

Ofgem's Forward Work Programme - 2024/25

A Citizens Advice
consultation response



Thomas Brooke Bullard
thomas.brookebullard@citizensadvice.org.uk
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About us

We can all face problems that seem complicated or intimidating. At Citizens Advice we believe no one should have to face these problems without good quality, independent advice. We give people the knowledge and the confidence they need to find their way forward - whoever they are, and whatever their problem.

We provide support in approximately 2,500 locations across England and Wales with over 18,000 volunteers and 8,650 staff.

Through our advocacy work we aim to improve the policies and practices that affect people's lives. No one else sees so many people with so many different kinds of problems, and that gives us a unique insight into the challenges people are facing today.

As the statutory consumer watchdog for the energy and post industries we have an important role to play in shining a spotlight on the problems consumers encounter, providing solutions to these problems and ensuring their voices are heard when important decisions are made about the future of these essential markets.

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Introduction

Citizens Advice welcomes the opportunity to respond to Ofgem's Forward Work Programme, and look forward to working closely with the regulator over the coming year, especially in areas which align with our own [Consumer Work Plan for 2024/25](#).

Overall we support Ofgem's key strategic priorities: shaping a retail market that works for consumers, enabling infrastructure for net zero, and establishing an efficient, flexible energy system.

One important new responsibility for Ofgem going forward will be its role as the regulator for heat networks. Citizens Advice look forward to working closely with Ofgem in our new role as the statutory consumer advocate for heat networks. It is vital that consumer interests are at the heart of this new regulatory framework.

We are supportive of Ofgem's goal of facilitating investment in net zero infrastructure in a way that delivers a high quality of service to consumers at a reasonable cost. Trust in regulated companies and regulators is at a historic low, and therefore it is crucial that this is not compromised further by setting returns for investment at a level that is not fair. Therefore, Ofgem should review the changes it made to the incentive framework related to the Accelerated Strategic Transmission Investment (ASTI) approach, which made the incentive structurally skewed in favour of the companies¹.

The net zero transition will not be successful if the enabling systems are not in place to facilitate this. As such, ongoing problems with the smart meter rollout remain a significant concern. Consumer trust is being damaged by continued delays and problems with their smart meters. While the Government leads the smart programme, it's vital that Ofgem takes an active role in considering how its policies can deliver consumer benefits from smart metering. The regulator must also ensure that rules on resolving problems with smart meters are complied with.

¹ Citizens Advice (2023) [Response to Ofgem's consultation on frameworks for future systems and network regulation](#) pg19

In relation to the retail market we support many of the areas of work Ofgem has planned. One area which should have greater prominence is support for people in debt, given the significant growth in total energy debt to almost £3bn, with further debts built up by consumers to pay for energy, through credit cards or arrears for other services. Ofgem has committed to carry out work in early 2024 on approaches for dealing with bad debt, and it's important that Ofgem fully reflect this in their work plan².

We've called for improved consumer protections in relation to debt, and for Ofgem to work with the Government to develop a joint plan that brings their complementary powers to bear³. This should include additional resourcing for independent debt support, which can give holistic advice and help people find sustainable solutions to their debt issues across sectors.

Ofgem should also place more emphasis on the pressing need for reforms to make the market more innovative and to upgrade consumer protections to enable people to confidently engage with low carbon products and services. It must also take a fully active role in ensuring the enabling technologies and systems that underpin the future market are delivered in a timely way and with maximum consumer benefit through its work on smart metering and market-wide half hourly settlement.

We're concerned that planned activity on issues like standing charges risks being a distraction that carries relatively little consumer benefit and doesn't address the fundamental changes in the energy market over the coming years. At the same time, a focus on supplier investability through the price cap, without equivalent changes to improve the conditions for competition over the long term, risks creating a one way bet for incumbent firms.

² Ofgem (2023) [Energy price cap: additional debt costs review consultation](#)

³ Citizens Advice (2024) [Shock Proof: Breaking the cycle of winter energy crises](#)

Proposed Strategic framework for Ofgem's regulatory work

Citizens Advice broadly supports Ofgem's proposed strategic framework for its upcoming work. The 3 strategic priorities identified are coherent, and fit together with the 6 core outcomes that characterise a successful consumer market which Citizens Advice have identified in our draft consumer workplan⁴.

The complexity and scale of challenges facing the energy market and consumers demands that Ofgem remain focussed on delivering these priorities. Ensuring that the required longer-term changes to deliver net zero are made - including making essential changes to infrastructure and delivering a smart and flexible system - should flow directly from the commitment that all changes are made to ensure a market that works for consumers. These changes will not be successful if they do not consider the needs of all energy users.

As we move towards a more sustainable energy system, it is important to acknowledge that trade-offs between different consumers will be inevitable. While the needs of all consumers should be considered, we urge Ofgem to particularly ensure that the needs of low-income and vulnerable people are central to every decision. This is true of the affordability crisis in the short, medium and longer term, in order to ensure that people are protected in an ongoing and sustainable way. Also, as we move to a future energy market which depends on people engaging with new services and technologies, it will be critical that regulation is designed to ensure that people are not left behind.

⁴ Citizens Advice (2024) [Consultation on our Draft Consumer Workplan for 2024-25](#)

Delivery of policy projects and core regulatory activities

Shaping a retail market that works for consumers

Drive up standards:

We welcome the focus on protecting vulnerable consumers, particularly considering the long shadow cast by the Prepayment crisis in terms of consumer detriment and trust in energy suppliers. We look forward to continuing to work very closely with the compliance and enforcement teams to effectively identify emerging issues, as well as to manage live compliance risks impacting both domestic consumers and small businesses. We think it would be appropriate to include debt collection practices explicitly in this work programme for both of these groups of consumers, as they will continue to face significant pressures to pay for ongoing consumption and high levels of debt.

We note the commitment to support work to extend the reach of the Priority Service Registers across sectors. We welcome the inclusion of this in the Ofgem workplan and encourage all relevant stakeholders to remain focused on ensuring this project delivers positive consumer outcomes in addition to granting new powers to firms to use vulnerability related data in their processes. Aligning this work with the development of a consumer facing data dashboard will support consumers to secure control over their data, and provide the opportunity to test options for the simple disclosure of support needs and relevant circumstances⁵.

Conducting a review of the Vulnerability Strategy which is due to come to its end in 2025 is appropriate in the coming year. In developing the next Vulnerability Strategy, Ofgem must take a holistic approach and ensure that consumers in vulnerable circumstances in all parts of the energy system are considered. While this must include the short-term pressures to support those who need additional support from their network and those struggling to pay their bills, the

⁵ Citizens Advice (2024) [Citizens Advice response to the call for evidence on smarter regulation and the regulatory landscape](#)

Strategy must also consider the emerging harms and possible barriers related to new products connected to the transition to net zero. Our insight highlights that there are particular risks for people who are digitally disadvantaged, those living in the private rented sector, and people with low incomes.

Ofgem should work with stakeholders to track emerging barriers and consider the role of their Future Regulation Sandbox in explicitly setting out ambitions for inclusive innovation⁶. Emerging opportunities to identify those struggling to pay their bills, particularly through self-disconnection data, could be a useful addition to the well developed modelling and identification approaches in the fuel poverty arena as AI tools develop.

To ensure that the aims of the Vulnerability Strategy are delivered fairly with all consumers, particularly those in vulnerable circumstances, Ofgem should be far more explicit in its new Vulnerability Strategy about the role of inclusive design. Finally, the new Vulnerability Strategy must consider how to fully embed an understanding of diverse needs within the sector. The work at the Financial Conduct Authority relating to diversity is particularly relevant here⁷.

Citizens Advice will continue to make the case for upgrading protections through a new Consumer Duty. This is similar to the approach introduced by the FCA, with positive initial signs that it is delivering meaningful benefits to consumers. This will safeguard consumers using innovative products and services, and overcome information asymmetries by putting the responsibility on companies to ensure promised outcomes are delivered in practice. This can enable Ofgem to rely less on prescriptive regulations around product design for new products and services, and give rise to a more innovative retail market.

Ensure fair prices:

We welcome Ofgem's action to levelise costs for consumers who prepay for energy, and will work with the regulator as plans for wider levelisation of debt related costs are developed. As well as considering how these policies support consumers and deliver fair prices, the regulator should consider how they may

⁶ Ofgem (2023) [Proposal to introduce the Future Regulation Sandbox](#)

⁷ FCA (2023) [Diversity, equity and inclusion: How we work](#)

also enable wider changes in the regulatory framework and the Universal Service Obligation. We considered this in our paper on retail market reform: 'Ripping Off the Band-Aids'⁸. The report also considered the potential impacts on default tariffs as half hourly settlement is introduced. We are developing this work further over the coming year, and look forward to using our insight to engage with Ofgem's work on dynamic price protection.

As set out in our recent response to the call for input on standing charge reform, we don't consider further work in this area as a standalone project to be a prudent use of Ofgem's time and resource⁹. Assessed against Ofgem's consumer framework it fails to meet key objectives around excessive profits (as changes risk higher returns for consumers with microgeneration), cost efficiency (as standing charges prevent people avoid paying their share of fixed costs) and protecting consumer welfare (as a majority of consumers see small changes, and a minority of lower income consumers could lose out more significantly). There is also a significant opportunity cost to this work, given other pressing issues that remain unresolved in the retail market.

Promote competition and investability:

In 2023 we worked closely with Ofgem policy teams to develop new customer service standards, including the prominent publication on supplier websites of the trusted measure of customer service - the Citizens Advice Star Rating¹⁰. This is based on data for key service performance indicators which are developed based on research to understand what matters most to consumers and in consultation with stakeholders across the industry.

We support steps to improve reputational regulation to drive standards up, and look forward to working closely with Ofgem as it works to define user needs for service measures. Through this process Citizens Advice and Ofgem should leverage each other's strengths to deliver even better information for consumers. These include Citizens Advice's trusted brand¹¹ as an independent consumer voice, and Ofgem's access to a wider range of data and market

⁸ Citizens Advice (2023) [Ripping off the Band Aids](#)

⁹ Citizens Advice (2024) [Citizens Advice response to Ofgem's Call for Input on standing charges](#)

¹⁰ Citizens Advice (2024) [Compare energy suppliers' customer service](#)

¹¹ 98% of people recognise the Citizens Advice Brand (Savanta, April 2023)

insights, including through its compliance activity.

We support ensuring a resilient sector that is able to invest to improve consumer outcomes and manage investments on behalf of consumers to deliver net zero infrastructure. However, we are concerned that recent decisions, such as that related supplier profit margin, have lacked evidence¹². This risks undermining public confidence in the regulatory regime, which in turn risks the success of long-term investment. Future decisions related to investability need to be fully evidenced based.

Support innovative and evolving markets:

Progress on retail market reform has been slow due to recent market turmoil, but we now need to see real progress in 2024. We welcome steps to address barriers to innovation, but Ofgem should be clear that ‘tweaks’ to the existing framework will not deliver transformational change. It should also be alert to risks from changes which are not coherent with the wider rulebook. For example, reliance on the use of derogations and limited exemptions to rules can undermine the level playing field and are unlikely to lead to the desired outcome of sustainable innovation.

As set out above, Ofgem should consider how it can make use of tools including new cross-subsidy payments to provide suppliers with a wider latitude in how they deliver services while protecting consumers and paying a fair share of costs.

Citizens Advice look forward to working closely with Ofgem as it develops the new regulatory framework for heat networks. It is vital that consumer interests are at the heart of the new framework, and that it gets this right first time so that we don’t spend decades fixing mistakes made today.

It is important that Ofgem engages closely with Citizens Advice, as you transition to your role as the heat networks regulator and we transition to our role as the statutory advocate. While the exact roles are different, in many cases we’ll be developing very similar expertise, processes and resources. Wherever possible

¹² Citizens Advice (2023) [Response to the Ofgem statutory consultation on amending the methodology for setting the allowance for supplier profit margin in the retail price cap](#)

we should collaborate closely in these activities to avoid duplication and to maximise opportunities for synchronisation.

Establishing infrastructure for net zero

We are broadly supportive of Ofgem's aims regarding infrastructure. It is in consumers' interests to deliver the networks required to enable cheaper renewables, enabling overall bills to be cheaper than they otherwise would be.

The importance of this investment reinforces the fact that Ofgem needs to ensure that companies are not over-rewarded for delivering this investment on behalf of consumers. We recognise that public trust in regulated companies and regulators is low. This should not be further jeopardised during the net zero transition by setting returns at a level that is not fair and is not reflective of significant structural changes to the way that infrastructure is planned and risk is apportioned. Without public confidence, long-term certainty over the regulatory regime will be damaged, impacting the investment climate.

In practice, this means Ofgem should review the changes it made to the incentive framework related to the Accelerated Strategic Transmission Investment (ASTI) approach, which made the incentive structurally skewed in favour of the companies¹³. More generally, as part of the RIIO3 process, it should address the structural outperformance of network companies and address the recognised deficiencies with the established approaches to assessing the allowed return on investment.

Establishing an efficient, flexible energy system

Ensure the enabling systems are in place:

Ensuring that code governance reform improves the representation of consumer interests should be a priority for Ofgem. This should be included as a criteria for assessing reform design options.

¹³ Citizens Advice (2023) [Response to Ofgem's consultation on frameworks for future systems and network regulation](#) pg19

The smart meter rollout is significantly delayed, and the coming years will be challenging, due to more technically complex installations and the fact that the remaining cohort of consumers are largely more sceptical of the benefits. We are also concerned that, while the majority of consumers who have smart meters have a positive experience, the minority who experience problems find it challenging to get these resolved. The detriment caused by these problems is also increasing, as consumers with low carbon technologies rely on smart meters to access products and services that maximise their benefits.

While the Government leads the smart programme, it's vital that Ofgem takes a more active role in considering how its policies - including the price cap - can deliver consumer benefits from smart metering. It also needs to ensure that suppliers comply with existing rules and that protections are kept under review so that they keep pace with rising consumer expectations driven by smart metering. We plan to publish research with more details in the coming months, and look forward to engaging with Ofgem following this.

Delivering environmental and social schemes for government

We welcome Ofgem's focus on delivering schemes efficiently, providing an excellent user experience and managing risks. While we note that this section of the work plan is not up for consultation we would like to provide some insight that should be considered in the ongoing delivery of these schemes.

Information and advice:

We know that schemes (ECO4 and GBIS) are under-delivering on their targets. Feedback from consumers suggests that navigating the different schemes is challenging and that many are not being given enough information and support, which reduces consumer trust. The current customer journey from initial interest to installation of measures is leading to a high dropout rate, and the single portal of entry for consumers to check eligibility seems to have done little to improve people's experience. These factors point to a limited availability of advice at the outset to ensure consumers understand the process and the different options available.

Consumer finances:

ECO4 was intended to be a "zero-contribution" scheme as it is aimed at households in fuel poverty who are unlikely to have the funds to pay for this work themselves. But consumers can be asked to contribute financially within the scheme rules. Cases from our client data as well as anecdotal evidence from stakeholders suggests that in some cases ECO4 applicants are being asked to make payments towards works in order to proceed with the scheme. This may be due to ancillary works that are needed to the home in order to undertake works effectively and safely. However, there is currently no mechanism to capture this information as suppliers do not monitor the number of customers asked for a contribution, the amount requested or the purpose it is needed for - or any impacts on dropout rates.

Ofgem should work with government and industry to assess the customer journey to better understand which elements of the process are causing customers to drop out. Only with detailed data will we be able to understand the issues and provide workable solutions for consumers.

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We are a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

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