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Forward work programme 2021/22 consultation

About RenewableUK

RenewableUK's members are building our future energy system, powered by clean electricity. We bring them together to deliver that future faster; a future which is better for industry, billpayers, and the environment. We support over 400 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and to access export markets all over the world. Our members are business leaders, technology innovators, and expert thinkers from right across industry.

RenewableUK welcomes the opportunity to comment on the Ofgem's Forward Work Programme (FWP) 2021-22 consultation. In our discussions with Ofgem to date, we have been clear that the regulator must put net zero at the heart of its decision making, ensuring that the UK is decarbonising at least cost and protecting both current and future consumers. Net zero must be embedded into every Ofgem work programme as a starting point, and the impacts on the technologies which will enable us to reach zero must be properly considered. Whilst we are pleased to see the publication of the FWP, we do not currently think that it goes far enough in laying out how Ofgem will ensure that its work programmes are indeed compliant with net zero. Without further detail, and a more wide ranging approach to decarbonisation, we do not have confidence that our regulatory regime is fit for purpose in delivering net zero. We would therefore urge Ofgem to publish an enhanced FWP, which clearly sets out how the regulator will ensure that every work programme is net zero compliant.

Ofgem's approach to net zero

We welcome Ofgem's focus on decarbonisation and the recognition in the plan that decisions

taken by Ofgem will significantly impact emissions reduction in the energy sector, and therefore the UK's ability to tackle climate change. The Decarbonisation Action Plan (DAP) published in February last year stated an ambition to align Ofgem's agenda with UK climate targets, sending a clear message that decarbonisation is central to Ofgem's strategy. The DAP set out actions over the next 18 months to enable the transition to net zero as cost effectively as possible. While the FWP 2021-22 makes reference to the DAP, in our opinion, it does not go far enough in taking forwards the commitments of the DAP. RenewableUK would strongly welcome far greater consistency between the key activities and milestones that are included within both documents given the similar timeframes that are involved for both.

Energy System Governance

Ofgem notes it will be working with BEIS to set out a Strategy and Policy Statement which should improve co-ordination between the regulator, governments, the industry, and energy consumers. We strongly support this objective; RenewableUK is clear that Ofgem should ensure that net zero is at the centre of every decision it makes, to benefit current and future consumers. In order to achieve this, it is now vitally important that Ofgem's legal duties and responsibilities are linked more firmly to achieving the UK's legally binding net zero target, not least because this will achieve decarbonisation at the lowest cost to consumers. Such changes should also be reflected in the objectives of the network codes. This will help to ensure regulatory changes proposed as part of open governance are cohesive both with Ofgem's objectives, and the legal target to deliver net zero.

Separately with regards to the upcoming Energy Systems Review that is due to launch, we see there is a strong case to accelerate the timeline for implementing wider energy industry code reform, given the pace of change required to deliver deep decarbonisation. Given the importance of multi-vector dimensions to decarbonisation, the case for changing Ofgem's net zero remit should be reviewed to explore the roles and responsibilities of the regulator in sectors such as heat and hydrogen in addition to electricity and gas.

Low carbon infrastructure and full chain flexibility

We are pleased to see a pledge to review the offshore transmission regime and work together with industry to make sure it is fit for purpose. This work is integral part of meeting net zero at lowest cost to consumers. We look forward to working with Ofgem to create a framework for a coordinated expansion of offshore networks to enable increased generation and transmission.

We welcome Ofgem's recognition of the importance of attracting investment to connect new renewable generation projects to the system. The ongoing reforms to network charges, system operation and RIIO-2 price controls are fundamental to the ongoing development of the electricity grid. The decisions made today on both network charging Significant Code Reviews (SCRs) and RIIO-2 network price controls will set the parameters within which new policies are required to meet our legally binding net zero target. However, it is still unclear whether grid charges will be set at the right level to facilitate the investment that is needed,

or provide useful signals to existing renewable capacity.

The changes to the access charging regime are of the utmost importance to the renewables industry, as they will inform the investment decisions on our members' projects, and the development of system flexibility. The deployment of renewables, in particular wind, is central to the decarbonisation of firstly the power sector, and then secondly, other sectors of the economy. A variety of models and scenarios shows a hugely significant role for both offshore and onshore wind, which both provide large volumes of renewable power, cheaply and at scale. To facilitate the challenging journey to net zero, market players need a clear and coherent vision on how network charging regulation and market design are likely to evolve and interact. As part of the full chain flexibility programme, we encourage Ofgem to improve strategy for charging reforms and future market design by providing:

- a clear definition of DSO roles including the regulatory treatment of Customer Load Active System Services (CLASS) for RIIO-ED2 price control;
- take full account of, and publish analysis on, the interaction between investment in new low carbon generation and the approach to network charging, as well as the full impact on consumer bills;
- recognition of the evolving value of flexibility and its linkages with the performance of the retail/wholesale energy markets and balancing services markets;

The FWP omits a pledge to consult on barriers to growth for low carbon flexible technologies (a commitment part of last year's FWP). We strongly recommend that this commitment be incorporated in the FWP as a defined activity, with accompanying milestones. Ofgem must remain consistent and set out what timelines industry can expect so that market participants understand the direction of travel. One of the barriers to growth for low carbon flexible technologies is the uncertainty surrounding network charging reforms and indeed network development. The landscape of potential reform options under the Access and Forward-Looking Charges SCR in combination with the Targeted Charging Review is complex and the detail of the economic impacts of those options are uncertain. Different reform options can potentially have a much greater impact on certain user groups and the overall social welfare impact of reform, affecting efforts to achieve net zero. It is important not just for Ofgem to put in place the right structures to help participants manage uncertainty, but it must ensure that through its own activities it does not create additional uncertainty that could undermine progress in the transition to a net zero economy.

Data and digitalisation

Throughout Ofgem's work plan there is a heavy focus on data and digital infrastructure services. We agree that this is an important area for Ofgem and its work rightly focusses on delivering good consumer outcomes by further enhancing opportunities for new markets. It

is critical for companies to demonstrate progress in this area during the timeframe of this FWP.

We would welcome the opportunity to discuss further with Ofgem or other interested stakeholders any of the comments raised in this letter. If this is of interest, please do not hesitate to get in touch.

Yours Sincerely

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