

Forward Work Programme  
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Dear Forward Work Programme team,

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) 2020-22 consultation and particularly the focus on the activities to deliver the UK Government's net-zero carbon target.

Our comments below refer to the deliverables outlined in the FWP which reflect this ambition.

### **Ofgem's approach to decarbonisation**

RenewableUK welcomes Ofgem's Decarbonisation Action Plan which comes at an important moment as our members look to deploy the high levels of renewables the UK will need to meet the UK's net-zero target. We believe that the plan helps align the regulator with government climate targets, and that it sends a clear message that decarbonisation is central to Ofgem's strategy. We are pleased to see the nine steps outlined in the plan, which will help to deliver sustainable low-carbon regulation alongside well-governed networks and competitive markets.

We are particularly pleased to see the pledge to review the offshore transmission regime and work together with industry to make sure it is fit for purpose. This is a welcome initiative and we hope it will ensure a coordinated offshore grid development. The work being carried out by the industry as part of the OFTOs workstream within the Offshore Sector Deal is going to be crucial in influencing the debate and designing a solution to enable us to meet out 2030 offshore wind targets. We look forward to working with Ofgem to progress this issue.

The ongoing reforms to network charges, system operation and price control arrangements are fundamental to 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.

The changes to the access charging regime are of the utmost importance to our industry, as they will inform the investment decisions on our members' projects, and the development of system flexibility. Furthermore, the reforms will have a significant impact on our ability to deliver the amount of renewables needed to achieve our net-zero target. The Access and Forward-Looking Charges review (AFLC) will be the first opportunity to implement the new approach to decision-making outlined in the Decarbonisation Action Plan. We therefore encourage Ofgem to incorporate the ambitions of the plan within these workstreams as soon as possible in order to ensure that these work programmes are also compliant with net-zero. In particular, the commitment to provide more detailed guidance on how different regulatory options and their contribution to net-zero should be assessed.

### **Barriers to growth of low carbon flexible technologies call for evidence**

We are pleased to see a commitment on this as part of the FWP and are looking forward to engaging further with the call for evidence this year.

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 both AFLC and the Targeted Charging Review is complex and 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.

While we support the focus on decarbonisation at the lowest cost and welcome the steps that Ofgem have taken to address industry concerns, there is still more that we think could be done.

It is crucial that findings from this workstream are considered as part of the work programme beyond 2020. We note that the current FWP does not provide any clarity on the set of actions on the back of the call for evidence for low carbon flexible technologies.

### **CLASS treatment for RIIO-ED2**

Work is currently underway to mitigate the potential conflicts of interest which could arise from the DNO transition to distribution system operators (DSOs). We note the development which is part of the ENA Open Networks Project. Nevertheless, it is critical that the common model for DSOs would be able to facilitate market participation and increase investor confidence. Thus, we would encourage Ofgem to work together with industry to develop a roadmap where perceived and real conflicts of interest of both Active Network Management and contested services would be addressed.

DNO and indeed DSO participation in ancillary service markets is contrary to the ongoing work of Ofgem and the EU in market design and unbundling, regarding regulated network operators participating in commercial activities. It is important that any activities are supported by a thorough business case demonstrating network companies' participation does not constitute a double-payment of consumer money as well as detrimental impact on liquidity or through distortion in the market.

Future regulatory treatment of Customer Load Active System Services (CLASS) should be reconsidered and alternative options should be explored, such as DNO market creation which allows the DNO to sell services to the ESO, in line with the EU unbundling requirements and promoting effective competition.

Should you have any questions on the above response, please do not hesitate to get in touch.

Yours Sincerely,

**Yonna Vitanova**

Policy Analyst