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## ADE Response | Ofgem 2023/24 Forward Work Programme | 3 February 2023

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### Context

The ADE welcomes the opportunity to respond to Ofgem's 2023/24 Forward Work Programme.

The ADE is the UK's leading decentralised energy advocate, focused on creating a more cost effective, low-carbon and user-led energy system. The ADE has more than 160 members active across a range of technologies, including both the providers and the users of energy equipment and services. Our members have particular expertise in demand side energy services including demand response and storage, combined heat and power, heat networks and energy efficiency.

### Overall Evaluation

The ADE supports the main tenets of the FWP and considers it a generally pragmatic approach to the coming year.

It is positive to see the acknowledgement of Ofgem's coming role in heat network regulation, subject to the passing of the Energy Security Bill, albeit at a relatively high level. We look forward to continued engagement on this.

It would be helpful to know why reference to Full Chain Flexibility has been removed and where this work now sits within Ofgem's plans. It is concerning that flexibility is placed in the longer-term priorities section which could indicate a risk of stagnation in this area, or lack of urgency. Accelerated access to markets for flexibility is essential in the short term, beyond the rollout of MHHS and smart meters. The FWP should include explicit reference to boosting participation and market facilitation via transmission and distribution network products.

We are highly supportive of the work being undertaken by the Local Energy Governance team and the intention to publish a minded to decision. In particular, understanding how any decision interacts with the imminent commencement of RIIO-ED2 will be essential. Similarly, we look forward to working with Ofgem and the ESO on the FSO transition and encourage continued engagement with stakeholders. It would also be helpful to publish a high-level roadmap of the expected transitional milestones. We also refer Ofgem to our response on the RIIO-2 BP2 Draft Determinations and consider that in the interim period before becoming the FSO the ESO should be working to become more transparent and accountable, with Ofgem playing a vital role in that evolution.

Against this, we are disappointed with the slow pace of the DUoS Significant Code Review. We appreciate the exceptional circumstances faced by Ofgem in responding to the crisis this Winter. However, the Significant Code Review has now been underway for several years with repeated delays to the cost-reflective DUoS element. We ask that progress is made on this as soon as possible. Further with respect to network charging reform, we support the TNUoS taskforce and the work to explore longer-term TNUoS reform that Ofgem is undertaking. In the context of REMA, it is important that this considers how network charging could be reformed to create a stronger locational signal for investment as well as the impacts on demand, that is likely to be less elastic locationally, to such a change.

Finally, it is positive that Ofgem is considering wholesale market liquidity. REMA reforms to the Contracts for Difference mechanism and LMP itself are in part driven by a recognition that the

markets are not functioning as they should, especially in the forward markets beyond day ahead and also at intraday. Ofgem's work on this therefore is important in mitigating significant risks in the short- and medium-term ahead of REMA's reforms being implemented but also as a way of informing those longer-term reforms.

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**For further information please contact:**

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