

Sent by email to FWP@Ofgem.gov.uk

3 February 2025

Dear Ofgem

Forward Work Programme 2025/26 - Thermal Storage UK response

Thermal Storage UK welcomes Ofgem's Forward Work Programme for 2025/26 and the three strategic priorities to reform the energy retail market, enable net zero infrastructure and support flexibility. These priorities can all support the government's Clean Power 2030 mission, as well as ongoing decarbonisation into the 2030s.

To enable Ofgem to make progress on these three strategic priorities, we strongly recommend that Ofgem develops a deeper understanding of heating systems and how they operate. UK consumers are starting to switch from fossil fuels to electric heating and this has significant implications for the energy retail market, DNO infrastructure and the operation of flexibility markets.

The energy retail market will need to accommodate and incentivise heat flexibility through highly flexible electricity tariffs, functioning smart meters and accurate billing. Energy suppliers, aggregators and load controllers will need to ensure that customers can switch tariffs and continue to benefit from their flexible heating system. Energy suppliers will need to make available and recommend electricity tariffs that work best for their customers' heating systems and other low carbon technologies.

The UK distribution grid will need investment to ensure there is sufficient capacity to allow homes to switch to electric heating without delay. This means moving away from the flexibility first approach - which has deferred network investment - in the RIIO-ED3 price control framework towards embedding flexibility into networks on an enduring basis.

We also recommend that Ofgem builds an understanding of heating systems and building fabric into the proposed debt strategy. Heating and hot water make up more than half of total household energy consumption and inefficient homes and heating systems are a primary driver of debt. This might mean requiring energy suppliers to upgrade homes and heating systems as part of the debt process or better integrating schemes such as ECO and GBIS with debt support. Any Ofgem work on debt that does not consider heating systems and building fabric is a sticking plaster.

Thermal Storage UK recommends that Ofgem's Forward Work Programme for 2025/26 includes the following activities:

- Progress at pace with implementation of half hourly settlement
- Prepare to expand the Boiler Upgrade Scheme to include technologies such as heat batteries and air-to-air heat pumps.
- Work with the UK government and the heating industry to progress with the Smart Secure Electricity System policy framework, including heat batteries
- Ensure that connections reform considers new demand connections and connection upgrade requests from demand customers.
- Look at the opportunity for manufacturers to have non-firm connections for their demand, reducing the cost of connections in return for not being able to import when the grid is congested.

If you have any questions about this response, please contact tomlowe@thermalstorage.org.uk. This response is not confidential and may be published on the Ofgem website.

Best wishes

Tom Lowe

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Thermal Storage UK