

[FutureConsumers@ofgem.gov.uk](mailto:FutureConsumers@ofgem.gov.uk)

30 September 2020

Dear Stakeholder,

This letter provides an update on the work Ofgem is doing to understand and explore the role of consumers in decarbonising the energy system and asks stakeholders to inform us if you have relevant research, or are interested in getting involved.

### **Evolving our consumer engagement work**

Last Autumn we completed and published findings from our programme of trials on consumer engagement with energy tariff choices<sup>1</sup>. That work focused on understanding the barriers to consumer engagement in the energy market and the development and testing of successful interventions to increase consumer engagement.

With the increasing importance and emphasis on decarbonisation, our focus has now shifted to understanding the role consumers can play as we transition to a net zero energy system, and how Ofgem can support that.

### **Understanding the role of the consumer in a decarbonising energy system**

In February 2020, Ofgem published the Ofgem Decarbonisation Action Plan<sup>2</sup> which set out the steps we will take as a regulator over the next 18 months to ensure that we enable the most effective decarbonisation of the energy sector at the lowest cost to consumers.

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<sup>1</sup> <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/how-switch-energy-supplier-and-shop-better-deal/prompting-engagement-energy-tariff-choices>

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/ofgem-s-decarbonisation-action-plan>

The way we all use energy will change. The action plan highlighted the importance of consumers' engagement and behaviour in order to achieve net zero. We want to understand what changes we, as the energy regulator, need to make to the energy system to enable and support all consumers in this energy future.

To do this, we have established a workstream which brings together policy and behavioural insights expertise to identify how Ofgem's unique experience and powers as a regulator could be used to help ensure consumers play the greater role expected of them in a low carbon energy system.

As evidenced in the findings of our consumer research published alongside this letter<sup>3</sup>, there is a large gap between where consumers are now in relation to decarbonisation behaviours and where we need them to be for a net zero society. While we are aware that not all consumers will equally be able to play a greater role, we have identified actions domestic consumers can take to support decarbonisation in three broad categories; transport, heat and flexibility. These categories capture a range of consumer behaviours, from adopting new electric heating systems to insulating homes and replacing internal combustion engine vehicles with electric vehicles, bicycles or various forms of public transport.

Ofgem plays a specific role within the energy system as the regulator of the retail and wholesale energy market and of the regional gas and electricity network companies. Based on this, we have identified two key net-zero behaviours to focus on initially, that Ofgem is uniquely placed to influence: (1) smart charging of electric vehicles and; (2) the use of smart heating practices<sup>4</sup>. We came to this decision because the smart management<sup>5</sup> of these low carbon technologies can defer network reinvestment costs, indirectly lowering bills for all consumers, and could directly benefit consumers who actively participate in smart charging and smart heating by lowering their bills.

### **Taking forward the Consumers in Decarbonisation project**

For the next phase of our research we will focus on smart electric vehicle charging behaviour for current electric vehicle users. We are prioritising smart charging behaviour now because there is more policy certainty over the future direction of private transport. Whilst it is known that internal combustion engine vehicles will be replaced by electric vehicles, there are many possible replacement technologies for gas boilers, from district heating to hydrogen to various forms of electric heating. In

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<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/consumer-opinion-about-climate-change-and-decarbonisation>

<sup>4</sup> Lowering thermostat at peak times

<sup>5</sup> For example, charging electric vehicles at off peak times

addition, one of the key recommendations made by the EV Energy Taskforce to Government in January 2020 was that all smart chargers should charge smartly by default. Our research will be designed to identify methods of ensuring that default smart charging has a positive impact on energy consumers as well as the energy system. This research will also play a role in informing Ofgem's upcoming EV strategy.

We see the value in working collaboratively with our stakeholders on this work. If you have undertaken similar research that will complement this work or believe you could support us in delivering the research please get in touch at [FutureConsumers@ofgem.gov.uk](mailto:FutureConsumers@ofgem.gov.uk).

Yours faithfully,

**Anna Rossington**  
**Deputy Director, Retail**