will begin to deliver and monitor from April 2023, which will continue through to 2030.

Our short-term priorities	
Ensuring prices are fair	With sustained gas price volatility driving-up energy costs, Ofgem will work with government, acting fast to protect consumers, to help ensure that prices are fair across the energy value chain.
Creating resilience across the energy sector	Price volatility, geopolitical threats to European energy security and global competition have increased the need for resilience across the sector. We will strengthen security of supply standards and further implement changes to deliver a reformed retail market, so that it can better withstand market shocks.
Monitoring and enforcing quality and standards	Recently, performance standards have been found to be lacking across parts of the sector. We will continue to monitor and enforce key consumer standards and protections, while implementing new standards where our remit expands. We expect the sector to go further to support consumers, especially for the most vulnerable.

Our longer-term priorities	
Facilitating infrastructure investment	Decarbonisation of energy will require a new range of technologies across the system, with shifting demand for electricity, gas and other energy sources. Ofgem will act as an enabler for infrastructure investment at pace, to facilitate a rapid, cost-effective transition to net zero.
Developing and delivering market reforms	A renewables-dominated power system requires development and delivery of market reforms to help ensure it is optimised, including enabling greater flexibility.
Reforming governance arrangements	The transition requires a more strategically planned energy system and reforms to existing governance arrangements and institutions.

As we continue to assess the benefits of our strategic approach to transforming the energy sector, we would welcome your views on whether these priorities are those that Ofgem should focus on in 2023/24 and beyond.

Delivery: Project and Programmes

To deliver Ofgem's strategic priorities, we have identified a set of twenty key regulatory projects and programmes that we propose to deliver during 2023/24 and beyond. They are set out below, aligned with our short and longer-term priorities.

As we continue to assess the benefits that these projects and programmes could deliver against our priorities, we would welcome your views on whether these are areas where Ofgem should focus its resources in 2023/24 and beyond.

These projects and programmes are in addition to other statutory regulatory and operational activities that we carry out, which are outlined in the following sections.

Our short-term priority: Ensuring prices are fair

Government Bill Support	
<i>Description</i>	<p>Support the delivery of government schemes to address the cost-of-living crisis:</p> <ul style="list-style-type: none"> ▪ Energy Bills Support Scheme (EBSS) – The EBSS gives all domestic customers a £400 discount on electricity bills, split into monthly payments between October 2022 and March 2023 ▪ Energy Price Guarantee (EPG) – The EPG limits the price suppliers can charge domestic consumers for each unit of energy, with government paying costs above that limit ▪ Energy Bill Relief Scheme (EBRS) – The EBRS provides a discount off non-domestic customer bills, based on a proportion of the wholesale energy price.
<i>Objective</i>	<p>Across these schemes, we will monitor compliance and take appropriate action against suppliers where necessary, with specific goals for each scheme, to:</p> <ul style="list-style-type: none"> ▪ ensure suppliers fulfil payment and communication obligations regarding the EBSS ▪ continue to set the Default Tariff Price Cap ('the Price Cap'), as the benchmark price (that suppliers could otherwise have charged) informing government support through the EPG and ensure that suppliers comply with requirements and pass on benefits to consumers ▪ ensure suppliers comply with their requirements in the EBRS and pass on benefits to non-domestic consumers.
Vulnerable consumers	
<i>Description</i>	<p>Work with the Department for Business, Energy and Industrial Strategy ('BEIS') to develop and begin to implement a new approach for protecting vulnerable consumers.</p>
<i>Objective</i>	<p>Across Ofgem activity, we will continue to consider our particular duties to vulnerable customers and look for areas where we could intervene further to support them while maintaining alignment with BEIS-led work. This will include reviewing and potentially updating our Consumer Vulnerability Strategy, looking further at the prepayment market and assessing whether more can be done to protect these consumers. In particular, we will monitor to assess if energy companies are delivering in full on their obligations to support vulnerable customers.</p>

Retail market reform	
<i>Description</i>	Develop and implement reforms to drive-up standards for all consumers.
<i>Objective</i>	<p>In parallel with our approach on consumer price protections and financial resilience and controls, we need to ensure that the non-price related consumer protection standards in place via the supply licence are delivering the best outcomes for domestic and non-domestic consumers.</p> <p>Building on the existing framework and the outcomes from our Market Compliance Reviews ('MCRs'), we will consider how effectively standards are delivered by the supply market and implement reforms where necessary to help ensure that they remain fit-for-purpose for the future. This will include a focused review on business customer protections.</p>
Consumer price protections	
<i>Description</i>	Deliver effective price protection, which continues to evolve to meet the needs of consumers in a changing market.
<i>Objective</i>	<p>We have been making changes to the Price Cap in response to unprecedented volatility, to strengthen resilience and maintain protections, for example, by shifting to quarterly Price Cap periods. We will continue to monitor the impact of the Cap on customers and update the methodology as necessary, to ensure that it reflects the efficient costs of supplying energy so that we can continue to protect existing and future customers in line with our principal statutory objective.</p> <p>In December 2022, we published our Programme of Work for the Price Cap, which you can find on our website. In the longer-term, the Government has announced a review of customer protections post April 2024 (once the EPG ends), which may include measures such as social tariffs. We will work closely with Government to develop options for price protection that continues to protect those who need it.</p>

Our short-term priority: Creating resilience across the energy sector

Security of supply	
<i>Description</i>	Work with government and the sector to support a secure energy supply for winter 2023/24 and beyond, including monitoring the wholesale market, evaluating existing arrangements for gas and electricity and considering if regulatory interventions would further support security of supply.
<i>Objective</i>	<p>During the year, we plan to:</p> <ul style="list-style-type: none"> ▪ undertake short to medium-term measures to prevent avoidable disruptions to supply in 2023/24 and beyond, and to help ensure markets are functioning to support security of supply ▪ carry-out monitoring to assess wholesale market and market participant resilience, and to inform mitigations where needed ▪ review commercial and market arrangements and assess need for intervention: so that GB remains a competitive destination for gas; to mitigate risks that could undermine market resilience; and to keep downward pressure on costs for consumers ▪ review security of supply legislative framework to ensure roles and responsibilities are clear ▪ verify emergency protocols are clear and fit-for-purpose.
Cyber	
<i>Description</i>	Protect consumers by driving an increase in the cyber and security resilience measures of regulated companies.
<i>Objective</i>	<p>We will continue to protect consumers by driving an increase in the cyber and security resilience measures across companies regulated by Ofgem, with two areas of focus:</p> <ul style="list-style-type: none"> ▪ Accelerated resilience – Embed accelerated cyber and security resilience into the changes within GB energy systems, using guidance, as well as our full scope of regulatory powers. ▪ Improved situational awareness – Develop systemic understanding of the risks to the sector, in order to minimise the impact of an incident on consumers.

Power market liquidity	
Description	Undertake, with BEIS, exploration of potential wholesale market power liquidity issues.
Objective	Explore whether the wholesale power market liquidity is sufficient to meet market participant requirements, and to enable effective management of risk.
Financial resilience and controls	
Description	<p>Implement and further develop a regime to deliver a resilient energy supply market including:</p> <ul style="list-style-type: none"> ▪ an effective capital adequacy regime for domestic suppliers, with proactive monitoring and timely intervention to protect consumers ▪ the enhanced Financial Responsibility Principle, covering both domestic and non-domestic suppliers ▪ proposed ringfencing of Renewable Obligation (see administration of government schemes section) receipts attributable to domestic supply from 1 April 2023.
Objective	<p>Our overarching objective is to protect current and future consumers by developing a more resilient energy supply market. Through developing and implementing our proposed regime, we want to remove incentives for excessive risk-taking with consumer money (the moral hazard) whilst enabling an environment for investment and sustainable competition.</p> <p>Suppliers should have sufficient capital and sustainable business models to ensure they are sufficiently resilient to market shocks and that customers are shielded from the impacts of supplier failures as far as possible. This must all be achieved at the lowest cost to consumers. Specific objectives include:</p> <ul style="list-style-type: none"> ▪ continuing to assess whether the pace of change for capital adequacy requirements is appropriate, having set-out an ambition for requirements to be closely informed by the capital employed implied by the Price Cap ▪ following the introduction of the enhanced Financial Responsibility Principle, assessment of whether further measures are required in the non-domestic sector ▪ regarding proposed ringfencing of Renewables Obligation receipts, to introduce an effective system of monitoring and compliance in time for the first milestone checks at the end of June 2023.

Our short-term priority: Setting, monitoring and enforcing quality standards

Proactive and robust compliance and enforcement	
<i>Description</i>	Undertake a programme of compliance and enforcement activity, ensuring consumers are protected with regard to all aspects of the sector within our regulatory remit.
<i>Objective</i>	<p>Our objective through our compliance and enforcement strategy is to achieve a culture where businesses put energy consumers first and act in line with their obligations. We aim to achieve this objective by:</p> <ul style="list-style-type: none">▪ focusing on areas of greatest harm to consumers and gain to the suppliers▪ ensuring efficient and proportionate processes – allowing us to pursue and deliver change in as many cases as possible▪ developing an adaptable regulatory framework to enable a strategic, outcome-based approach▪ promoting, mandating and regulating the right behaviour. <p>Areas of focus include the Market Compliance Reviews, financial resilience and quality service standards of suppliers, and the protection of security of energy supplies by critical energy infrastructure operators.</p>

Heat network regulation	
<i>Description</i>	Prepare to regulate heat networks in line with government plans (expected to be 2024) and support BEIS in developing the market framework.
<i>Objective</i>	<p>We will have two main heat network regulation objectives: to help to ensure consumers get a fair price, fair treatment and a reliable supply of heat; and to support the decarbonisation of the sector, by enabling technical standards and enforcing carbon emissions limits on heat networks. We aim to achieve these objectives by:</p> <ul style="list-style-type: none">▪ ensuring there are sector-specific protections for heat network customers, through efficient and effective authorisation processes, regulation and monitoring, and compliance and enforcement activities▪ setting-up our authorisation, compliance and enforcement processes, to enable us to hold heat suppliers to account for their obligations under the prevailing rules, and see performance and efficiency improve over time▪ facilitating BEIS promotion of market growth, by ensuring that heat network developers can access powers equivalent to other utilities, such as gas and electricity.

Our longer-term priority: Facilitating infrastructure investment

Enable time-critical investment in infrastructure	
<i>Description</i>	Support faster connections and strategic transmission investment across onshore, offshore and cross-border and coordinated infrastructure and networks.
<i>Objective</i>	<p>To meet system needs and enable and accelerate necessary infrastructure investment, we will:</p> <ul style="list-style-type: none">▪ work with electricity transmission network companies on delivery of accelerated strategic investments from the 'holistic network design', driving a step change in their capacity to build new connections and deliver government targets, including 50GW of offshore wind by 2030 and avoid excessive networks constraints▪ conclude an 'initial project assessment' for new interconnectors and the pilot project for multi-purpose interconnectors, to enable government targets of 18GW of interconnector capacity by 2030▪ implement the second electricity distribution price control, to support the connection of new sources of low carbon power to homes and businesses, while meeting new demands, particularly for electric vehicles and heat pumps.▪ undertake reforms to improve both transmission and distribution network connection times at national and sub-national levels in the short and medium-term, in order to significantly reduce the current queue for connection.

Future network regulatory framework	
<i>Description</i>	Set policy direction for a new regulatory framework and begin work to determine an optimal approach for the future of the gas grid.
<i>Objective</i>	<p>We will continue the development of a future network regulatory framework, which is: best suited for increasing network capacity where required; limits the cost of meeting net zero targets; and enables innovative solutions on the networks with our focus on:</p> <ul style="list-style-type: none"> ▪ developing and confirming the price control frameworks for monopoly networks, that create the optimal incentives to deliver value and quality of service for consumers, while enabling the transition to net zero ▪ working with industry on implementation of price control development from 2026 for electricity transmission and gas distribution, and electricity distribution companies from 2028 ▪ continuing to work with the Electricity System Operator ('the ESO') with the intention to finalise an 'early competition model' for the electricity transmission network, in order to drive down the cost of meeting net zero targets, and to increase network capacity and enable new innovative solutions on the network.
Nuclear Regulated Asset Base (RAB) model	
<i>Description</i>	Design and implement the economic regime for new nuclear build generation plants, for Sizewell C; the only project currently designated for the regulatory investment model.
<i>Objective</i>	We will continue to take an active role in the design of the nuclear RAB economic regime to ensure that it is workable, with our focus across development and implementation so that current and future consumers are protected and receive value for money.
Carbon Capture Utilisation and Storage (CCUS) RAB model	
<i>Description</i>	Design and implement the economic regime for CCUS transport and storage.
<i>Objective</i>	We will continue to take an active role in the design of the CCUS transport and storage economic regime to ensure that it is workable, and maintain our focus on ensuring that current and future consumers and network users are protected and receive value for money.

Hydrogen	
<i>Description</i>	Protect consumers' interests in a low-cost net zero transition through our continuing support to government to inform decisions on hydrogen, and enable early investment, through facilitating innovation, developing the evidence base, and preparing the required regulatory frameworks.
<i>Objective</i>	<p>Across our work on hydrogen, our primary focus is to ensure consumers' interests are protected, as hydrogen's role in a low-cost, net zero transition becomes more clear. We will work to:</p> <ul style="list-style-type: none"> ▪ use RIIO-2 mechanisms to facilitate the development of evidence to inform decisions on hydrogen, including the government's 2026 strategic decision on the role of hydrogen in heating, through trials and Strategic Innovation Fund projects ▪ develop improved understanding of the strategic role for hydrogen in delivering net zero, especially in hard-to-decarbonise end-use sectors, to direct future work ▪ work with government and industry to develop an appropriate regulatory framework for hydrogen network infrastructure investment, e.g., by co-designing an appropriate business model for hydrogen transport, while seeking to ensure value for money for consumers ▪ prepare for the evolution of other regulatory models (e.g. in potential retail supply of hydrogen, and in the interaction of hydrogen producers with Ofgem-administered schemes such as the Renewables Obligation), which may be required to protect consumers as the hydrogen economy evolves.

Our longer-term priority: Developing and delivering market reforms

Enabling markets for flexibility	
<i>Description</i>	Open markets to residential and business assets, enabling wider participation and maintain progress on key enablers, including market-wide half-hourly settlement, smart meters and a new smart metering data communications service.
<i>Objective</i>	<p>We will continue to focus on ensuring flexibility's potential to support a low-cost transition can be maximised, by taking steps to enable wider participation in markets, with four specific areas of focus:</p> <ul style="list-style-type: none"> ▪ supporting the delivery of market-wide half-hourly settlement (HHS), specifically through providing support for HHS baseline planning, which Elexon will design and deliver, and similarly supporting the commencement of 'system integration testing' and Elexon's delivery of an effective 'migration and participant qualification' approach ▪ driving the roll-out of smart metering, through our regulatory oversight until 2025, with compliance and enforcement activity as appropriate, regarding both the rollout and ensuring that suppliers are operating existing smart meters appropriately ▪ regarding smart metering data communications, we will consider the new regulatory model for the current Data Communications Company, alongside any legislative changes required for a 'Business Handover Period', and as appropriate, commence any planning for a licence extension, handover planning, and changes to the regulatory model ▪ work with Government to develop a competitive market for smart energy appliances and demand side response, alongside storage, ensuring that consumers and the electricity system are protected.

Wholesale market reforms and network charging arrangements	
<i>Description</i>	Develop and recommend options for reform of market and network charging and access arrangements, seeking to ensure that they facilitate net zero and maintain security of supply, and move to implementation, supporting government policy design.
<i>Objective</i>	<p>These reforms aim to put effective signals in place to incentivise parties to locate and dispatch in the right place, at the right time. Also, that we have a secure, affordable, net zero system, where all connected resources can contribute their full efficient potential to meeting system needs, by flexibly responding to available energy and network resources.</p> <p>The reforms will also provide predictable and transparent investment signals, facilitating low carbon generation investment and network build in the right places. This includes supporting government on wholesale market and future interconnector arrangements, as well as developing transmission and distribution level charging and access reform.</p>

Our longer-term priority: Reforming governance arrangements

Future System Operator (FSO) and local governance	
<i>Description</i>	Work alongside BEIS to deliver the successful launch and maturation of the FSO to deliver key functions, including strategic planning, and Distribution System Operator (DSO) development for local energy planning and coordination.
<i>Objective</i>	<p>Regarding the FSO, we will develop necessary regulations and licences, alongside government, to enable effective performance of the FSO.</p> <p>On local energy planning and co-ordination, we will come to a 'minded to' position on the future local institutions and governance required to facilitate sub-national reforms required to deliver a low-cost transition to net zero.</p> <p>We will also work to deliver the roles, responsibilities and capabilities required to enable coordinated and efficient GB-wide planning on the electricity transmission network, and undertake further work to consider, and where justified implement, the role of cross sector strategic planning, including at a subnational level.</p>
Energy code reform	
<i>Description</i>	Work with government to develop secondary legislation and code manager licence conditions and develop proposals for use of our transitional powers, subject to legislation.
<i>Objective</i>	<p>We will work closely with stakeholders to develop our approach to implement energy code reforms. Subject to passage and timing of the Energy Security Bill, which sets out the energy code reforms and transitional powers to facilitate implementation, we will:</p> <ul style="list-style-type: none"> ▪ work alongside government to develop the request secondary legislation, including code manager selection processes ▪ develop proposed content for code manager licence conditions ▪ analyse and consult on options for energy code consolidation ▪ develop proposals to implement code governance reform into the existing framework, including changes to licences, codes and central systems arrangements.

Energy sector digitalisation	
<i>Description</i>	We will work with our key stakeholders such as BEIS, IUK and industry participants within the energy industry and beyond, to accelerate digitalisation innovation and improvement in regulated entities and further digital and data regulations, standards and reforms.
<i>Objective</i>	<p>Our objectives for energy sector digitalisation are to:</p> <ul style="list-style-type: none">▪ establish regulatory expectations and levers to support market stability for digital services and initiatives▪ embed digitalisation best practices into regulatory rules and anticipate data-driven market failure risks, including data standards, reforms and a compliance and enforcement framework▪ ensure sector data is visible, accessible, interoperable and standards for structure and quality are established▪ consider if digital infrastructure is appropriate, reduce complexity in emerging digital markets and enable innovation▪ promote better cross-sector data/digital regulatory communication and collaboration – for the energy market and beyond▪ accelerate digitalisation innovation and improvement in regulated entities.

Continuing core regulatory activities

In addition to our regulatory projects and programmes, we will continue to deliver our core regulatory activities, including to:

- maintain industry codes and issue licences
- monitor retail and wholesale energy markets
- respond to any supplier failures through our Supplier of Last Resort process and Special Administration Regime
- monitor current onshore price controls for effectiveness
- monitor offshore transmission owner construction costs and assess economic value for proposed projects
- carry-out a competitive tender process for offshore transmission owner assets and administer licences
- assess new interconnector projects through our Cap and Floor process and monitor existing licences for effectiveness
- engage and cooperate with partner agencies on cross-border policy
- maintain Capacity Market rules and make determinations on disputes
- provide advice and support for innovation through our Innovation Link service.

Delivering environmental and social schemes for government

Ofgem administers a range of environmental and social schemes for government, which during 2023/24, will continue to deliver the transition towards decarbonisation of domestic and non-domestic electricity generation, the adoption of renewable heat solutions, as well as support vulnerable consumers and energy efficiency measures. The schemes provided around £10 billion of support each year, under three main categories.

Renewable heat schemes

Boiler Upgrade Scheme

Launched in May 2022, the Boiler Upgrade Scheme supports property owners to install low-carbon heating systems to support the transition to net zero through upfront capital grants, for the installation of heat pumps and biomass boilers in homes and non-domestic buildings. £450 million of grant funding is available between 2022 and 2025.

Green Gas Support Scheme & Green Gas Levy

Following the closure of the Non-Domestic Renewable Heat Incentive scheme, the Green Gas Support Scheme has provided energy tariff support for plants that produce biomethane via anaerobic digestion, which is injected into the gas grid. Funded by the Green Gas Levy, tariffs are calculated to compensate plants for the building of new infrastructure to produce biomethane and ongoing operation costs.

While the domestic, non-domestic and Northern Ireland Renewable Heat Incentive schemes all closed to new entrants by March 2022, households, businesses, the public sector and non-profit organisations that successfully applied for support to install renewable heating systems, will receive payments for the life of the schemes.

Energy efficiency and social schemes

Energy Company Obligation

Now in its fourth iteration – ECO4 – the scheme continues to help to reduce carbon emissions and to tackle fuel poverty by obligating energy suppliers to promote energy efficiency measures that improve the heating in homes of vulnerable and low-income consumers. ECO4 runs from April 2022 to March 2026, with suppliers obligated to achieve expected bill savings for eligible households, through the installation of energy efficiency measures. ECO4 focuses on improving the least energy efficient homes through a multi-measure, whole-house retrofit.

Energy Company Obligation Plus

BEIS has announced its intention to launch a further three-year scheme, comprising £1 billion of help between April 2023 and March 2026, to support the installation of additional energy efficiency measures for a wider cohort of households living in the least energy efficient homes. Ofgem is likely to be the administrator of this scheme and will work with BEIS during the year to support its creation and delivery.

Warm Home Discount

Increased to £150 during 2022/23, the Warm Home Discount offers less-well off pensioners and low-income households a rebate to their electricity or gas account. Other assistance provided by energy suppliers can include industry initiatives, such as entitlement checks, debt assistance, energy and smart meter advice, and energy efficiency measures for low income and vulnerable households.

Ofgem also supports consumers through the Energy Bill Support Scheme. Please see the 'ensuring prices are fair' section.

Renewable electricity schemes

Renewables Obligation

The Renewables Obligation scheme supports production of renewable electricity on a large-scale, by requiring suppliers to purchase a set amount from those sources. Certificates are issued to operators of accredited renewable generating stations for the electricity that they generate, and which are sold to, and can be traded with other suppliers. Those suppliers that do not meet their obligations are required to pay an equivalent amount into a buy-out fund. In 2023/24, Ofgem will continue to consider how challenges of failures in the supplier market affect the successful operation of the scheme.

Feed-in-Tariffs

The smaller-scale renewable and low-carbon electricity generation is mainly supported through the Feed-in-Tariffs scheme, in which suppliers make payments to participants that install electricity generating installations, such as solar photovoltaic panels.

While both renewable electricity schemes are now closed to new applicants, they will continue to operate until all eligible payments and certificates have been issued.

Estimated expenditure

In 2021, the Chancellor of the Exchequer announced a three-year funding settlement for Ofgem as set out in the table below, following the Comprehensive Spending Review.

	2022/23	2023/24	2024/25
Ofgem budget	£90.7 m	£94.3 m	£100.2 m

These estimated expenditure figures do not include funding for:

- environmental and social schemes that Ofgem administers on behalf of government, including the new Boiler Upgrade Scheme, Green Gas Support Scheme and ECO4, which have been launched since the settlement
- the offshore electricity transmission owner (OFTO) regime, where Ofgem recovers costs from developers as a part of a tendering process.

New responsibilities that are included in the settlement include for:

- heat network regulation
- economic regulation of new nuclear build generation plants.

New responsibilities that have emerged since the settlement and shown as in-year adjustments are:

- Energy Bill Support Scheme (EBSS) governments initiative of grant support for rising energy costs
- CCUS regulation
- code governance reform
- government initiatives that support cost of living and energy increase are energy price guarantee (EPG) and Energy Bill Relief Scheme (EBRS).

Reducing burdens

In accordance with the Regulatory Enforcement and Sanctions Act 2008, we regularly review our regulatory functions to ensure we do not impose (or allow to continue unnecessarily) undue burdens on regulated parties. In the context of our new responsibilities, and the changing needs of energy market regulation, we continue to review our ongoing activities to consider what further burden reduction actions we can take. An update will be provided in our final Forward Work Programme, published by 31 March 2023.

Your response, data and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

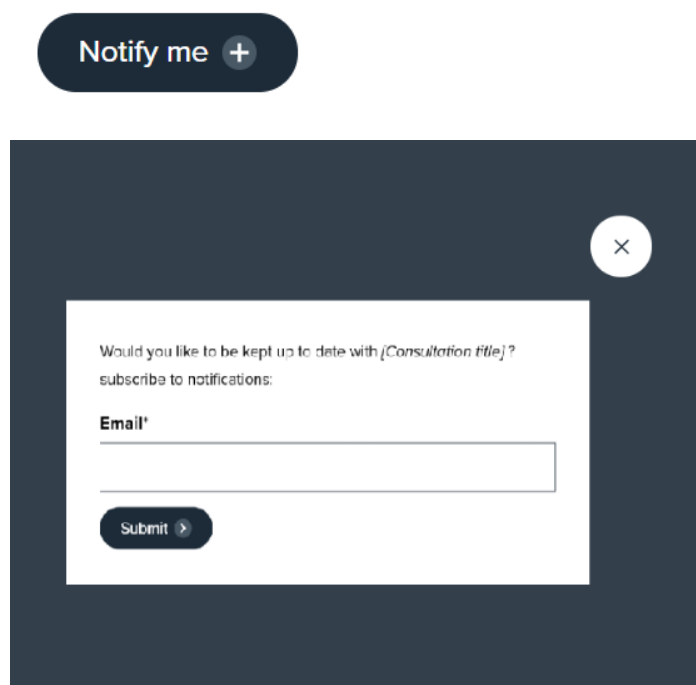
1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website.

[Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)



Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

Appendix 1 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the final Forward Work Programme has been published.

Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

Your personal data will not be sent overseas (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use "the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this".

Your personal data will not be used for any automated decision making.

Your personal data will be stored in a secure government IT system. (If using a third party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

More information For more information on how Ofgem processes your data, click on the link to our "[Ofgem privacy promise](#)".