

Enterprise Portfolio Management Office
Ofgem
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10 February 2025

Dear Team,

OFGEM'S FORWARD WORK PROGRAMME – 2025/26

We welcome the opportunity to respond to Ofgem's consultation on its draft Forward Work Programme (FWP) for 2025/26. This response reflects the views of our supply, renewables generation and network businesses.

We broadly agree with the three strategic priorities identified by Ofgem for its regulatory work and core activities, and we look forward to the final publication of the FWP in March 2025.

Whilst we welcome Ofgem providing an overview of its planned projects and priorities over the coming year, we would have found it helpful for Ofgem to provide more information on the individual projects. In previous years Ofgem has provided more detail in its FWP around the dates of key publications and deliverables, and which internal Ofgem teams are responsible for different areas. This information is helpful to external stakeholders in planning their own engagement with Ofgem. We would encourage Ofgem to provide more detail in the finalised FWP so that stakeholder engagement can be as targeted and effective as possible.

We have provided more detailed comments on the proposed work items under each of these priorities in Annex 1 attached.

Yours sincerely,



Richard Sweet
Director of Regulatory Policy

**OFGEM'S FORWARD WORK PROGRAMME 2025/26
- SCOTTISHPOWER RESPONSE**

1. Introduction

Ofgem has grouped its forward work plan under three high level strategic priorities:

1. Shaping a retail market that works for consumers;
2. Enabling infrastructure for net zero at pace; and
3. Establishing an efficient, fair and flexible energy system.

We comment on each below.

2. Shaping a retail market that works for consumers

The FWP, whilst mentioning debt and affordability, fails to provide a clear set of outcomes or commitments on how Ofgem plans to reduce household debt, including debt built up over the energy crisis, and support and target struggling consumers. We agree that debt should be a priority for Ofgem to address, but it would be helpful to understand how this is guiding Ofgem's approach, providing more detail on deliverables across 2025/26. We suggest the FWP should also include more reference to Ofgem's actions to support sustainable reductions in debt build up for energy consumers who struggle to pay for their energy costs, for example, this could reference joint work with Government to consider the development of a social tariff or similar support scheme. Furthermore, whilst Ofgem has previously considered how the Default Tariff Cap might evolve to accommodate more time of use and dynamic pricing, it would be useful to see how this work will be taken forward, and how Ofgem will address the acknowledged effect of the Default Tariff Cap on competition, aiming to reduce existing competitive distortions to enable wider benefits for consumers. We would encourage Ofgem to consider including these points in its final publication, to foster competition, innovation, and consumer support in retail markets.

In the latest update on the future of tariff standing charges in December 2024, Ofgem noted, that whilst it will be making short-term changes for domestic tariffs, in order to make a wider range of tariff structures available to customers, a new project would be initiated to carry out a more holistic assessment of how system wide energy costs are recovered. This new project would assess costs to both the electricity and gas networks, which due to the high costs of electricity compared to gas in both domestic and non-domestic sectors, we believe to be essential in enabling electrification. Currently, this is not mentioned in the FWP, but we would encourage Ofgem to consider this a priority whilst also considering the implications a lower standing charge would have on other objectives, for example encouraging the deployment of demand side response.

We agree that preparations for Ofgem's new regulatory responsibilities for heat networks is a priority to ensure good outcomes for consumers. However, to enable heat decarbonisation, we suggest DESNZ and Ofgem should consider consulting on options to rebalance electricity and gas prices in 2025 and implement enduring solutions from 2026.

In the Ofgem plan for 2025, the removal of the RTS signal is not explicitly addressed. Given the significant impact this will have on consumers who utilise it, we believe it is imperative that this issue is incorporated in the FWP. As suppliers, we are particularly concerned about the potential disruption to our customers' utilities, as well as the financial burden they may face,

leaving customers in one of two situations: high and unaffordable bills, or loss of heating and/or hot water. The establishment of the RTS taskforce will hopefully be a key factor in demonstrating the effectiveness of collaborative approaches in the sector. We are committed to continuing this cooperation to ensure the transition is managed efficiently and with the least possible disruption to consumers. Continuing our collaboration in this area will help reinforce Strategic Priority 1, creating an energy market that works for consumers.

3. Enabling infrastructure for net zero at pace

We welcome Ofgem's commitment to developing the Advanced Procurement Mechanism at pace, which will provide TOs with additional tools to manage the challenging global supply chain environment. We urge Ofgem to ensure that the scope of the mechanism includes both equipment and services to enable TOs to most effectively mitigate current and future constraints. We recognise Ofgem's commitment to introducing competition for onshore transmission infrastructure, and welcome this where consumer value can be robustly demonstrated. However, as we have set out to Ofgem previously, we would have serious concerns if projects were progressed for competition without clear demonstration of consumer benefits, which risks ultimately harming consumers and delaying critical net zero infrastructure.

We note there are some noticeable absences in work programme, which we would encourage Ofgem to add. These include:

- Developing a regulatory framework for Community Benefits. We see this as a critical piece of work in the coming year and are standing ready to work with Ofgem to ensure communities can access the funding recommended by the Government in its upcoming guidance document. We would encourage Ofgem to reflect this in the priorities for the next year within Strategic Priority 2.
- Regional Energy Strategic Plan (RESP). There are no mentions of Ofgem's work on the RESP framework. We would welcome more detail on the timelines and deliverables for this important area of work.

4. Establishing an efficient, fair and flexible energy system

In Strategic Priority 3, while supportive of Ofgem's continued focus on the benefits of smart meters and the transition to half-hourly settlement, we would highlight that this will also present challenges, as existing issues with inaccurate settlement could be exacerbated by this change.

We support Ofgem in settling the direction for the long-term wholesale market and charging reform, through REMA. We believe clarity on REMA and the direction of these markets is key for progress towards Clean Power 2030 and achieving Net Zero.

We note that there is no direct mention of any work concerning the Capacity Market (CM) in 2025/26. Whilst we assume work on the CM will fall into various other workstreams mentioned throughout the FWP, we would welcome further information on how Ofgem will continue to progress the CM, in line with other markets and priorities.