

Consultation on Ofgem's proposed Forward Work Programme for 2025 and 2026

Citizens Advice response



**citizens
advice**

Citizens Advice
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Introduction

Citizens Advice

We can all face problems that seem complicated or intimidating. At Citizens Advice we believe no one should have to face these problems without good quality, independent advice. We give people the knowledge and the confidence they need to find their way forward - whoever they are, and whatever their problem.

We provide support in approximately 2,500 locations across England and Wales with over 18,000 volunteers and 8,650 staff.

Through our advocacy work we aim to improve the policies and practices that affect people's lives. No one else sees so many people with so many different kinds of problems, and that gives us a unique insight into the challenges people are facing today.

As the statutory consumer watchdog for the energy and post industries we have an important role to play in shining a spotlight on the problems consumers encounter, providing solutions to these problems and ensuring their voices are heard when important decisions are made about the future of these essential markets.

Summary of our response

We are broadly supportive of Ofgem's proposed priorities for the 2025/26 financial year, and welcome the clear focus on how its activities will support delivery of the clean power mission. To advance towards clean power, public confidence needs to be maintained in the regulatory arrangements. Repeating the level of returns seen under current and previous network price controls risks the legitimacy of the regime, jeopardising future investments.

Ofgem should provide more clarity on how it plans to support economic growth. This should include much more ambitious action to reform the retail market to support better competition, more innovation, adoption of low carbon technologies and flexible energy use. We continue to support a more outcomes-based Consumer Duty framework, which could upgrade standards and reduce reliance on prescriptive rules for more complex products and services, including more radical reform of price protection.

We welcome Ofgem's plans to do its part to tackle the affordability challenge in energy through its proposed debt relief scheme, and we think it should toughen its rules on billing to tackle the problems that can often tip people into debt in the first place. It's vital that the Government also does its part, by putting in place targeted bill support for those who are struggling to afford their energy. This safety net can also help unlock important reforms which can deliver net zero most efficiently, like the rebalancing of policy levies and locational pricing.

We're concerned that Ofgem's plans for short term standing charges reforms risk distracting it from more pressing policy issues. The plans carry risk of some consumers losing out with little gain for those who might benefit, and will in any case simply be a stopgap measure ahead of the longer term review which will look at more coherent solutions. It's also unclear how they align with Ofgem's work on the evolution of price protection, which appears stalled a year on from Ofgem's last discussion paper. Given the significant opportunity cost, Ofgem should not take this short term work on standing charges forward.

There are areas where Ofgem should be more specific about work it expects to carry out, especially where there is already a convincing case for action. For example, we think Ofgem should:

- prepare for its new heat networks role by conducting quantitative research to understand consumer experiences,
- ensure suppliers increase the pace of smart meter installation and deliver an improved consumer experience, including tackling back billing, and
- undertake targeted work to find solutions for the protection gaps experienced by microbusinesses.

If you would like to discuss any part of our response further, please let us know.

Our response

Clean Power 2030

We agree that the move to a clean power system by 2030 marks a significant change in focus affecting this Forward Work Programme and that Ofgem has a critical role to play. We agree with Ofgem's assessment that consumers' interests are best served by accelerating the decarbonisation of the power system, with the caveat that this has to come at the right cost to ensure the social contract for Net Zero remains intact.

We support Ofgem's four projects under this theme and feel that they are the right priorities for enabling Clean Power 2030. While enabling quicker infrastructure build under the Accelerated Strategic Transmission Investment (ASTI) programme is key to making sure the right network is in place at the right time, Ofgem should be wary of firms using the justification of meeting the 2030 target and reducing constraints costs as a way to push through projects without giving due consideration of the cost to consumers. As we have previously highlighted, incentives under the ASTI regime must be recalibrated in RIIO-T3 to avoid companies making excess profits under this scheme.¹

Strategic Priority 1: Shaping a retail market that works for consumers

We agree that regulating pricing, working on debt and affordability, improving customer service and trust in the sector and preparing for new regulatory responsibility for heat networks should all be important areas of focus for Ofgem under this priority.

Half of the people we help with debt advice are in a negative budget - up from just over one-third in 2019 - even after being helped by our advisers. This means that their income can't cover their essential costs and they are building up debt

¹ Citizens Advice (2024) [Response to RIIO-3 Sector Specific Methodology for the Gas Distribution, Gas Transmission and Electricity Transmission Sectors](#)

just to get by.² In this context, Ofgem has a crucial role in considering the various levers available to help people cope with the costing of living.

Pricing regulation

On pricing, we think there is a need for ongoing protection for all consumers on default products, though the form of this protection is likely to change for more complex products and services. This will be critical to help ensure that costs of net zero transition are being recovered fairly and that loyalty penalties are not re-emerging.³

We welcome Ofgem's plan to continue its focus on considering how other forms of pricing regulation. We support a permanent retention of the BAT, particularly in light of the need for price protection and regulatory consistency in a market transitioning to net zero.⁴ We also support a general requirement for fair pricing, which should be delivered as part of a wider upgrade of Ofgem's regulation by adopting an FCA-style Consumer Duty.⁵

In relation to standing charges, Ofgem should ensure it carefully weighs up the views and evidence from across the sector to reach an appropriate forward that works for consumers. We think the significant risks involved for some of the most vulnerable households mean any changes that increase unit rates should only go ahead if there are appropriate mitigations in place, and as part of a more coherent approach which can limit the risk of market distortions.⁶

We agree that Ofgem will need to work with the Government on the interaction between pricing regulation and targeted energy bill support. We think the best approach is to expand the WHD scheme so that it reaches more households on eligible benefits, and provides a higher level of support to those with the highest energy needs.⁷ We'd also welcome a broader approach from government,

² Citizens Advice, 'Cost-of-living data trends' <<https://www.citizensadvice.org.uk/policy/publications/cost-of-living-trends/>> [accessed February 2025]

³ Citizens Advice (2024) [Citizens Advice response to Ofgem's call for input on the future of domestic price protection](#)

⁴ Citizens Advice (2024) [Citizens Advice response to DESNZ call for evidence on the future of default tariffs](#)

⁵ Citizens Advice (2022) [Raising the bar](#)

⁶ Citizens Advice (2024) [Response to Ofgem's options paper on standing charges](#)

⁷ Citizens Advice (2024) [Fixing the foundations: The need for better targeted support for energy consumers](#)

including an overarching strategy for the design and delivery of support across essential markets.⁸

Debt and affordability

On debt and affordability, we support Ofgem's ongoing development of a debt relief scheme. Ofgem should work with the Government to ensure sufficient debt advice capacity is in place to enable smooth delivery of the scheme and sufficient support for people who are ineligible for the scheme or need wider support with debt after receiving relief for energy debts.

For people who are already struggling with affordability, large unexpected bills can often make the difference, pushing them into debt. When working correctly, smart meters should remove the need for manual meter readings. Ofgem should prioritise reforming its back-billing rules, by reducing the period suppliers can backbill customers with smart meters to 6 months⁹.

We also urge Ofgem to undertake targeted work exploring and finding solutions for microbusiness consumers. Unlike domestic consumers, microbusiness consumers do not have many protections regarding debt and disconnection practices, which allows for poor practice in the market.¹⁰

Heat networks regulation

The period covered by the Forward Work Programme includes major milestones in the new regulatory framework for heat networks. Citizens Advice becomes the statutory advocate and advice provider in April 2025 and Ofgem's role as regulator begins in January 2026. We intend to work closely with Ofgem, the Government, statutory bodies and other stakeholders over this period.

This close working should be reflected in the Forward Work Programme to help us be a strong and effective people's champion in this market and ensure Ofgem

⁸ Citizens Advice (2024) [Securing Life's Essentials: Building a plan for targeted bill support in regulated markets](#)

⁹ Citizens Advice (2024) [Footing the bill: How the energy bill protection gap is putting strain on households](#)

¹⁰ Citizens Advice (2024) [Risky Business? How the energy debt protection gap is putting the pressure on small businesses](#)

gains a deeper understanding of consumers' experiences in the sector.¹¹ This should include working together to ensure consumers have clear expectations and are treated fairly in the pre-implementation period. This will also be vital to minimise reputational risks in the sector.

Given the lack of robust data, Ofgem needs to work quickly to understand heat network consumers' needs and act where there's evidence of consumer harm. There have only been 2 large-scale quantitative surveys examining consumer experiences in the last decade. We urge Ofgem to carry out a large-scale quantitative survey in this FWP period to assess the current situation. In our response to the joint DESNZ and Ofgem consumer protection consultation we've called on Ofgem to quickly assess the extent, impact and causes of high pricing in the heat networks sector. Such an assessment will show whether more prescriptive rules are needed to ensure regulations meet the overall consumer outcome - to 'pay reasonable and fair prices'.

We strongly encourage Ofgem to include heat network consumers in its wider thinking. High prices, poor service and failures of accountability have damaged consumer trust in heat networks, as in the rest of the energy market.¹² But they are only mentioned in passing in Ofgem's Vulnerability Strategy refresh and not at all in its strategy for household energy debt. Heat network consumers just think of themselves as 'energy' consumers and it's important they're not siloed off from the rest of the energy market.

Strategic Priority 2: Enabling infrastructure for net zero at pace

We support Ofgem's priorities in advancing the price controls for the different sectors under RII-3. In setting the methodologies and final determinations, Ofgem should keep in mind the history of excess profits in previous RII periods, and the need for consumers to feel they have a fair deal in the move to decarbonise our energy system.

Additionally, we are supportive of Ofgem's plans to introduce advanced procurement to manage supply chain pressures, and for new competitive tenders in onshore development, as we feel that these initiatives are likely to reduce the overall costs placed on consumers. However, we would like to see

¹¹ Citizens Advice (2024) [3 ways Citizens Advice will be a strong people's champion for heat networks](#)

¹² Citizens Advice (2024) [Is there a hidden affordability crisis in the heat networks sector?](#)

Ofgem dedicate the appropriate level of resources to monitoring and scrutinising these projects, to ensure that they are achieving their aims.

Strategic Priority 3: Establishing an efficient, fair and flexible energy system

The Clean Power 2030 targets for flexible demand are ambitious, with a four-to-fivefold increase in demand flexibility required over the next 6 years.¹³ This will require coordinated and clear direction provided by the Government, Ofgem and the NESO. We expect the publication of the Low Carbon Flexibility Roadmap in Summer 2025 to be an important step towards this. It's also vital that there are no further delays to Marketwide Half Hourly Settlement (MHHS), and that regulation enables innovative services and good consumer outcomes.

Reforms to the retail market

Reforms to the retail market are vital to enable the greater innovation needed in the market while protecting consumers from potential harm, so it's right that this is proposed as an area of focus. We welcomed Ofgem's consultation on innovation in the retail market, yet we are concerned that the proposed reforms are not radical enough to match the pace of change needed.¹⁴

We think Ofgem should go further and faster, and consider the extent to which the wider supply licence - and particularly the Universal Service Obligation - may hinder innovation and reduce consumer access to the benefits of a low carbon energy system.¹⁵ These changes should also support economic growth by enabling high quality new entrants, more competition and more specialised products and services that better meet consumer needs.

All reforms should ultimately be complemented by a Consumer Duty, which we feel is the most significant enabler for innovation. It has already been shown to be effective in the much more diverse financial services market, and should enable much less reliance on prescriptive rules for more complex energy products and services.

¹³ DESNZ (2024) [Clean Power 2030 Action Plan](#)

¹⁴ Citizens Advice (2024) [Citizens Advice response to Ofgem's 'Innovation in the Energy Retail Market'](#)

¹⁵ Citizens Advice (2023) [Ripping off the band-aids](#)

New regulations for load controllers

Putting in place arrangements for the regulation of load controllers will be important for the reasons Ofgem sets out; we would add that another driver is the need to increase consumer confidence in the flexibility market.

As with Ofgem's regulatory role in the retail market and forthcoming role in the heat networks market, Ofgem should seek to understand and actively monitor the experiences of flexibility consumers, swiftly taking action where there is emerging evidence of detriment and putting in place protections to reduce harms. The Government has proposed to appoint a statutory advocate and advice provider for the load control market, something that we strongly support. It will be crucial for Ofgem to work closely and effectively with any appointed body.

Smart meter roll-out

Smart meters are fundamental building blocks of a flexible, low carbon system, by enabling low carbon technologies, flexible tariffs and in-home energy efficiency improvements.¹⁶

Continuing to enforce the roll-out of smart meters should remain a focus for Ofgem, as it's notable that suppliers have primarily fitted smart meters where it is easiest to do so rather than where consumer demand is highest.

Far too many consumers are experiencing problems with their smart meters, so alongside a push to get smart meters fitted, Ofgem should also give greater priority to ensuring smart metering equipment is working as it should for consumers.

If consumers do not trust their smart metering equipment to work reliably or feel that they had a bad installation experience, targets around households adopting flexible tariffs are much less likely to be met. Tackling the accountability gap between suppliers and the DCC will likely be vital to this as it is currently hindering the implementation of clear and consistent consumer rights and protections around smart.

We also support Ofgem's focus on enabling consumers to benefit from informed and consensual sharing of data about their energy use to help provide

¹⁶ Citizens Advice (2024) [Get Smarter: Ensuring people benefit from Smart Meters](#)

innovative new products and services that will help them navigate the increasingly complex energy market and more efficiently heat and power their homes. This work should always reflect the core principles of transparency, control, accountability and redress for consumers.

With the replacement of all RTS meters due to be completed this year Ofgem will also have a vital role in ensuring that RTS customers aren't left worse off, either in terms of new tariffs or for less able to pay consumers the cost of remedial electrical work. We'll continue to engage with and support this work through Ofgem's RTS working group.

Ofgem Budget 2025/26

The Clean Power Mission and expansions of Ofgem's regulatory scope mean that Ofgem is likely to need additional resource to ensure it can discharge its duties and appropriately protect consumers. Given the Government's ongoing review of Ofgem, adequate resourcing is also required to engage with this process and successfully implement any changes that arise from it.

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We are a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

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