



# Forward Work Programme 2024/25

**ofgem**

Making a positive difference  
for energy consumers

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Any enquiries related to the text of this publication should be sent to Ofgem at:  
10 South Colonnade, Canary Wharf, London, E14 4PU.

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# Introduction

## Who we are and how we deliver our principal objective

The [Gas and Electricity Markets Authority](#) (the 'Authority'), consists of non-executive and executive members, and a non-executive chair. The Authority operates through the Office of Gas and Electricity Markets ('Ofgem'), which is a non-ministerial government department. The terms Ofgem and the Authority are used interchangeably in this document.

Non-executive members of the Authority are appointed by the Secretary of State for the Department for Energy Security and Net Zero ('DESNZ').

The Authority determines strategic direction, sets policy priorities and makes decisions on a wide range of regulatory issues, including price controls and enforcement. When making decisions, the Authority is guided by its Consumer Interest Framework, which helps it to identify trade-offs between complex consumer interests.

The Authority's principal objective, set out in statute, is to protect the interests of existing and future consumers. In the past year, the Government has also made, or initiated the process to make important changes to the Authority's responsibilities. Details on the Consumer Interest Framework and our responsibilities, including a net zero duty, a growth duty, and a strategy and policy statement, can be found in our Multiyear Strategy.

## Our Forward Work Programme

Thank you to stakeholders that took the time to review and respond to the Forward Work Programme consultation, that closed in February 2024. The programme of work published in this document is the Authority's decision following that consultation. It sets out how we plan to use our resources in 2024/25, to deliver against our new, Multiyear Strategy. Delivery quarters set out in this document follow the format of our financial year – Q1 is April to June 2024, etc. This programme of work is subject to change, as we will respond to developments as they occur, in order to focus on the projects and activities that best protect the interest of consumers. As always, we will notify stakeholders of any significant changes to this plan throughout the year.

### **Our Multiyear Strategy**

As part of our Forward Work Programme consultation process, we simultaneously gathered feedback from stakeholders, to assist us as we finalised our Multiyear Strategy. Covering the next five years and beyond, the strategy is structured around five strategic priorities, which support the delivery of our principal objective, set out above.

The strategy provides the framework for the Forward Work Programme – which is structured around four of the strategy’s five priorities and their supporting objectives (excluding ‘Strengthening Ofgem as an organisation’).

#### **Strategic priority 1: Shaping a retail market that works for consumers:**

Objective 1: Ensure fair prices

Objective 2: Ensure high quality of service

Objective 3: Enable competition and investability through financial resilience

Objective 4: Support new and evolving markets

#### **Strategic priority 2: Enabling infrastructure for net zero at pace:**

Objective 5: Progress strategic planning

Objective 6: Expand electricity networks

Objective 7: Prepare for the future of natural gas

Objective 8: Facilitate deployment of low carbon technology

Objective 9: Network performance and connections

Objective 10: Ensure secure and resilient supplies

#### **Strategic priority 3: Establishing an efficient, fair and flexible energy system:**

Objective 11: Ensure the right governance and institutions are in place

Objective 12: Deliver effective and efficient market incentives and signals

Objective 13: Enable consumer-focused flexibility

Objective 14: Make a more digital energy system work for consumers

#### **Strategic priority 4: Advancing decarbonisation through low carbon energy and social schemes**

#### **Strategy priority 5: Strengthening Ofgem as an organisation**

## Strategic priority 1: Shaping a retail market that works for consumers

### Objective 1: Ensure fair prices

#### 1.1: Operate and evolve price protection

##### Project description and objectives

##### Default Tariff Price Cap (the 'Price Cap') policy

We will continue to review elements of the Price Cap, including operating costs, to ensure that customers pay a fair price and suppliers' legitimate costs are recovered.

##### Standing charges

We have launched a 'Call for Input' into standing charges (retail and non-domestic). Policy and next steps will become clearer once we have more evidence from the 'Call for Input' and stakeholder roundtable meetings. We will also continue to support Government policy on any potential interventions to support consumers struggling to afford their energy.

##### Levelisation

During 2023/24, we implemented the first phase of levelisation - levelising standing charges between prepayment meters and direct debits. Taking effective from 1 April 2024, this will ensure that prepayment customers continue to be supported, once the 'Energy Price Guarantee' scheme ends.

Our current intention is to also levelise debt-related costs between standard credit and direct debit customers in 2024/25, subject to consultation, conclusions of other workstreams (including operating expenditure ('Opex'), bad debt and affordability) as well as working with industry. Our draft impact assessment published in February 2024 shows that this could reduce the differential between standard credit and direct debit customers, decrease overall debt levels and provide distributional benefits.

##### Exploring alternatives to the Price Cap

As set out in our Future Price Protection Discussion Paper (published March 2024), we are mindful of ensuring that the Price Cap is compatible with the wider changes that net zero is bringing. The Price Cap is currently designed for less complex tariff structures and may need to be adapted to work as diversity increases and market-wide half-hourly settlement offers customers opportunities to reduce their bills by flexing their electricity demand (see the 'Enable consumer-focused flexibility' objective). Through this work, we will have regard to the protection that different groups of customers may require in a

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world of more flexible tariffs. We are seeking views from stakeholders on whether this is possible within the current arrangements, or whether more fundamental changes to price protection arrangements are needed.

### Project milestones

#### Price Cap policy

Q1 – Publish second Opex 'Request for Information'.

Q1 – Publish policy consultation for Opex.

Q2 – Publish wholesale 'Call for Information'.

Q4 – Publish statutory consultations on Opex and debt-related costs.

Q4 – Publish Opex and debt-related costs true-up decision, subject to consultation.

#### Standing charges

Q1 – Develop interim findings report, following 'Call for Input'.

#### Levelisation

Q2 – Publish policy consultation for levelisation 'Phase 2'.

Q3 – Publish statutory consultation for levelisation 'Phase 2'.

Q4 – Publish decisions for levelisation 'Phase 2', subject to consultations.

#### Price Cap alternatives – Future price protections and simplification

Q1 – Publish future price protection and Ban on Acquisition-only Tariffs ('BAT') consultations.

Q2 – Publish decision on BAT, subject to consultation.

Q2 – Publish interim findings report, on future price protection.

Q3 – Publish Section 9 Review (Domestic Gas and Electricity (Tariff Cap) Act 2018).

#### Supporting core regulatory activity

We will continue to review and update the Price Cap on a quarterly basis, to protect domestic consumers from paying unfair energy tariffs. Price Cap announcements will be made in May, August and November in 2024, and in February 2025.

### **1.2: Work with others to tackle the affordability crisis**

#### Project description and objectives

To further examine issues around affordability and debt, we have issued a 'Call for Input' to work out the steps that need to be taken to:

- guard against the harmful impacts of future price shocks
- ensure that the debt burden does not leave us with an unsustainable situation which will lead to higher bills in the future
- look at how consumers can be better supported now and in the future as the market evolves.

In order to protect consumers, we will consider levels of debt being held by suppliers – both the short and long-term impacts – and agree actions that we need to take.

#### Project milestone

Q2 – Publish interim findings report.

### **Objective 2: Ensure high quality of service**

#### **2.1: Improve protections for all consumers, particularly the vulnerable**

##### Project description and objectives

To better protect vulnerable energy consumers, we will focus on the following priorities:

##### Consumer Vulnerability Strategy ('CVS')

Develop an understanding of any gaps in the current CVS and any changes that are needed. We will develop and test updates to the strategy through formal engagement, before implementation.

##### Priority Service Register ('PSR')

Encourage the switch of the whole market to gather Priority Service Register (PSR) information from consumers on a 'Substantial Public Interest' basis. This will allow that data to be shared more effectively between energy suppliers, Distribution Network Operators ('DNOs'), and water companies, helping consumers to receive the services they need from all three groups.

We will also help shape the development of a multi-sector PSR, following the Department for Business and Trade's consultation on this in November 2023.

##### Involuntary prepayment meter ('PPM') consumer groups review

Monitor and assess the impact of the rules we introduced in September 2023, on how energy suppliers should assess consumers' suitability for an involuntary PPM.



### Support to customers that are off-supply

Consult on an obligation to provide 24/7 support to customers without supply and propose to introduce new obligations to require suppliers to restore supply, within specific timescales, out-of-hours.

### Supplier Guaranteed Standards of Performance ('GSOP') payment levels update

Carry out a review for the uplift of GSOP payment levels. GSOP outlines minimum standards of service that suppliers must deliver. If suppliers fail to meet these standards of service, they will be required to pay customers £30. The £30 value was set in 2015. Separately, we recently updated payment levels for DNO and Gas Distribution Networks. Recently, high levels of inflation and wider cost of living pressures on consumers necessitated us reviewing the payment levels.

### Project milestones

#### CVS

Q1 – Discuss priorities for the CVS with stakeholders.

Q2/3 – Develop refreshed CVS draft and conduct formal engagement with stakeholders.

Q4 and beyond – Publish refreshed CVS.

#### PSR – Influencing government, industry and regulatory stakeholders to drive:

Q1/4 – The switch of the whole market to 'Substantial Public Interest'.

Q1/4 – Work on the multi-sector PSR (subject to the Department of Business and Trade's consultation findings and next steps).

Q1/4 – PSR data-sharing across water and energy industry, via DNOs (led by Water UK and Energy Network Association).

#### Involuntary PPM consumer groups review

Q2/3 – Assess any emerging evidence on the impact of the rule changes following suppliers' restart of involuntary PPM activity.

### Support to customers that are off-supply

Q2 – Publish policy consultation on an obligation for a 24/7 support licence condition and propose new obligations on restoring supply timelines.

Q3/Q4 – Publish statutory consultation and draft licence conditions.

### Supplier GSOP payment levels update

Q1 – Publish policy consultation on methodology, to uplift GSOP payment levels.

Q2 – Publish statutory consultation and draft Statutory Instrument, to uplift GSOP payment levels.

Q3 – Publish decision on GSOP and final Statutory Instrument.

### 2.2: Protect the interest of non-domestic consumers

#### Project description and objectives

##### Non-domestic market review

Following our decision on the non-domestic review, we may need to work with the Government to consider the implications of legislative changes that will take effect this year and in 2025/26. This is likely to include working with the Government as appropriate on areas where we have asked them to explore changes, including the expansion of the energy ombudsman and third-party intermediary ('TPI') regulation. We will work with stakeholders as we implement the decisions on our non-domestic review licence changes. We will also embed voluntary improvements to billing transparency and work with consumer bodies on improved information for customers.

##### Improved monitoring

We will embed more consistent monitoring in the non-domestic market, to allow for more proactive identification of issues and trends.

##### Cooling-off periods

We said in our Microbusiness Strategic Review Decision that we would look into cooling-off periods after specific changes had happened in the industry. This was raised again towards the end of our non-domestic market review. We are re-evaluating the issues underpinning this topic and, as part of our review, we will consider whether or not to progress changes, but have set out indicative timelines if we do.

##### Domestic customers behind non-domestic contracts

We aim to improve information for this group of customers, improve access to the PSR register, and consider changes to the maximum resale price rules. We want this group of customers to receive better support and useful information, have improved access to PSR structures, and to strengthen regulations that they can rely on.

#### Project milestones

##### Non-domestic market review

Q1 – Publish decision on non-domestic market review regulatory changes.

Q1 – Complete voluntary billing transparency measures.

Q2/3 – Publish updated customer information resources, with Citizens Advice.

##### Improved monitoring

Q1 – Agree scope of updated non-domestic 'Request for Information' and agree approach for monitoring.

Q2 – Start new routine information requests for non-domestic market monitoring.

### Cooling-off periods

Q2 – Publish policy consultation on cooling-off periods.

Q3 – Publish statutory consultation on cooling-off periods.

Q4 – Publish decision on cooling-off periods, subject to consultation.

### Domestics customers behind non-domestic contracts

Q1 – Consider relevant updates to maximum resale price guidance.

Q1 – Implement voluntary DNO measures, to improve access to vulnerability registers.

## **2.3: Deliver effective and proactive monitoring, supervision, compliance and enforcement activities**

### Project description and objectives

We intend to develop a more outcome-focused approach to compliance and enforcement, proactively reviewing wholesale and retail energy company performance and other market data, to identify and tackle poor performance and drive-up standards.

We will continue to ensure that:

- the approach we take to financial supervision and monitoring is risk-based, proportionate and forward-looking
- we further open, constructive and proactive relationships with suppliers
- we obtain timely and accurate data flows from those suppliers.

### Project milestones

Q1/4 – Scope and deliver a refresh of our compliance and enforcement strategy.

Q1/4 – Scope evolving priority compliance and enforcement projects.

### Supporting core regulatory activity

We will continue to use our monitoring and enforcement powers to drive improved industry behaviours, performance and outcomes for consumers, both in relation to the domestic and non-domestic retail sectors, and in wholesale markets and networks.

### 2.4: Use data to drive up supplier performance

#### Core regulatory activity

As we continue to shape a competitive and resilient market, we will reassess our data requirements, by:

- improving our collection, use and dissemination of supplier performance data, reducing duplication and increasing automation
- developing a supplier data compliance framework
- exploring the development of new, bespoke measures to assess customer service standards and publishing a more holistic, consumer-focused set of information on supplier customer service standards.

### **Objective 3: Enable competition and investability through financial resilience**

#### Project description and objectives

We will work to ensure that the financial resilience of suppliers continues to improve as they transition to the new capital adequacy and asset control requirements. We will be vigilant to market developments, consulting on adjustments to the financial resilience framework, where appropriate.

#### Project milestones

Q1/4 – Implement new financial resilience rules and develop our approach, including updating guidance as appropriate.

Q2 – Publish ‘Supplier of Last Resort’ levy offset decision, subject to consultation.

#### Supporting core regulatory activity

We will continue to:

- Support entry and growth by appropriately resilient and responsible firms, running our new license application, milestone assessment, and other authorisation processes, in an efficient and effective manner, to deliver an investable market.
- Focus our monitoring and supervisory activity where it matters most, taking into account the risk of failure and the impact of potential failure on consumers.
- Operate the supplier licence application process, and to respond to any supplier failures in the retail energy market through our ‘Supplier of Last Resort’ process and ‘Special Administration Regime’.

### **Objective 4: Support new and evolving markets**

#### **4.1: Develop and implement heat network regulation**

##### Project description and objectives

As our Multiyear Strategy sets out, we are developing a proportionate regulatory framework to protect heat network customers, while supporting investment in the sector and government targets for net zero.

##### Project milestones

Q1 – Publish response to ‘Cost Recovery’ consultation.

Q1 – Publish response to ‘Consumer Protection’ consultation (joint with DESNZ).

Q2 – Publish second market framework consultation (joint with DESNZ).

Q2 – Publish authorisation, monitoring, compliance and enforcement consultation.

Q3 onwards – Publish various consultations on evolving policy and Statutory Instruments.

#### **4.2: Explore reform of the retail market and respond to future developments**

##### Project description and objectives

We will review the implications for the retail market of flexibility, decarbonisation, decentralisation and digitalisation, to understand how we can best support a net zero transition, that works for all consumers and protects them from priority consumer harms, as new products and services emerge. We need to promote innovation and consumer engagement, while protecting consumers who do not or cannot engage.

##### Project milestone

Q2 – Publish consultation seeking views on how to unlock innovation and protect consumers during the net zero transition.

## **Strategic priority 2: Enabling infrastructure for net zero at pace**

### **Objective 5: Progress strategic planning**

#### **5.1: Oversee production and implementation of a new Strategic Spatial Energy Plan ('SSEP')**

##### Project description and objectives

This year, we will work with the current Electricity System Operator (the 'ESO') (and subsequently the newly established the National Energy System Operator – the 'NESO') and DESNZ to develop the SSEP. The SSEP will be a whole-system plan that bridges the gap between wider policy objectives and infrastructure development plans. The outputs of the SSEP will be a primary input into the Centralised Strategic Network Plan ('CSNP' – see below), and our future price controls for electricity transmission networks. We will work to align market signals and policies to enable SSEP to be realised.

##### Project milestones

Q1 – Scope and approach to SSEP set out and agreed between Ofgem, DESNZ and the NESO.

Q1 – Governance processes established for SSEP development, ensuring Ofgem oversight.

Q2 – NESO licence conditions in place to support SSEP development.

Q3 – Methodology and governance arrangements set out and agreed to shape production of the SSEP, ensuring confidence that plan outputs are credible for wider planning and price control purposes.

#### **5.2 Establish and implement mechanisms to realise the Centralised Strategic Network Plan**

##### Project description and objectives

The CSNP will provide an independent, coordinated, and longer-term approach to wider network planning in Great Britain. This year, we will establish the regulatory framework for the NESO, to fully deliver the CSNP by 2026.

### Project milestones

Q2 – NESO licence conditions in place, to support CSNP development.

Q3 – Methodology and governance arrangements set out and agreed to support production of the full CSNP.

## **5.3 Establish Regional Energy Strategic Planners ('RESPs')**

### Project description and objectives

National plans (both SSEP and CSNP) must be complemented by tailored local planning at the distribution level, to ensure that investment reflects the needs of different locations across the country. In November 2023, we published our decision to proceed with reforming local governance arrangements. In 2024/25, we will further develop the detailed policy framework for these new arrangements and commence their implementation. This will establish strategic planning at a distribution level, with the introduction of a new RESP role, which the NESO will deliver. As part of detailed design, we will ensure that the arrangements work coherently alongside the context of the wider energy system landscape and other ongoing reforms, particularly those unlocking the value of distributed flexibility.

### Project milestones

Q2 – Publish consultation on the methodology and detailed design of the RESP framework.

Q3/4 – Publish decision, subject to consultation, and commence RESP implementation.

## **Objective 6: Expand electricity networks**

### **6.1: Continue to drive accelerated onshore network investment**

#### Project description and objectives

##### Accelerated Strategic Transmission Investment framework

This year, we will continue to work with the Government to drive acceleration of electricity network expansion, building on the successful approach adopted through the Accelerated Strategic Transmission Investment ('ASTI') framework. We will support strategic transmission investment across onshore, offshore and cross-border networks, and enable faster connections and coordinated infrastructure development by:

- continuing to implement ASTI to accelerate over £20 billion of funding to 26 onshore transmission projects

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- accelerating the 'project assessment' process, enhanced upfront engagement and monitoring with Transmission Operators ('TOs'), in order to meet ASTI timescales, while driving value for the consumer
- continuing to deliver the Large Onshore Transmission Investment ('LOTI') and small and medium project re-opener processes alongside ASTI.

### Early competition for onshore transmission

This year, we will continue to work with the NESO to finalise an 'Early Competition Model' for the electricity transmission network. Our intention is to publish tender regulations approved by the Government and to announce the launch of a competitive process by the end of 2024, or once the model is finalised with the NESO.

### RIIO-3 – Electricity price controls

This year, we will decide on RIIO-3 sector methodology for electricity transmission ('ET') and prepare for the TO business plan submissions, outlining their spending needs between 2026 and 2031 (the RIIO-3 period). We will decide on the sector framework for electricity distribution ('ED') for the 2028-2033 period. We will also seek to retain flexibility in our methodologies and frameworks, to enable alignment with future government policy.

### Project milestones

#### ASTI framework

Q1/4 – Ongoing decisions in relation to ASTI projects, e.g. early construction funding and project assessments.

#### Early competition for onshore transmission

Q3 – Publish 'Early Competition' tender regulations.

Q4 – Finalise 'Early Competition Model' with the NESO and DESNZ.

Q4 – Identify suitable project for an 'Early Competition' tender, working with the NESO.

#### RIIO-3 – Electricity price controls

Q1 – Publish decision on a sector methodology and business plan guidance for the RIIO-ET3 price control. This will include a 'major projects regime' that adapts our regulation to the structural challenges within the energy industry and the need for the delivery of transmission network build at pace, whilst sufficiently protecting consumer interests.

Q2 – Commence the RIIO-ED3 price control review and publish an 'Open Letter' on the new regulatory framework.

Q3 – Put in place an evaluation framework to assess companies' business plans.

Q4 – Publish decision on the new regulatory framework for RIIO-ED3.



### **6.2: Continue to operate and iterate the Offshore Transmission Owner ('OFTO') Framework**

#### Project description and objectives

We are responsible for managing the OFTO regime, and consequently, for minimising the costs to consumers of building and operating these assets. We will continue to carry out value-for-money tender processes, for the ownership and operation of OFTO assets.

#### Project milestones

##### OFTO regime and life extensions

Q2 – Publish guidance on 'health reviews' for generator and OFTO assets.

Q3 – Publish consultation on 'approach to life' extensions, as well as a number of other points on the OFTO regime (e.g. all-encompassing operations and maintenance contracts).

Q4 – Publish decision following the 'approach to life' extensions consultation.

##### Offshore coordination ('OFTO build') delivery model

Q2 – Publish consultation on OFTO build framework design.

Q4 – Publish 'minded to' decision for OFTO build framework design.

Late Q4 – Publish final decision for OFTO build framework design.

##### Asset classification

Q2 – Publish asset classification decision for the 'Holistic Network Design Follow-Up Exercise'.

### **6.3: Enhance flexibility through electricity interconnection**

#### Project description and objectives

As part of work to optimise the full benefits of interconnection and to avoid potential risks, we will conclude an Initial Project Assessment ('IPA') for new interconnectors and the pilot project for Offshore Hybrid Assets ('OHA'). We will deliver and implement new, coordinated offshore tender frameworks, alongside the delivery of current projects and wider policy interactions.

### Project milestones

#### Interconnectors – Third ‘Cap and Floor’ Window

Q3 – Publish IPA and ‘Interconnectors Parameters’ decisions (consultations published in March 2024).

#### Offshore Hybrid Assets

Q3 – Publish OHA and ‘OHA Parameters’ decisions (consultations published in March 2024).

### Supporting core regulatory activity

We will continue to assess and decide the need for new interconnector projects through our ‘Cap and Floor’ regime, and monitor compliance with interconnector licences.

#### Interconnectors – ‘Cap and Floor’ regime

Q3 – Publish five-year assessment of our ‘Cap and Floor’ pilot project – Nemo Link.

Q3 – Publish decision on ‘Post Construction Review’ of Viking Link.

Q4 – Publish decision on ‘Post Construction Review’ of Greenlink.

## **Objective 7: Prepare for the future of natural gas**

### **7.1: Recover the costs of the existing gas network**

#### Project description and objectives

Decarbonising heat while continuing to enable safe, secure and reliable supplies for households and businesses remains the priority for our regulation of the gas networks. Through our RIIO-3 price controls for gas – both distribution and transmission - we must ensure efficiency in future investment and fairness and certainty in how costs are recovered over time, from a declining customer base. This is vital in managing the strategic uncertainties around the gas networks, protecting both consumers and investors against the risk of asset stranding.

#### Project milestones

Q1 – Publish sector methodologies and business plan guidance for gas distribution and transmission RIIO-3 price controls, including approach to regulatory depreciation.

Q4 – Begin assessment of companies’ business plans.

### **7.2: Prepare for repurposing and potential decommissioning of the gas grid**

#### Project description and objectives

This year, we will investigate the future role of natural gas networks and markets, to support the energy transition, including transition scenarios and assumptions, the potential to repurpose existing gas network and to engage stakeholders on potential decommissioning scenarios.

We will also further explore with the Government, the strategic role for hydrogen in delivering net zero, especially in hard-to-decarbonise end-use sectors and power, in the context of ongoing hydrogen projects.

#### Project milestone

Q1/4 – Develop shared understanding with the Government and industry, on options for how a safe, effective and least-cost decommissioning process could be conducted.

## **Objective 8: Facilitate deployment of low carbon technology**

### **8.1: Establish and oversee a regulatory regime for nuclear power**

#### Project description and objectives

This year, we will assist in the design and implementation of the economic and regulatory regimes for new nuclear build generation plants, supporting the Government's development of the model for Sizewell C and further new investment to the sector.

#### Project milestones

Q1/4 – Support to DESNZ to develop the economic regime for Sizewell C, including the licence and Ofgem guidance.

Q1/4 – Prepare to regulate the first nuclear 'Regulatory Asset-Based' clusters, contingent on a 'Final Investment Decision' being reached.

### **8.2: Regulate carbon capture, utilisation and storage ('CCUS'), transport and storage**

#### Project description and objectives

CCUS will have an important role in decarbonising the economy. In the year ahead, we will take important steps in the design and implementation of the economic and regulatory regimes for CCUS transport and storage networks.

### Project milestones

Q1/4 – Support to DESNZ to develop the CCUS transport and storage economic regime, licence, and codes.

Q1/4 – Prepare to regulate first CCUS clusters.

## **8.3: Develop new hydrogen transport business models**

### Project description and objectives

Following the Government’s published position for the high-level design of the hydrogen transport business model – this year – we will support DESNZ with the development of the economic regulatory framework.

### Project milestones

Q1/4 – Support DESNZ to develop a hydrogen transport business model and market framework.

Q1/4 – Support DESNZ to develop and deliver the hydrogen transport allocation round.

## **8.4: Support the development of Long-Duration Electricity Storage (‘LDES’)**

### Project description and objectives

LDES is a key element of a future decarbonised grid. This year, we will continue to support the Government as it develops an appropriate policy and framework for investment into LDES.

### Project milestone

Q1/4 – Support the Government to develop an investment policy and regulatory framework.

### **Objective 9: Network performance and connections**

#### **9.1: Use our regulatory tools to ensure high quality service and supply**

##### Core regulatory activity

We are responsible for ensuring that network companies are delivering in accordance with their obligations. This year, we will continue to manage the effective operation of the current RIIO-2 electricity and gas price controls and incentive frameworks, including transparent and rigorous ongoing performance assessment of network company performance.

We will clearly articulate, through our regulatory frameworks, the standards we expect of network companies, and ensure that robust measures are in place to effectively monitor compliance and act where necessary to protect the interests of consumers.

##### RIIO-2 Control reports

Q4 – Publish mid-RIIO-2 control reports (electricity transmission, gas distribution and transmission) for network company performance.

#### **9.2: Enable faster electricity network connections**

##### Project description and objectives

This year, we will work with the Government and the ESO to deliver actions from the Connections Action Plan, alongside wider connections reform, to significantly reduce connection timescales. Ofgem's role will include:

- carrying out an end-to-end review of connections incentives, obligations and requirements on the ESO, DNOs and TOs.
- chairing the new Connections Delivery Board, to:
  - support and challenge the sector
  - provide strategic steers
  - monitor the benefits of connections reform initiatives, to keep focus on pace and impact.

##### Project milestones

##### End-to-end review of obligations and incentives

Q1 – Publish recommendations.

##### Enduring reform of the connections process

Q2 – Publish licence consultation, if required.

Q2 – Publish decisions on related 'Connection' and 'Use of System Code' modifications.

Q4 – Implement new connections process.

### **Independent DNOs ('IDNOs') and establishment of Independent TOs ('ITOs')**

#### Project description and objectives

We will further consider whether there is need to review the regulatory framework for IDNOs and ITOs. In light of responses to our October 2023 'Open Letter' on regulatory arrangements for IDNOs, we are prioritising clarifying arrangements for charging for the 'Extra High Voltage' network for IDNOs (which are embedded in the distribution network and transmission network). We will consider these clarifications in developing the scope of any wider review.

#### Project milestones

- Q1/4 – Work with industry to clarify 'Extra High Voltage' charging arrangements.
- Q1/4 – Consider whether a wider review of IDNO / ITO arrangements is required.

### **Objective 10: Ensure secure and resilient supplies**

#### **10.1: Pursue security of supply**

#### Project description and objectives

It is vital that we manage the security and resilience of our energy system. This year, we will work to:

- clearly articulate the resilience standards that we expect for network companies
- consider, alongside the Government, any changes required to support carbon-free energy system operation
- work with the Government to assess any risks to security of electricity supply in the late 2020s, and consider appropriate mitigations
- provide quality technical advice, to inform strategic decisions on the future of gas.

#### Project milestones

Q2 – Publish decision on next steps to assess and ensure liquid wholesale power markets.

Q2 – Publish decision on next steps for potential changes to the transmission constraint licence condition and its guidance.

#### Supporting core regulatory activity

We will continue to identify and implement mitigations, to maintain and improve security of gas and electricity supply.

### **10.2: Implement monitoring to ensure regulated companies are financially resilient**

#### Project description and objectives

We will develop our view of financial resilience across the energy system. As part of this, we will identify risk areas and governance to drive systematic, proportionate improvements in the sector.

#### Project milestone

Q1/Q4 – Assess our approach and develop recommendations.

### **10.3: Strengthen cyber resilience**

#### Core regulatory activity

We will continue to assess and drive improvements in cyber and security resilience across energy sector 'Operators of Essential Services'.

### **10.4: Build resilience to extreme climate events and long-term climate change**

#### Project description and objectives

We will proactively enhance the energy sector's resilience to increasing climate change risks, through our new climate resilience programme, by:

- developing approaches to embedding climate resilience into systems planning and price controls, including consideration of high-impact, low-probability extreme weather events
- working closely with the Government and the NESO to clarify respective roles and responsibilities to drive forward change
- supporting the Government to develop resilience goals and updating performance standards.

#### Project milestones

Q1 – Establish joint working arrangements between Ofgem, DESNZ and the NESO, and develop governance arrangements.

Q1 – Publish guidance on climate resilience, including treatment of high-impact, low-probability events for RIIO-3 electricity transmission and gas price controls and CSNP.

Q2 – Conclude 'Storm Arwen' reopener.

Q3 – Publish our 'Adaptation Report'.

## **Strategic priority 3: Establishing an efficient, fair and flexible energy system**

### **Objective 11: Ensure the right governance and institutions are in place**

#### **11.1: Establish and regulate the NESO**

##### Project description and objectives

This year, we will continue to work alongside DESNZ and other industry delivery partners, to establish the NESO in 2024. From 'Day One', we will regulate the NESO in line with its new regulatory framework, while continuing to establish the enduring regulatory regime. We will also continue development of enhanced and new roles.

##### Project milestone

Q1/4 – Establish and implement a regulatory regime for the NESO.

##### Supporting core regulatory activity

We will continue to maintain regulatory oversight to ensure that the ESO plays its part in delivering a reliable and resilient zero carbon energy system at the lowest cost to consumers.

#### **11.2: Reform energy code governance to enable faster, more strategically aligned rule changes across the sector**

##### Project description and objectives

Energy code reform is a joint project: DESNZ is responsible for establishing the regulatory framework for code managers and Ofgem is responsible for the implementation of the reforms, in line with the legislative and project aims. We will continue to develop and implement a regulatory framework for code reform as set out in the Energy Act 2023, by:

- consulting in relation to utilising our transitional powers, to enable new code governance arrangements to be established
- consulting on our approach to establishing Ofgem's Strategic Direction Statement
- working jointly with DESNZ, to establish secondary legislation and code manager licence conditions.



### Project milestones

Q1/2 – Ofgem and DESNZ consultations on implementation and code manager licensing concluded.

Q3/4 – Further consultations on detailed implementation, and draft strategic direction statement.

### Supporting core regulatory activity

We will continue to issue licences in line with our published criteria and perform our role of approving modifications to industry codes, in line with our framework targets.

## **Objective 12: Deliver effective and efficient market incentives and signals**

### **12.1: Work with government to deliver reforms which set efficient locational incentives for investment and operation across the energy system**

#### Project description and objectives

We will continue to support DESNZ with the development and assessment of wholesale market reforms, through the Review of Electricity Market Arrangements ('REMA') project. This includes advising DESNZ on the scope and nature of reform we believe would most benefit current and future consumers.

#### Project milestone

Q1/ 4 – Support DESNZ with the development and assessment of wholesale market reforms.

### **12.2: Introduce low-regrets near-term reforms to support system efficiency**

#### Project description and objectives

This year, our work will centre on ensuring that signals being sent through markets and through network charges and access arrangements work well together. Following on from our September 'Open Letter' on strategic transmission charging reform, we plan to publish a policy paper and a 'Call for Input' in the spring, outlining policy options for transmission charging and access rights reform.

On Distribution Use of System ('DuoS') charging, we will prioritise resolution of specific issues which have arisen in relation to the charging methodologies over winter 2023/24.

### Project milestones

Q1 – Publish shorter-term DUoS reform consultation.

Q3 – Publish decision for shorter-term DUoS reforms.

Q3 – Scope longer-term DUoS reform, including REMA alignment.

### Core regulatory activity

We will continue to maintain capacity market rules and make determinations on disputes.

## **Objective 13: Enable consumer-focused flexibility**

### **13.1: Unlock distributed flexibility and regulate load controllers**

#### Project description and objectives

In 2023, we published our decision to introduce a flexibility 'Market Facilitator', as part of our review of local governance and institutional arrangements. We also sought stakeholders' input on the customer journey for domestic flexibility and the need for digital infrastructure to support achieving coordinated markets. This year, we will continue to focus on supporting the potential of distributed flexibility to enable a low-cost transition and wider participation in markets. We will focus on:

- working with government and industry, to ensure a clear vision and strategy for enabling distributed flexibility
- consideration, post-discovery phase, what is most needed to unlock the potential for consumer flexibility
- progressing the detailed design of the flexibility 'Market Facilitator' and deciding which institution is best placed to deliver it
- consulting on the required flexibility digital infrastructure to enable transparent and coordinated markets and unlock distributed flexibility.

We will continue to work with government to develop a competitive regulatory regime for the aggregation and control of smart energy appliances and demand-side response, ensuring that consumers and the electricity system are protected. We will also begin preparatory activities to deliver this new regulatory role.

### Project milestones

#### Distributed flexibility strategy

Q1/4 – Ensure that there is a clear vision for the role of distributed flexibility and an action plan of near-term priorities for unlocking this.

#### Market Facilitator

Q1/2 – Publish decision on which institution is best placed to deliver the flexibility 'Market Facilitator' role.

Q3/4 – Commence 'Market Facilitator' implementation, detailed design of transition and enduring arrangements.

#### Flexibility digital infrastructure

Q1 – Publish consultation of the development of a common asset register.

Q3 – Publish decision on common asset register.

#### Licencing remote load control

Q1-4 - Develop licence framework and operating processes ahead of applications opening.

## **13.2: Continue to drive the benefits of smart meters through regulatory oversight of roll-out and data flows**

### Project description and objectives

We will we prepare governance for the not-for-profit successor to the Data Communications Company (the 'DCC').

### Project milestones

Q1/2 – Publish consultation for DCC future governance and 'Central Registration Service'.

Q1/2 – Agree and sign-off 'Business Handover Plan'.

Q1/2 – Publish consultation for future DCC price control arrangements.

Q1/2 – Publish consultation on future DCC role.

Q1/2 – Conduct annual monitoring of supplier compliance with smart meter rollout targets.

### Supporting core regulatory activity

We will continue to promote progress of the smart meter rollout, oversee supplier licence obligations, and where necessary, take enforcement action to ensure that companies meet installation targets.

We will also continue to carry out our regulatory oversight role for the DCC, as the monopoly provider for smart meter data communication service, to ensure that it offers consumer value for money through annual price control.

### **13.3: Ensure successful rollout of Market-wide Half-hourly Settlement**

#### Project description and objectives

This year, we will continue to support the timely delivery of the new systems and processes required for half-hourly settlement. With the first electricity suppliers expected to begin transitioning their customers in April 2025, we expect all suppliers and DNOs to be making fundamental changes to their systems during 2024/25.

#### Project milestones

- Q1 – Begin functional system integration testing.
- Q1 – Smart Metering Act enacted.

### **Objective 14: Make a more digital energy system work for consumers**

We will work with our key stakeholders, including DESNZ, Innovate UK and industry participants, to accelerate digitalisation, innovation and improvement in regulated entities.

#### **14.1: Set governance standards to digitise system data and improve data sharing**

##### Project description and objectives

This year, we will further develop and embed digital and data regulations, standards and reforms and carry out a scoping review, to assess how to best adapt to the changing use of the data transfer network ('DTN'), as DNOs switch to faster, more efficient and flexible data solutions, which is reducing the DTN's traffic.

##### Project milestones

- Q1 – Publish consultation on data sharing infrastructure governance.
- Q2 – Publish consultation for the introduction of a consumer consent dashboard.
- Q2 – Publish decision on data sharing infrastructure governance.
- Q2 – Publish consultation on data best practice application to industry codes.
- Q3 – Publish decision on the introduction of a consumer consent dashboard.
- Q3 – Publish decision on data best practice application to industry codes.

### **14.2: Enable innovation across the sector**

#### Project description and objectives

We will identify, review and remove undue barriers to innovation in the retail market for both domestic and non-domestic customers, and will continue our funding and support for networks and partners to undertake research, development and deployment of transformative innovation.

#### Project milestones

Q2 – Publish decision on a sector methodology and business plan guidance for innovation, within the RIIO-3 price control.

Q2 – Publish ‘Call of Input’, to identify barriers to innovation.

Q2/3 – Consult on details of innovation funding mechanisms within RIIO-3, then evaluate companies’ business plan proposals to deliver network innovation.

Q4 – Publish policy consultation on specific changes to facilitate innovation.

#### Core enabling activity

We will continue to operate our Innovation Hub – its services include:

- Our regulatory ‘sandbox’, which reduces normal regulatory rules, where we are persuaded that a proposition has a potential for consumer benefit.
- The Strategic Innovation Fund, that helps facilitate the net zero transition, through a £450m fund for network innovation allowances.
- Fast, Frank Feedback, which gives tailored advice, helping innovators to navigate the energy sector and to understand the regulatory implications of the propositions.
- Development of RIIO-3 innovation framework through market consultation and business plan reviews.

### **14.3: Establish a framework for responsible use of artificial intelligence ('AI') in the energy sector**

#### Project description and objectives

We have been made responsible for regulating use of AI in the energy sector. This year, we will publish our initial strategy and a detailed strategy, following responses.

#### Project milestones

Q1 – Publish ‘Call for Input’ for AI strategy.

Q1 – Publish high-level strategy, subject to ‘Call for Input’.

Q2/4 – Assess applications to the SIF and other innovation funds for AI related competitions.

Q2/4 – Develop AI guidance.

Q3/4 – Publish AI consultation.

## **Strategic priority 4: Advancing decarbonisation through low carbon energy and social schemes**

Ofgem administers a range of low carbon energy and social schemes for government, which during 2024/25, will see some changes. Our administration will continue to deliver the transition towards decarbonisation of domestic and non-domestic energy generation, the adoption of renewable heat solutions, and support vulnerable consumers and energy efficiency measures. We work with government and stakeholders to implement and deliver schemes which meet these objectives.

Our administration of the schemes is complementary to our core regulatory role and supports the key pillars of our Consumer Interest Framework, in particular, by supporting customers to make greener choices in the low-cost transition. The schemes provide around £10 billion of support each year.

Our core focus is to administer the schemes efficiently, provide an excellent user experience, deliver for government and ensure risks are well managed. The core schemes administration work programme is described below.

### **Low carbon energy schemes**

#### **Boiler Upgrade Scheme**

Launched in May 2022, the Boiler Upgrade Scheme supports property owners to install low-carbon heating systems, to support the transition to net zero through upfront capital grants, for the installation of heat pumps and biomass boilers in homes and non-domestic buildings. £450 million of grant funding is available between 2022 and 2025. Government has confirmed that the scheme will be extended by three years, meaning it will be open to applications until 2028. The grant levels for air source heat pumps and ground source heat pumps were increased by DESNZ from £5000 and £6000 to £7500 in October 2023. DESNZ has also consulted on potential changes to the scheme; publishing their response in March 2024. DESNZ confirmed that changes will be made to the scheme, including the removal of the requirement for a property to have no outstanding recommendations for loft and cavity wall insulation on their Energy Performance Certificate.

### **Green Gas Support Scheme and Green Gas Levy**

The Green Gas Support Scheme provides financial support for plants that produce biomethane via anaerobic digestion and inject it into the gas grid. The plants will receive a quarterly tariff for 15 years, assuming they continue to meet all relevant eligibility criteria. The scheme is funded by the Green Gas Levy, which places an obligation on licenced gas suppliers to make quarterly levy payments.

Government has confirmed that the scheme will be extended by two years and four months, meaning it will be open to applicants until March 2028. DESNZ made changes to the Green Gas Levy regulations that came into force in November 2023. DESNZ has also consulted on potential changes to the Green Gas Support Scheme.

### **Renewable Heat Incentive**

While the domestic, non-domestic and Northern Ireland Renewable Heat Incentive schemes have now all closed to new entrants, Ofgem will continue to administer the schemes as per the regulations, including issuing associated payments to households, businesses, the public sector and non-profit organisations, and will ensure compliance with scheme rules.

### **Renewables Obligation ('RO')**

The RO scheme provides long-term support for the production of renewable electricity on a large-scale. Certificates are issued to operators of accredited renewable generating stations for the electricity that they generate, and which are sold to, and can be traded with other suppliers. Electricity suppliers are required to present a specified number of Renewable Obligation Certificates, in respect of each MWh of electricity supplied to customers. Those suppliers that do not meet their obligations are required to pay an equivalent amount into a buy-out fund. Improved financial resilience measures should mean a reduction in suppliers who fail to meet their obligations through either of the above routes.

Government issued a 'Call for Evidence' on moving the RO to a fixed-price certificate approach from 2027 onwards, as generation capacity reaches the end of its support through the scheme. We expect a consultation to lead on from this in the coming year, which may fundamentally change how the scheme is administered.

### **Feed-in-Tariffs**

Smaller-scale renewable and low-carbon electricity generation is supported through the Feed-in-Tariffs scheme, in which suppliers make payments to participants that install electricity generating installations, such as solar photovoltaic panels. The scheme is closed to new generators.

### **Renewable Energy Guarantees of Origin ('REGO')**

The REGO scheme provides transparency to consumers about the proportion of electricity that suppliers source from renewable electricity.

This scheme provides certificates called REGOs, which demonstrate electricity has been generated from renewable sources. Suppliers then present these to validate environmental claims made on their tariffs through the Fuel Mix Disclosure ('FMD'). The current year is the first where European Guarantees of Origin (equivalent to REGOs) can no longer be presented for FMD.

REGO usage has expanded beyond FMD, and is potentially being used across multiple schemes, including some outside of Ofgem's remit. Government has announced a review of REGOs and further details are expected.

### **Smart Export Guarantee ('SEG')**

The SEG requires some electricity suppliers, known as SEG licensees, to pay small-scale generators, known as SEG generators, for low-carbon electricity, which they export back to the National Grid, as a replacement for the Feed-in-Tariff. We have seen an increase in the number of generators participating in SEG and there are no current plans to reform the scheme.



### **Social schemes**

#### **Energy Company Obligation ('ECO')**

ECO is a government energy efficiency scheme in Great Britain, designed to tackle fuel poverty and help reduce carbon emissions.

The scheme works by placing a Home Heating Cost Reduction Obligation ('HHCRO') on medium and large energy suppliers. Under HHCRO, obligated suppliers must promote measures that improve the ability of low-income, fuel-poor and vulnerable households to heat their homes. This includes actions that result in reduced energy usage, such as installing insulation or upgrading a heating system. The overall target for these measures is divided between suppliers based on their relative share of the domestic gas and electricity market.

#### **Great British Insulation Scheme**

Launched in 2023, the Great British Insulation Scheme is an ECO scheme, that aims to deliver insulation measures to the least efficient homes in Great Britain. It aims to tackle fuel poverty and reduce energy bills.

#### **Warm Home Discount**

The Warm Home Discount offers less well-off pensioners and low-income households a rebate for their electricity or gas account. Other assistance provided by energy suppliers can include industry initiatives, such as entitlement checks, debt assistance, energy and smart meter advice, and energy efficiency measures for low income and vulnerable households.

### Estimated Ofgem expenditure

In 2021, the Chancellor of the Exchequer announced the three-year spending review for the period 1 April 2022 to 31 March 2025. Our initial settlement for Ofgem’s levy funded regulatory work in 2024/25 was £100.18m.

In May 2023, HM Treasury approved an uplift in Ofgem’s budget of £27.3m for 2024/25, above the 2021 settlement, reflecting the impact of the energy crisis on our role, and supporting additional regulatory roles and functions needed to deliver a cost-effective transition to net zero at pace. This represents a budget increase of £8.79m above 2023/24 funding.

<b>Levy funding decision</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
2021 Comprehensive Spending Review settlement	£90.69m	£94.28m	£100.18m
2022/23 Approved uplift	£11m		
2023/24 Approved uplift		£24.4m	£27.3m
<b>Revised gross licence fee funding</b>	<b>£101.68m</b>	<b>£118.68m</b>	<b>£127.48m</b>

Ring-fenced funding for low carbon energy and social schemes is agreed separately with respective funders on an annual basis. In 2023/24, this included funding to deliver the newly established Green Gas Scheme and Green Gas Levy. At the time of publishing this document, the budget for 2024/25 is not yet finalised, and is an estimate.

<b>Low carbon energy and social schemes – funding</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£54.24m</b>	<b>£59.09m</b>	<b>Estimate £70.03m</b>