

Sent by email to FWP@Ofgem.gov.uk

19 January 2024

Dear Ofgem

Ofgem Forward Work Programme 2024-2025 - Thermal Storage UK response

We agree with Ofgem's Chair and Chief Executive that Ofgem is "no longer a narrow economic regulator, but a much broader organisation". We support Ofgem regulating heat networks and administering schemes such as the Energy Company Obligation (ECO) and the Boiler Upgrade Scheme (BUS). We welcome Ofgem receiving a net zero duty and acknowledge that the UK government may also give Ofgem a growth duty during 2024.

With the above in mind, we recommend that Ofgem takes a much deeper interest in decarbonising heat and buildings. This would include:

- Exploring the interaction between energy consumption, energy efficiency and the efficiency of existing heating systems. Heating is a large component of annual energy consumption and also of energy debt. Energy suppliers could reduce energy debt by proactively providing high quality advice about energy efficiency and heating system upgrades.
- Understanding the impact of tariffs on heat decarbonisation and encouraging tariff innovation to maximise comfort and savings from heat pumps and heat batteries. This also means continuing to ensure that energy suppliers deliver the smart meter roll-out and implement market-wide half-hourly settlement promptly.
- Making it easier for innovative heating technologies to be installed through government schemes such as ECO.

We also encourage Ofgem to consider how to support businesses to decarbonise both heating and industrial processes. For instance, this may involve Ofgem investigating the relative availability (or lack of) of flexible energy tariffs from non-domestic energy suppliers.

We encourage Ofgem to ensure that distribution network operators (DNOs) promptly understand capacity on their low voltage network and make it easier to install low carbon technologies. While the RIIO-ED2 price control gives DNOs until 2028 to put low voltage (LV) monitoring in place, Ofgem could work with DNOs to frontload this investment. Ofgem and DESNZ could learn from the belated but swift implementation of monitoring undertaken by Ofwat and DEFRA in relation to water companies monitoring storm overflows.

We welcome Ofgem's work on Regional Energy Strategic Planners (RESPs) and flexibility markets. There is an opportunity for RESPs to ensure that DNOs adequately value flexibility, including heat flexibility, and prioritise flexibility markets alongside infrastructure upgrades. This work should consider changes in both domestic and non-domestic demand.

Finally, we recommend that Ofgem continues to develop the RIIO3 regulatory framework and how to start decommissioning parts of the gas distribution network fairly and efficiently. We recognise that the speed of this change will in part depend on when the UK government decides on the role of hydrogen in domestic heating.

We are very open to working collaboratively with Ofgem on these issues over the next two years. This response is not confidential and may be published on the Ofgem website.

Best wishes

Tom Lowe

Founding Director
Thermal Storage UK