28th February 2025

To : Ofgem_Reform@energysecurity.gov.uk

Re: A review of Ofgem – Call for evidence

Sustainability First is an independent charity and think tank focused on promoting practical solutions to deliver fair and sustainable energy and water sectors. We have published and engaged extensively over many years on policy, regulatory and consumer issues. Our associates include a number of senior ex-regulators with grass roots experience of working with and at Ofgem. This insight has informed our response below. We are happy for this response to be published.

Summary

In recent years the legitimacy of regulators has been called into question alongside the market philosophies that underpin them. But given the substantial and complex upcoming changes in the energy sector we do not think that now is the time for radical changes to Ofgem.

That said, there is scope to streamline Ofgem's duties, improve transparency and accountability for decision making, as well as strengthen consumer protections especially by improving the way Ofgem works.

Duties and decision-making

We advocate for:

- A **strengthening of Ofgem's primary objective** and associated guidance to **protect consumer interests** - in particular strengthening consumer interests relative to competition and a sharper focus on low income and vulnerable consumers, small and medium-sized enterprises (SMEs), and future consumers.
- A **new citizens interest duty** which could include resilience, safety and sustainable growth and be flexible to emerging concerns. There is precedent for this with other regulators. This would result in Ofgem giving greater consideration to social value in decision-making, striving to deliver best value for citizens, not just lowest cost for energy customers.
- A **new 'thriving environment duty'** – capturing the existing net zero duty and a new duty to conserve, enhance and restore the natural environment in line with the government's pledge to halt the decline in species populations by 2030 and to reverse this decline by 2042. The absence of a nature and wildlife duty is at odds with government's wider commitments and consumer trends. It risks undermining long-term sustainable growth and being counter-productive to public acceptance of the energy transition.
- Greater **transparency around how Ofgem makes its decisions including how it makes trade-offs** between different duties, evidence, and consumer insight. There's a body of research that suggests the process of decision making and transparency

around how decisions are made is as important as the decisions themselves to building public trust, acceptance and the legitimacy of the energy sector.
- A requirement for Ofgem to document the **alternatives to competition** that it has considered when carrying out its duties.

Enhanced accountability

To strengthen scrutiny and the regulator's accountability we propose:

- Ofgem holds **regular open public hearings** where it hears directly from members of the public and key stakeholder groups and responds to their concerns.
- **Improvements to Ofgem's annual reporting** such as: making its annual report more accessible; updating performance metrics including a new stakeholder satisfaction metric; being clear what's new and what's not in its list of achievements and how many years it has been working on an issue; capturing lessons lesson from the past and how improvements have been made as a result.
- **Quarterly meetings** between Ofgem senior leaders and consumer and civil society groups. Regular meetings with Ofgem's CEO used to happen but appear to have petered out.

Improving consumer outcomes

We propose a range of ways in which Ofgem could work smarter to improve consumer outcomes and support others in their work. These include:

- Ofgem putting **greater weight on customer and public insight in its decision making and improving the quality of its own stakeholder engagement**. As well as helping to build trust and legitimacy in the energy sector this could also help the regulator navigate some of the trickier trade-offs between its duties.
- The **publication of Ofgem's consumer research** all together with an insight hub on its website – in line with open data so that others can easily use it.
- A quarterly open webinar where Ofgem, CitA, the Energy Ombudsman and other organisations **share emerging trends in customer complaints/ contacts**. This would support consumer advocates in their work and build collaboration.
- Better use of **data and machine learning** to support market monitoring, earlier intervention when there is poor practice and faster enforcement.
- A requirement for the regulator to a) **horizon scan future risks** and opportunities b) **adopt a 'preventative principle'**, committing to take early action to prevent likely consumer harm rather than 'wait and see' before taking action c) report on how it is meeting the needs of future consumers including an **energy retail strategic direction** d) '**Right first time'** regulation, rather than multiple consultations on the same issue over many years which is hugely resource intensive for all parties.
- Ensuring **its workforce is fit for the future**. We highlight value in strengthening skills and knowledge on: digital and data; major projects delivery; whole systems thinking and ethics; investment in capital markets; and sustainability including at Board level.
- Ofgem continuing **to strengthen is in-depth sector knowledge and institutional memory**. The high turnover of staff exacerbates the information asymmetry between energy companies and the regulator, weakening the regulators' ability to safeguard current and future consumers. This also slows down decision making.
- The importance of **working with other regulators** and with the new National Infrastructure and Service Transformation Authority (NISTA) to ensure that dependences with other sectors - digital, transport and water dependence on energy,

energy dependence on digital - are fully taken into account in energy regulation and also that Ofgem should work to ensure that UK Regulators Network is fully supported.

Lastly we outline nine ways in which Ofgem can **support sustainable growth**, beyond minimising energy costs, keeping supply resilient and energy markets functioning effectively.

We provide more detail below. As always, we are happy to answer any questions on the detail of this response.

Yours faithfully

Zoe McLeod

Zoe.mcleod@sustainabilityfirst.org.uk

CC. David.murray@sustainabilityfirst.org.uk

OFGEM'S DUTIES

There is scope to streamline, strengthen and update Ofgem's duties[1]. If this were to happen:

1. We'd like to see a stronger focus on **consumer interests** – with an especial strengthening of the duties and surrounding guidance to safeguard low income customers and those in vulnerable situations, small and medium sized enterprises, and future consumer interests.
2. Introduce a **new public interest or citizen duty** which could include resilience, safety and growth and be flexible to emerging concerns. There is precedent for this with other regulators including Ofcom and legal services regulators.
3. A new **'thriving environment duty'** – capturing the existing net zero duty and a new duty to conserve, enhance and restore the natural environment in line with the Government's pledge to halt the decline in species populations by 2030 and to reverse this decline by 2042[2].

Our rationale for these three streamlined duties is outlined in more detail below.

However, pro bono work carried out by Slaughter and May for Sustainability First into Ofgem's duties **highlighted that the real barriers to regulatory effectiveness in areas such as sustainability, are not legal restrictions caused by the duties themselves but policy choices** made by the regulators[3]. There can be considerable differences in how duties are interpreted. This is also our Associates' experience having worked within regulators.

[1] Slaughter and May's pro bono legal work for Sustainability First concluded that Ofgem's net zero duty wasn't needed as there was already scope within existing current and legal regulatory arrangements for much more to be done to encourage sustainability. Briefing_paper_-_How_far_do_current_legal_and_regulatory_frameworks_in_public_utilities_deliver_for_sustainability__and_is_further_legislation_required.pdf

[2] https://www.gov.uk/government/news/new-legally-binding-environment-targets-set-out

[3] Briefing_paper_-_How_far_do_current_legal_and_regulatory_frameworks_in_public_utilities_deliver_for_sustainability__and_is_further_legislation_required.pdf

As noted, effective regulation often requires a difficult balancing act, trade-offs and identification where possible of win-wins which can be complex and challenging. Key upcoming trade-offs include:

- how we balance affordability with the speed of energy transition and investment needed;
- potential tensions between growth and deregulation agendas and consumer protections;
- potential tensions between the need for net zero infrastructure and nature and wildlife, which could be counter-productive to public support for the energy transition.

The Strategy and Policy Statement (SPS) provides guidance on government priorities but is largely silent on how to make trade-offs between these kinds of competing interests. Ultimately which duties are emphasised is influenced by the priorities and beliefs of those at the top of Ofgem and overall culture of the regulator.

Sustainability First has historically advocated for greater guidance from government on how to make these difficult trade-offs – potentially in the SPS. However if this happens it's important that guidance isn't overly influenced by political short-termism.

Proximity to government risks knee-jerk policies which aren't in energy consumer or citizens' longer term interests. This has arguably happened with the decision to equalise prepayment meter tariffs with direct debit tariffs just at a time when smart prepay tariffs should start to be some of the most price competitive deals in the market.

There is always a challenge as to how to get the right balance between Ofgem working closely with government to deliver complex goals such as affordable energy and net zero and how it acts as an 'independent' regulator.

We therefore advocate for Ofgem to:

1. **Be much more transparent in how it makes its decisions including how it has weighted different duties, views and the rationale for that**. This should include the alternatives to competition it considered, as per its duties. Transparency is especially important on contentious topics to build trust and understanding. Sustainability First's research has found that procedural justice matters to the public.

2. **More clearly and simply define the roles and responsibilities** between government, the consumer watchdog, National Energy System Operator (NESO), and the regulator, especially on consumer protection, energy transition issues and energy affordability. **This should include reaffirming the independence of the regulator and Citizens Advice from government and mechanisms to safeguard this.**

3. **Ensure the Board and senior leaders include a diversity of perspectives and experience,** reflecting Ofgem's core duties, and foster a culture of constructive challenge.

<u>RATIONALE</u>

Thriving Environment Duty

We propose a new thriving environment duty which includes the existing net zero duty and a focus on enhancing the interests of nature.

We are concerned that given Ofgem's net zero and growth duties, and political pressure to deliver the energy transition as quickly as possible, that the regulator will put insufficient focus on safeguarding nature and wildlife. This would be at odds with government's wider commitments, undermine long-term sustainable growth and risk being counter productive to public acceptance of the energy transition given the value placed on this outcome.

Government has pledged to halt the decline in species populations by 2030 and to reverse this decline by 2042. Labour has committed to make biodiversity part of its plans on the built environment and Ofgem should have a role in ensuring that these commitments, which go beyond the Biodiversity Net Gain framework are delivered, especially in the development of new energy infrastructure[4].

Government should make clear that the sustainable growth duty means the regulator needs to also have regard to protecting and enhancing nature and wildlife - not sacrificing the latter in the pursuit of a faster energy transition. As the Dasgupta Review reports, 'Our unsustainable engagement with Nature is endangering the prosperity of current and future generations. Our economies, livelihoods and well-being all depend on our most precious asset: Nature[5]"

Before it was abolished, the South-East Regional Development Agency identified access to the natural environment as one of the key attractors to the region, to be built on and nurtured for its economic returns: a number of the LEPs (Local Enterprise Partnerships) have more recently come to similar conclusions.

A focus on the environment is also particularly important not only given the link between climate goals and biodiversity, but as our rapid review of public attitudes and priorities for the energy sector identified, that protecting wildlife and nature is a key priority for the public, after reliability of supply and affordability.

Supporting nature and wildlife is considered more important than net zero and tackling climate change in much consumer research. Ignoring the latter will be counter-productive to consumer support for the energy transition. As has been highlighted in the water sector, pollution matters to customers, but environment has been low priority for the energy regulator.

Public interest or citizens duty

We see value in a public interest or citizens duty for Ofgem. This could capture issues such as effective competition (where it delivered benefits for customers and society and not where it didn't), sustainable growth, safety and resilience. It has the advantage of being flexible to adapt to emerging future interests and is increasingly important given the interconnected nature of our essential services and the important role they play in helping our society thrive.

Ofcom's principle duty for example includes 'to further the interests of citizens'. Citizens are defined 'as all members of the public in the United Kingdom'[6].

Such a citizens duty would encourage Ofgem to consider wider societal benefits and harm in its decision-making. It would help deliver 'best value' for the public, rather than only lowest cost for energy customers that can end up costing the public more as tax payers and customers of other services overall. It would also put greater focus on Ofgem working

[4] Labour's commitment to biodiversity: 100 days of policy and action
[5] Final Report - The Economics of Biodiversity: The Dasgupta Review - GOV.UK
[6] Communications Act 2003 - Explanatory Notes

effectively with other regulators to achieve shared outcomes e.g. on ensuring affordability and resilience.

For example, Ofgem is focussed on getting renewable generation connected as quickly as possible. There has been much negative publicity on the length of connection queues and waiting times. In practice we have significantly more renewable generation waiting to be connected to transmission grid than we would ever need even in the most optimistic of the future energy scenarios. Connecting all generators that ask now and in the future would be a disaster for many communities and fail to achieve the right balance between land needed for energy generation, nature and wildlife and other needs such as food production, healthy places to live etc. However, if greater focus was given to the citizen interest, Ofgem would be directed to ensure the prioritisation of connections that maximise benefits to Britain PLC including growth. There is scope to deprioritise some schemes which particularly negatively impact communities or nature and wildlife or which offer little societal benefits; or whose economic benefits flow largely out of the country. Conversely it would encourage the bringing forward of those schemes that deliver significant benefits. There would also be opportunities to consider regional fairness concerns and levels of public support. Ofgem could help ensure all regions get equal access to the benefits of new generation.

Another example, which has been debated in both RIIO-2 and RIIO-3 price controls is around the role of network companies on energy efficiency. There is strong stakeholder support for some gas and electricity network companies to be allocated funding to have a role in installing energy efficiency measures in homes. This is given: their regional footprints; expertise and ability to go door to door; as they are relatively trusted; already in people's homes; the environmental, social and economic benefits; and the link to demand reduction. But this was rejected by the regulator as inappropriate use of energy customer money despite stakeholder support and consumer willingness to pay. Given the potential for investment in insulation to: reduce fuel poverty; reduce energy demand (and infrastructure needs with resultant energy bill reductions); create new jobs; support local economies; and wider cost efficiencies to Britian PLC of using networks to facilitate delivery, a citizens or public duty might encourage Ofgem to take a more pragmatic approach here.

Future proofing the duties

Ultimately a citizen/or public interest duty would get to the heart of the purpose of regulation in our changing world. Energy is not like many other markets. It is an essential service needed for clean, green, healthy and thriving society. The benefits and need for regional delivery of net zero inevitably means the supplier hub model will also need to evolve. Traditional metrics of an effective market i.e. switching rates will need to evolve with it. If a decision doesn't deliver in the consumer or public interest short-or longer term it really shouldn't be made.

Resilience is also of increasing importance. The UK's third climate change risk assessment singled energy out as one of the key areas where we are well behind the adaptation curve. Linked, safety is also paramount. It is hard-wired into utility culture, with historically good cross-company collaboration within sectors. There is no reason to believe that the industry's good track record in this area won't continue. But mitigating and adapting to climate change including more severe and frequent droughts, storms, intense rainfall and urban heat, and repurposing existing infrastructure and new technologies alongside increased interdependencies between energy, water, and communications, means ensuring safety and providing reliable affordable supply are becoming increasingly challenging. This alongside the rapid training of new staff and contractors required for the energy transition at pace increases safety risks. This is something for Ofgem to be particularly vigilant of.

Strengthening the principal objective to protect and promote current and future consumer interests especially for customers in vulnerable situations and SMEs.

Competition should be the means (where appropriate) not the ends.

Ofgem's principal objective is already to protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems. Under existing duties, the Authority must carry out its functions in the manner which it considers best calculated to further the principal objective, *wherever appropriate* by promoting effective competition within the electricity and gas sectors.

However, in practice, in the past where the regulator has lost credibility and public trust this has been because it put greater focus on industry interests and competition and insufficient focus on consumer protections and outcomes.

For example, consumer groups repeatedly over many years raised concerns about the low bar to supplier entry, long ahead of the collapse of the energy retail market. In the case of the latter, Ofgem put a greater focus on the number of suppliers in the market, not the quality of them. Seemingly also a focus on short-term gains as opposed to longer-term sustainability.

Indeed, the House of Commons BEIS Select Committee's report on Energy pricing and the future of the Energy Market[7] talked of the 'permissive culture' toward business encouraged by 'the body politic' in Ofgem. It criticised the Government for prioritising 'competition over effective market regulation', leading to the collapse of the energy supply market; and Ofgem for repeatedly failing (over many years) to effectively protect consumers, including those in vulnerable situations.

In more recent years, the appointment of more consumer focussed board members and the Ofgem's new Consumer Interest Framework, gives us hope that consumer voices will be given stronger weighting in line with Ofgem's primary duty.

However, there is a very real risk that this positive development will fall back or fail to be delivered when decisions get difficult especially given the regulators' growth and net zero duties, Ofgem's closeness to government, and mixed messages from government on growth, deregulation and consumer protection.

For example, on the one hand government has been bullish on its approach to growth, the need for investment and reducing regulatory barriers (shareholder concerns); on the other it calls for strengthened regulation e.g. following prepayment, sewage and post office revelations. It is courting investors such as Macquarie Bank to pay for infrastructure at the same time as lambasting them for their behaviour at Thames Water in line with public outrage.

There is a risk that the Growth Duty risks being seen as a de-facto steer, further strengthening the interests of industry at the expense of consumers and environment just at a time when the opposite is desperately needed.

This call for evidence exacerbates that worry as it seemingly prioritises competition over consumer outcomes - *"Government wants to see an energy market with healthy sustainable competition, where effective regulation supports economic growth and delivers better outcomes for consumers."* The latter leads on competition and growth as seemingly the

[7] Energy pricing and the future of the Energy Market

primary outcomes (not helpful given Ofgem's history of decision making outlined above), while delivering 'better outcomes' for consumers is arguably the add-on.

No mention is made of vulnerable customers in this call for evidence except in reference to the current duties. This is notable in its absence.

The relatively strong lobbying power of industry, high turnover and relative inexperience of Ofgem staff, exacerbates the information asymmetry between the regulator and industry and means there's an inherent bias towards industry interests. Decision makers are human and it can take not just confidence but courage to make unpopular decisions that go against the short-term political zeitgeist or industry positions. This is especially the case when employees lack experience in the sector and are facing industry dominated working groups day to day.

There is a convoluted rider added by the last Labour government to Ofgem's duties that says before promoting competition the regulator must consider alternatives. This should be given greater prominence and more explicitly referenced and considered by Ofgem.

Government should also remind Ofgem that the focus of the growth duty is on 'sustainable growth' - the current Thames Water fiasco is evidence of the need for the right kind of investment, not investment at any cost. Greater focus needs to be put on future consumer issues and intergenerational fairness.

Radical upcoming changes to the energy market mean consumer protections have never been more important. Government should be under no illusions that if speed of transition to net zero ('pace over perfection' as Ofgem's CEO has said) and growth 'at all costs' are prioritised over consumer protections, the energy sector will be a car crash within a decade and what is left of the social licence to operate of energy companies will be in tatters. The scale of the mess will make energy retail market crash and forced prepayment installations pail into insignificance.

<u>Strengthen the duty in relation to low income customers and those in vulnerable situations</u>

Under current duties Ofgem 'must have regard to' the interests of vulnerable individuals, including those who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas and may have regard to other types of vulnerability.

In practice, historically, 'having regard to' has resulted in vulnerability being a low priority in the regulator and an after-thought in too much decision making. This has been in part reflected in the relatively low resource for consumer policy in Ofgem and until relatively recently the seniority of staff directly responsible for these areas. Ofgem has also been slow to carry out robust distributional impact assessments, and this remains a critical weakness in our rapidly changing energy market.

If Ofgem's duties are streamlined and updated we'd welcome customers with additional needs and on low incomes being given greater prominence. In practice, the duties/guidance needs to be updated to reflect developments in consumer vulnerability policy making in the last decade. This includes around affordability and fuel poverty and Ofgem's risk-based approach to vulnerability, with acknowledgement of transient vulnerability such as mental health issues and an aspiration for inclusive service for all.

Making consumer vulnerability and equity issues a higher priority for the regulator is especially important given the need for a fair energy transition. The distributional impacts of net zero related decisions will be complex with wide reaching implications, in particular for trust and confidence in the energy sector.

Our independent rapid review of consumer attitudes for National Grid Electricity Transmission found that issues of fairness and how those on low incomes will be protected, matter to consumers and are often spontaneously raised by participants in research. Consumers are worried about the impact the energy transition and net zero policies will have on customers in vulnerable situations, income inequality, place-based geographic inequality, accessibility and health. They are willing to pay more if these 'justice' issues have been considered. Perceptions of fairness and equity influence not just acceptability but consumer willingness to pay for the energy transition – the fairer the approach the greater the personal cost tolerance.

Small and Medium sized enterprises

Greater focus on SMEs in the duties would also be useful. Many micro businesses face the same challenges engaging in the energy supply market as domestic customers. High energy prices including unfair pricing, mis-selling and back billing can cause real harm including catalysing businesses and charities to close. SMEs until recently have been the poor cousin in terms of energy protections and yet are particularly important to economic growth. SME firms represent 99.9% of the UK business population (5.5m) and employ the majority of the UK workforce. SMEs are also accountable for around half of the nation's non-domestic emissions. As well as presenting a significant de-carbonisation opportunity in themselves, many SMEs will facilitate wider de-carbonisation, working with and influencing households and bigger businesses, and can be key opinion formers.

IMPROVING OFGEM'S ACCOUNTABILITY

Improving transparency of decision-making – the importance of procedural justice

In both energy retail and monopoly price control decisions there is significant scope for Ofgem to increase transparency in why it has made certain decisions, the values it has applied and compromises and trade-offs made.

For example, in its decisions on network price controls Ofgem has been criticised by industry and consumer groups for not giving sufficient consideration to consumer and wider stakeholder insight, despite putting requirements on energy networks to engage widely. This undermines trust in the regulator. Ofgem asks energy networks to engage, which results in civil society and consumer groups spending valuable time to share views, only to feel when decisions are made that their views are ignored or given insufficient explanation for the decision.

Greater transparency as to why decisions are made is key. There's a body of research that suggests the process of decision making and transparency around how decisions are made is as important as the decisions themselves to building trust, acceptance and legitimacy in decision making.

Customers understand compromise, and that no outcome is perfect. Studies remind decision makers that the public are not expecting the ideal per se. Evidence that efforts are being made to strive for the best outcome possible are likely to be important in achieving acceptance of approaches and changes that are not in line with their views and values.

Beliefs about 'procedural justice' such as having a voice in the processes used to make decisions about the energy system, and perceptions of being treated with respect, openness, and honesty from energy companies and regulators strongly influence levels of

acceptability, trust, and willingness to pay for infrastructure. Ofgem needs to get better at proactively explaining why it makes the decisions that it has, and the trade-offs or compromises that it has made.

Views on the annual report

- The annual report, is long, dense and relatively inaccessible for any time poor stakeholder. To some extent this is understandable given the nature of the document but there's scope for Ofgem to pull out key information such as Ofgem's cost per customer; fines delivered; KPI performance, key successes and challenges in a more visual summary and video format.
- The KPIs seem an odd mix of measures and we'd encourage the Ofgem Board/government to review them. We query how and why they were selected and how targets were set. E.g. ten days to respond to a customer contact seems a ridiculously long time period and totally out of step with public expectations. Some targets are vague e.g. 'decisions made on licence applications made within a specific time frame' but it's unclear what the timeframe is. Collectively it's unclear how the performance indicators are expected to drive performance improvements in Ofgem and where it feels it needs to improve. There is an opportunity here to co-develop new performance metrics with key stakeholders.
- The report could be more transparent and open in its reporting. Ofgem should make it clear what's new and what's not in its list of achievements in the annual report and how many years they have been working on an issue. E.g. on page15[8] of its latest annual report for example, it states under the heading Priority Services Register' - *Following a summit held in April 2023, working closely across energy and water regulated sectors, Ofgem launched a working group to enable sharing of 'Priority Service Register' data. This is expected to be in operation by the end of 2024. The Register will enable data of vulnerable consumers to be shared more effectively, helping consumers receive the services that they need.* This implies a short turn around between the project starting and the outcome being delivered. The truth is work on this started pre 2015 – more than a decade ago. This kind of spin doesn't help to build trust in Ofgem and is precisely the kind of misleading narrative we encourage energy companies to avoid in their reporting.
- We'd like to see commentary in the annual report around capturing lessons learnt from the past. For example Citizens Advice highlights that network companies continue to get windfall tariffs and problems have not been addressed from one price control to another. We understand that Ofgem has appointed someone to lead on ex post policy evaluations and is committed to do more here. We'd welcome greater visibility on this in the annual report – the investigations undertaken and outcomes. In addition, greater transparency on how productivity links to increased budget and employee numbers.

Ideas to improve scrutiny and accountability of Ofgem

- Regular public hearings - For Price Review 24 in the water sector, water companies were required to hold 'Your Water Your Say' sessions. These were open forums, independently chaired, where members of the public and stakeholder groups could ask questions directly to the company. Despite water companies' fears, these were generally constructive events which gave members of the public the opportunity to

[8] Ofgem Annual Report and Accounts 2023-24

ask their questions directly to the company, for companies to explain the reasons for decisions and for issues of importance to the public to be raised. We'd like Ofgem to host regular open public hearings. This could raise the profile of the regulator, ensure it is more in touch with end consumers, help build understanding of its role and support Parliamentary scrutiny.

- Require Ofgem to report on upcoming risks and opportunities – publish regular horizon scanning - and outline what pre-emptive action it is taking to prevent harm. This would be useful to have confidence the regulator properly understands and is balancing the needs of current and future consumers.
- We'd like to see a stakeholder satisfaction metric for Ofgem, which could help drive improvements in how it engages with key stakeholders and communicates decisions.
- There is also value in Ofgem reporting on what is 'going wrong' in the sector e.g. smart meter rollout, and hence forcing the regulator to take stock, reflect and change the approach.
- There may be value in a RAG rating of major programs with some independent assurance as per the government's approach to major projects.
- Ofgem should also produce plain English summaries of its investigations including the subject of any company investigation and the source of the information that led to the investigations; speed of investigation and lessons learned (as it used to).
- Publish a progress made on its consumer vulnerability strategy.

WAYS TO IMPROVE CONSUMER OUTCOMES

1. Improve transparency around company performance and sharing of insight

We'd strongly welcome Ofgem publishing more detailed information about energy company performance and behaviour. This includes publishing a number of useful reports which Ofgem used to produce but then stopped.

However, it should be noted, that simply providing lots of information doesn't increase transparency, build trust, or support charities such as ourselves in our work to make the energy sector fairer and more sustainable. *Ofgem's focus should be on sharing the right information, at the right time, with the right people, in the right way.*

In terms of guiding principles we'd like to see Ofgem:

- **Improve timeliness of publication of performance data and insight –** outdated information limits its usefulness.
- **Enhance accessibility –** reports should be easy to find with clear narratives and explanations. E.g. make them easier to find on the website including under instinctive search terms; provide narratives and context around data tables to help explain and inform the interpretation of the data; more accessible formats and plain English.
- **Proactive stakeholder engagement –** Ofgem should identify underrepresented groups in its consultations, such as consumers, and actively seek their input.

Information Ofgem used to publish that we'd like to see published again:

- **Information on energy network performance** - Ofgem collects a huge amount of financial and performance information from network companies but has dramatically

reduced the extent to which it shares this information with stakeholders. It is hard to tell how well the network companies are doing in meeting the needs of their consumers, in supporting the transition to net zero, etc. Where information is published, this can reveal insights about the outcomes of regulation as well as company performance, such as the recent Citizens Advice report on energy company windfall profits.[9] Instead of summarising sector performance, Ofgem has recently required network companies to publish their own reports, which are therefore focused on the narrative that the company wants to tell, obscuring any comparisons across the sector. The effect of this is to make sector performance more opaque, which reduces trust and credibility.

- **Social monitoring reporting report** – this report used to provide key information on supplier treatment of customers in debt and those in vulnerable situations. Data is provided on the Ofgem website but this lacks context and narrative which means it is hard to have confidence in what it is saying. We used to use this report to monitor energy companies performance in treating customers in debt fairly and it helped with benchmarking and driving improvements in other sectors such as water. Data on numbers of consumers on the Priority Services Register (PSR) and service uptake provided insight into whether companies are reaching PSR customers and providing the right services to customers. We used to promote the good practice highlighted in this report to energy companies and across other sectors. It helped us identify the gaps in service quality which can be used to design projects for future innovation.
- **Energy retail market insights** – it's really useful to have basic key information on the energy retail all together. In particular: number of energy retailers (and who they are); payment methods (numbers and percentages); numbers on the price cap and related switching levels; and complaints data with associated analysis. This kind of basic market data is hard to find on Ofgem's website and often out of date. It's useful for a range of purposes including distributional impact assessments and informing our policy positions. It also helps us monitor Ofgem's performance and trends over time which helps us anticipate future protection needs and opportunities.

In addition, we'd find it useful if Ofgem published:

- **Its consumer research and insight all in one place on a hub on its website**. Ofgem carries out a range of great research but it's not all published. When it is it can be hard to find especially if you don't know what it is called. Organisations such as ours and utility companies could use this insight to inform their work. Sharing this insight would reduce duplication of effort and money including by energy companies who risk repeating research already done when they could be moving the research insight forward. This would also help prevent energy customers paying twice or more for similar research so help to ensure cost efficiency.
- **More timely easy to find complaints and contact data all in one place**. This includes issues reported to Ofgem, contacts reported to Citizens Advice and the Energy Ombudsman. This would help consumer groups and interested parties monitor company performance, emerging issues, and enable bad practice to be nipped in the bud. We'd welcome Ofgem leading a quarterly webinar sharing this data, as Citizens Advice does for affordability trends. This would no doubt be very popular and build trust and collaboration between Ofgem and civil society groups.

[9] Debt to society: what the network companies should do with their windfall profits - Citizens Advice

Companies often raise concerns about regulatory burden of reporting. The data and insight we suggest is for the most part already collected but just not shared in an accessible interrogable format by Ofgem.

In addition, there is no doubt significant untapped opportunity for automatic data collection and analysis. Ofgem's data and digitalization strategy and innovation activity should explore this.

2. Strengthen the weight given to consumer and citizen voices/evidence in decision making.

Ofgem needs to put greater weight on customer and public insight in its decision making. As well as helping to build trust and legitimacy in the energy sector it could also help the regulator navigate some of the trickier trade-offs and avoid some preventable political/media disasters.

Where Ofgem has hit the headlines for all the wrong reasons, it is invariably because:

- Senior leaders have failed to give sufficient weight to consumer interests, particularly more vulnerable customers (i.e.. leadership prioritised competition over consumer interests);
- Ofgem failed to heed the warnings of consumer groups and did not take early action to prevent harm – instead it waited until there is an overwhelming body of evidence of detriment or political or media pressure forces action.
- Ofgem was out of touch with public opinion including what is deemed to be 'fair'.

For example, the harm caused by forced prepayment meter installations was highlighted to Ofgem a decade before it hit the headlines. The Covid-19 pandemic surfaced the issue in the media given the scale of the economic crisis, but this was not a new concern.

This was also the case with other 'scandals' such as prepayment meter customers being overcharged (as opposed to charged more – cost reflectivity – though this also became a public concern); and energy suppliers charging loyalty penalties to consumers who didn't switch supplier, which led to the energy price cap.

In each of these instances, Ofgem adopted a 'wait and see' approach and when it did take action the balance in Ofgem's decision-making was consistently weighted more towards light touch regulation, protecting competition and industry rather than safeguarding consumer interests despite its primary objective.

In all of these instances the regulator was out of touch with public sentiment and perceptions of what most people thought was 'fair' or in consumers' interests. Consumer groups views were not listened to.

There are opportunities for Ofgem to use consumer insight to navigate some of the trickier trade-offs it must make. e.g. a key tension that needs to be resolved at a policy level is balancing the trade-off between increased spend on infrastructure to deliver net zero and speed of transition, leading to increased prices for most consumers in the medium term and affordability problems. Here consumer insight can help. For example, Sustainability First and Yonder's independent research for National Grid found that a majority of consumers supported (perhaps counter intuitively given the cost of living crisis) increased investment and higher costs in the short-term, *if* it resulted in lower costs overall and longer-term and the most vulnerable businesses and domestic consumers were protected. This was for a

variety of reasons including a desire to get on with it if it needed doing to ensure reliability of supply and meet demand, and for inter-generational fairness.

Ofgem's consumer framework states it will strive to ensure *"Costs are efficient and fairly distributed. Undue price discrimination is prevented and action to minimise consumer welfare risks (e.g. fuel poverty and self-disconnection) is supported"*. However, this fails to address the thorny issue as to what is 'fair' and in particular the tension between economic regulators' perceptions of price fairness as 'cost reflective pricing' + a reasonable profit, and public perceptions – 'the poor shouldn't pay more'. There are key questions to be answered e.g. is it fair for the poorest customers to pay for electricity infrastructure upgrades when they are less likely to be driving increased demand and the least likely to benefit from cheaper energy prices as they don't have access to low carbon technologies such as EVs? Will it be fair that those households without smart meters can't access the best deals in the market? Is it fair for those left on the gas network to pay more if they can't benefit from electricity flexibility even if they are the most vulnerable? On these issues, some kind of public dialogue is needed and now. Ofgem and government are at risk of putting their heads in the sand on these issues.

As noted, we think there is merit in Ofgem also holding public hearings to understand the issues that are front of mind for the public.

We'd also like to see:

- Ofgem apply the standards for high-quality engagement that it requires of energy network companies to its own practices. This includes around requiring representative and inclusive engagement.
- More consistent engagement between senior leaders and consumer groups – e.g. Ofgem's CEO started quarterly catch-ups with consumer groups. These were very useful but the meetings petered out with no explanation.
- Linked to the latter, there is scope to do a good practice review of all UKRN regulators engagement practices. Simple changes can make a big difference e.g. more accessible user friendly consultations with the policy lead's contact details consistently on the front of the document so they can be contacted if the respondent has any questions.

3. Provide guidance to Ofgem on how it can work smarter to deliver its future consumer objective. In particular require the regulator to a) horizon scan future risks and opportunities b) adopt a 'preventative principle', committing to take early action to prevent likely consumer harm. c) report on how it is meeting the needs of future consumers including publishing future retail market strategy and taking early action to prevent harm.

While Ofgem is required to consider future consumer issues it is not always clear how it is delivering that. It is notoriously poor at horizon scanning and as noted, taking early action to nip poor practice in the bud, with knock-on impacts for trust in the regulator and the sector.

Issues of intergenerational fairness have been rising up the agenda over the last decade. In Wales these have a statutory underpinning. While a range of tools are available, there's no

agreed framework as to how to understand and address inter-generational fairness issues[10]. More could be done here.

In practice, the regulator ends up doing too much fire-fighting of current issues rather than taking pre-emptive action to prevent very predictable future harm. It consistently fails to get ahead of upcoming issues which means it's stuck in a vicious circle, constantly in crisis mode. E.g. most recently, it has left action on Radio Tele-switch Meters (RTS) until the last minute (the switch-off is on 30th June 2025) despite having years to prepare the sector (since 2011)[11].

By way of another example, while there has been much focus on future energy retail markets, Ofgem lacks a consumer roadmap or future retail strategy.

Ofgem also appears to have a weak understanding of how wider social, environmental, attitudinal, legal changes as well as developments in other sectors e.g. PSTN switch off, changes to health policy, will impact the energy sector and what that might mean for consumer protections. While there has been welcomely more focus on digital, data and technological change such as AI, there's clearly more to be done here.

Linked, there's a clear need for Ofgem to make better use of market monitoring especially complaint and contact data to identify problems early. e.g. we'd like Ofgem to regularly review and publish its own customer contact data, and insight from the energy ombudsman and Citizens Advice to identify emerging issues. Regularly pooling and sharing insight from these organisations and reporting emerging issues, with where possible supplier breakdowns, could be really powerful in driving change and supporting companies in making improvements.

During Covid-19 pandemic and the cost of living crisis, Citizens Advice started doing regular public facing presentations to share affordability trends including insights from other organisations. These remain really popular. Combined contact data would have significant value to consumer groups such as ours and help boost trust and confidence that the regulator is on the ball and understands the issues. It would also provide a forum for Ofgem explain how it is prioritising its work and provide an opportunity to get feedback from consumer groups on its general approach.

During the early stages of the smart meter rollout Citizens Advice produced early warning reports of smart meter contacts to help nip market problems in the bud and inform the design of protections (voluntary protections as well as those underpinned by licence). This was sadly discontinued but was effective practice while it lasted. It led to some important preventative protections.

[10] Sustainability First and Frontier Economics' strawman framework for assessing intergenerational equity and its prompt questions; Treasury Greenbook, though arguably this needs updating; the Framework for Intergenerational fairness tool; and the Environment Act's 'Polluter Pays Principle'. The Office of Future Generations Commissioner has also been set up in Wales to help organisations think about the long-term.

[11] Radio Teleswitch Service (RTS): Electricity Supply Licence changes | Ofgem

4. Improve the speed of decision making without weakening consumer engagement

It's critical that a focus on improving speed of decision making must NOT lead to less consumer engagement or the shortening of good practice consultation periods. Instead we propose:

a) Better use of high-quality **deliberative engagement at the early stages** of decision making. For example, workshops that bring together industry, civil society groups and consumer voices in one room. This helps tease out the key issues prior to consultation; helps to build consensus; and can ensure the design of the consultation and responses are more focussed. Ofgem has made better use of workshops in the development of its energy network price control decisions but chairing is often delegated to inexperienced staff who can lack the skills and confidence to effectively direct the discussions against industry lobbying. In addition, they are too often unrepresentative of impacted and interested consumer and civil society stakeholders. Consumer and civil society groups can lack the resource to attend when meetings are organised at short notice and not sufficiently tailored to their interests to justify the time.

b) **Better market monitoring and early more decisive action ('right first time regulation') to tackle market failure and address consumer harms**. Bolder action first time would reduce the consultation burden on all parties and reduce consumer detriment. This is illustrated by customer back-billing protections[12] where despite more than five consultations and statements proposing incremental changes to the rules since 2013 it remains a problem.

c) Where appropriate, ensure **flat structures within Ofgem and devolve accountability** where possible – recognising that it's important for a senior person to have oversight as to how different decisions impact each other and fit together to have ultimate sign-off. This links to our comments on systems thinking below.

d) **Staff retention and improved processes for corporate memory** – new employees take time to get up to speed on the issues which slows down decision making. Lack of knowledge means Ofgem's staff lack confidence to take decisive decisions when needed, resulting in incremental regulatory changes which all too often fail to deliver the performance improvements intended. **Decision making can effectively start anew when employees move on**. Stakeholders spend an inordinate amount of time 'educating' new Ofgem employees, re-visiting old ground and getting them up to speed on issues to enable them to take informed decisions.

5. Ensure Ofgem's skills and capabilities are fit for the future

We highlight the following areas for development:

- We agree that the **inclusion of digital and technical skills**, alongside a deep understanding of **sectoral interconnections**, will be vital for Ofgem to navigate and influence the complex landscape of the energy sector. In particular we'd like to see the regulator demonstrate it has the skills to understand the implications of data and digital for customer service, profiling and consumer risk. There is no doubt significant potential for **machine learning** to provide an extra regulatory tool. Keeping ahead of

[12] Time to end the cruelty of back-billing and sort out smart meters | Sustainability First

industry developments is challenging and knowing what to ask to prevent harm and maximise benefits for consumers will become increasingly important. To recruit the best talent Ofgem may require scope to pay people more than typical regulator bands.

- Appropriate experience in delivering **major projects and investment in capital markets**. In particular so it can be confident what is a fair return for investors and to ensure timely delivery of infrastructure.
- **A skills audit of the board compared with Ofgem's duties would be useful. For example, there's nobody on the Board with a sustainability background**. Alongside its existing sustainability duties, as the economic regulator for NESO, Ofgem's responsibilities now extend beyond traditional regulatory functions to include oversight of NESO's strategic initiatives and performance metrics. This expanded remit necessitates a broader skill set within Ofgem, encompassing not only regulatory expertise but also competencies in sustainability, digital technologies, and system-wide thinking.
- **Systems or 'Missions thinking' -** Linked to above, despite improvements Ofgem decision makers operating in silos can lack visibility of the interrelationships within the energy sector and across sectors which risks unintended consequences from decisions.
- **Ethics -** The Nolan principles, emphasizing public service, courage, and integrity, provide a foundational ethos that can help guide Ofgem's actions in this transformative period but these need to be **supported by processes that enable Ofgem employees to make constructive challenge without fear that it will be career limiting**. There may be value in reviewing whistle blowing practices.
- **Strengthen in-depth sector knowledge and institutional memory** – As highlighted above, a practical challenge for Ofgem is its high turnover of staff and lack of expert knowledge of the energy sector. While it recruits exceptionally bright and capable people this is no substitute for experience and knowledge. Much institutional memory has been lost. As noted, this exacerbates the information asymmetry between energy companies and the regulator, weakens the regulators' ability to safeguard current and future consumers, slows decision-making and leads to an inevitable industry bias.
- **Further strengthen regulators' engagement culture.** This could be achieved by the updating and sharing of best practice regulatory engagement and systematic training of all policy staff in 'stakeholder engagement' including **chairing and facilitation skills** so they have the tools and confidence to more effectively carry out their engagement role. This would improve the quality of decision-making, help to build trust and understanding and minimize risk. Effective engagement is becoming increasingly important.

6. The introduction of a new Consumer Duty

In principle we are supportive of a Consumer Duty *if* it can add value to current protections or result in simplification and streamlining of existing safeguards. Consistency between sectors is helpful for consumers and advice providers to raise awareness of rights and ensure accountability. What we wouldn't want to see is lots of time spent on a new duty that adds no real value and further complexity (i.e. spin over substance).

7. Automatic compensation

Automatic compensation in the energy network sector works well but Ofgem is missing an opportunity by treating the amount of compensation paid by each company as a commercial secret – this is a change of position as the information has been published in the past and network companies respond strongly to the publication of league tables. Releasing the information would help improve performance, which would be a much better outcome for consumers than receiving poor performance and even automatic compensation.

Generally, when considering changes in this area, we'd encourage government to:

- be clear what it is trying to achieve with any changes i.e. is it a good will payment – intended to build trust in the sector; is it compensation, or is it intended to be a deterrent to companies or incentivize particular service improvements?
  The latter impacts where payments should be applied i.e. in what instances, and how much should be paid. There should also be a mechanism in place to monitor that it delivers the desired outcomes.
- consider the distributional impacts of any approach, where paid for by energy customers money.
- ensure any approach doesn't discourage companies from continuing to provide discrete compensation.
- consider further research to understand how payments are viewed by those that receive them.

We think there is value in increasing some payments dependent on harm experienced e.g. a rising scale of payments dependent on harm such as with Delay Repay in the rail sector. This is especially the case with supply interruptions.

On the whole we welcome automatic payments as a mechanism for delivery especially for groups less able to advocate for themselves and as awareness of rights and compensation is low.

We strongly advocate for government to review the level of payments made by the Energy Ombudsman. It takes time and determination to progress a complaint to this stage and anecdotal evidence suggests the sums received are not remotely proportionate to the effort required.

8. Community energy

Labour has stated that it will spend £3.3bn on a Local Power Plan. This will provide grants and loans to local authorities and community organisations to set up small and medium scale renewable projects, such as onshore wind, community and household solar. It aims to generate 8.3GWs in total through municipal and community energy by 2030. It envisages a proportion of profits from these projects will be distributed to local communities to support cost of living expenses, such as discounts on energy bills.

If well targeted small and medium sized energy projects could help reduce fuel poverty including in more marginalised and deprived communities. However there are real challenges around how this is achieved in practice with a risk that community energy projects disproportionately benefit able to pay communities with the time, capabilities and resources to set up, support and engage in schemes.

We'd encourage Ofgem explore how it can support community energy including removing regulatory barriers and help and guidance to set up community energy schemes. In addition, greater focus on how surplus electricity from renewables can support fuel poor communities.

OFGEM'S REMIT AND SCOPE

Low carbon technologies and energy efficiency measures

We welcome government reviewing the boundary of Ofgem's role in enforcing consumer law in respect of low carbon technologies and energy efficiency measures. In addition consideration of enhancing Ofgem's powers as regards to enforcement of consumer law.

It's very clear that the current consumer protections framework is not fit for purpose for future energy markets e.g. solar, EVs, heat pumps, smart products and services etc. It's fragmented and there are gaps in consumer protections e.g. consumers struggle to know who is responsible when things go wrong, what their rights are and where to go for help.

However, we are mindful that Ofgem already has a complex set of responsibilities as an economic regulator, consumer protection authority, and scheme delivery body.

Any new remit should be reviewed with a big picture understanding of the broader consumer landscape, including the role and responsibilities of not just the energy ombudsman but Citizens Advice, Trading Standards, CMA, plus organisations such as Trustmark, e.g. given the recent scandal over solid wall insulation installed through the Energy Company Obligation that Ofgem has responsibilities for.

As a first step we'd encourage DESNZ to:

- Focus on **mapping consumer protections** for low carbon technologies and smart products and services including differences in Scotland and Wales to better understand customers' real life journeys. This will help to inform who has what responsibilities now and how that landscape might change.
- **Improve customer advice provision** e.g. set up a national body who can give advice on new energy related products and services, rights and redress/even advocate on behalf of people e.g. like Citizens Advice's Extra Help Unit.
- **Learn lessons from heat -** We recognise that Ofgem has found the extension of its responsibilities to cover heat networks challenging, leading to delays in the implementation of regulation. It will be important for Ofgem to learn lessons from this prior to any extension into low carbon technologies or other areas. Our understanding is that part of the challenge has come from trying to fit heat network regulation into an organisation with a method of operating and culture designed for different activities. We note that other options were available, such as growing an organisation already active in the heat network sector and then transferring it into Ofgem.

Heat network protections

Going forward, we consider that Ofgem's approach to heat network regulation will need to ensure that they do not discriminate against social housing (amending Ofgem's current proposal to compensate customers for poor service but exclude customers in social housing)

and develop an approach to compliance and enforcement which works for heat networks, which will need to be significantly different from the approach taken in electricity and gas.

Improve collaboration between regulators

Stronger focus needs to be placed in Ofgem's remit on joint regulatory working given the increasing interdependencies between sectors. In particular require Ofwat, Ofcom and Ofgem to develop whole system cross sector approaches that factor in the wider impact of performance failure. For example, when setting supply interruption outcome delivery incentives, and compensation standards, Ofgem primarily considers the lost value of an electricity supply interruption to end electricity customers, with less emphasis on the wider impact on water, telecoms, or transport.

Similarly, the cost to the consumer and the knock-on effect on the wider economy (time or business lost) is too often not factored into regulatory decision making when setting appropriate levels of service. For example, the cost of a customer waiting in for half a day for a home appointment with a utility company (especially for someone who is self-employed or paid by the hour), or the cost of waiting on the phone on hold to customers is often time lost not only to the individual but to the economy.

Regional engagement

As noted, the establishment of NESO marks a pivotal change in the way energy networks are managed, placing a stronger emphasis on long-term planning and coordination across electricity and gas systems. This shift to regional planning and delivery will require a step change for Ofgem. **As a minimum Ofgem needs to observe Regional Energy Strategic Plan governance forums to understand the issues and join up policy.** Ofgem isn't currently proposing to do this which increases the risk of the regulator being out of step with communities and regions at a time when government is pressing for increasing decentralisation of decision-making and more place-based solutions.

SUPPORTING SUSTAINABLE GROWTH

Energy drives the economy. Growth is all about increased productivity. Industrial, commercial and business customers all rely on energy. The Call for Evidence states "Ofgem's primary contribution to economic growth is through regulation that minimises energy costs, keeping supply resilient and energy markets functioning effectively".

These are important (though energy markets may not be the best mechanism to deliver growth in all instances) but there are significant wider opportunities to deliver growth if Ofgem considers social value (citizens interests) in its decision making and the impact of poor service on the economy. To support sustainable growth Ofgem should:

1. Systematically think about where **improving minimum service standards or poor customer service** could support the wider economy as well as improving the customer experience. Citizens Advice has shown that consumer problems cost the UK economy £23 billion a year but the impact that these problems have on people's lives is often overlooked and not prioritised as part of regulatory decision making[13]. For example:

[13] MergedFile

- As noted, the hidden costs to consumers and the economy of 'waiting in' for engineers to do a smart meter installation or read a meter, which particularly impacts those who have to take time off work to wait in for a company or low paid employees paid by the hour.
- The cost of poor customer service such as waiting on hold for a company to answer the phone or pursue a complaint – which is typically done during office hours.
- Street works can have a direct impact on local businesses' productivity especially if they are poorly sited, overrun, or carried out during periods of typically high footfall e.g. Christmas or tourism months.
- Activities carried out by network companies to support customers in vulnerable situations indirectly support growth by helping to build skills, support workforce health and community resilience – these are the foundations for growth and important to support.

2. Carry out **best value assessments in decision making,** not just focus on efficiency and lowest cost for energy customers. That means taking into account the impact of decisions on wider society including different stakeholders, citizens and environment. While early in their development, energy network companies are developing common **social return on investment metrics** to demonstrate the wider social value they are adding from their activities. The **six capitals** may be a useful model to use in regulators annual reporting, capturing among other areas, intellectual, manufacturing, human, social, environmental capital alongside financial capital. i.e. As noted connections to the grid prioritised based on need and societal benefit/impact rather than first come first served could better support growth.

3. Continue a strong focus on ensuring energy companies **undertake high-quality stakeholder engagement** and do the same itself. This isn't a nice to have. It helps build trust, improves decision-making, which it turn will help to reduce barriers to the energy transition. Having a **strong social licence to operate** also **boosts investor confidence**. While not its natural home, Ofgem needs to improve its communication with the public and civil society groups. It is important that consumers have confidence that money is being well spent.

4. There have also been concerns raised about high debt to equity ratios ("gearing levels") in natural monopoly companies. There are benefits to having high gearing levels, especially when debt is cheap; the debt can finance investment that benefits consumers, without significant increases in bills. However, high gearing levels increase the risk of company failure, and this risk falls in part to consumers. **Remuneration levels should be linked to performance**; supporting growth through fair prices and social capital.

5. As noted, Ofgem can also support the **energy transition and resultant growth by supporting a thriving environment**. More could be made of the growth potential of environmental protection and enhancement and net zero, as creating advantage for the UK in what will be key growth industries of the future and as 'attractors for business and younger skilled employees.' There is also an argument for **regulators to enable and incentivise more training in green skills and climate adaptation**.

6. We would also like Ofgem to **encourage purpose-led sustainable businesses and responsible energy companies (which tend to be more resilient)**. It's important

Ofgem drives the 'right kind of growth'. The Thames Water debacle with Macquarie Bank and the energy retail market crash are reminders of the importance of this.

7. **Responsible business requirements** - There are simple changes energy companies can make to support growth and affordability e.g. commit to a living wage including by their contractors and prompt payment of small and medium sized companies in their supply chains. Ofgem should also lead by example in these areas and could shine a spotlight on practice in these areas.

8. We support regulators steps to **promote innovation which drives service improvements** and benefits for consumers, society, and the environment. We ward against 'innovation for innovation's sake' or only to drive efficiency. **We would welcome a stronger focus on measuring the short and longer-term value regulators innovation funds/initiatives deliver in practice**, so as to maximise value for money for customers who ultimately fund them.

9. As noted, **strengthen protections for SMEs** – work is already underway in this area.

Ends