



Consultation Response

Review of Ofgem

February 2025

About us

Since 1978, Solar Energy UK has worked to promote the benefits of solar energy and to make its adoption easy and profitable for domestic and commercial users. A not-for-profit association, we are funded entirely by our membership, which includes installers, manufacturers, distributors, large-scale developers, investors, and law firms.

Our mission is to empower the UK solar transformation. We are catalysing our members to pave the way for 70GW of solar energy capacity by 2035. We represent solar heat, solar power and energy storage, with a proven track record of securing breakthroughs for all three.

Respondent details

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Introduction

To achieve the CP30 targets and beyond, it is essential to have a regulator that is efficient, fair, and transparent. Ofgem's role in shaping the long-term energy transition is pivotal, and its approach must evolve to reflect the urgent need to scale up clean power. The regulator must go beyond simply overseeing existing processes and instead actively drive change to build a grid that supports rapid deployment of renewable energy. By providing clearer investment signals, adopting a flexible regulatory framework, and committing to the enforcement of net-zero goals, Ofgem can help the energy sector flourish, driving long-term benefits for the wider economy. By eliminating unnecessary barriers, incentivising proactive grid investment, and ensuring policy stability, Ofgem can play a key role in fostering higher economic growth while also meeting the UK's clean energy targets.

One urgent change Ofgem must address is fully embracing its net-zero mandate. At present, there is an artificial divide between accelerating renewable energy deployment and managing consumer costs. Ofgem must proactively enable the energy transition by holding network operators accountable and revising the 2035 Clean Power figures. In the case of residential solar, it is also essential that Ofgem collaborates with MCS in developing policies related to consumer protections. We expand on this point further in our response below.

Consultation questions

Legal Mandate

We are seeking views on what Ofgem's mandate should be. Duties We are seeking views on whether Ofgem's duties should be streamlined, and if they should, views on which goals might be prioritised.

Ofgem plays a vital role in achieving both Net Zero and fostering economic growth, and we acknowledge the significance of its expanded responsibilities. However, there is currently a lack of clarity regarding how these duties are balanced, particularly when conflicts arise. To foster confidence in its decision-making, Ofgem must transparently explain how it prioritises its increasing obligations and ensure its regulatory decisions support long-term economic and environmental goals.

Ofgem's traditional role in protecting consumers from excessive costs has been well established. However, with the establishment of the National Energy System Operator

(NESO), there is growing uncertainty about who holds responsibility for key areas like network planning and regulatory oversight. Effective strategic planning depends on clear roles, responsibilities, and decision-making processes, yet Ofgem's regulatory strategy remains unclear. A more coordinated, consistent approach to network regulation is needed, with funding mechanisms aligned to system planning strategies. Without this, there is a risk that network planning decisions could undermine the goal of delivering an affordable, efficient, and coordinated energy system.

Transmission Operators (TOs) need balanced incentives to ensure timely project delivery, while generators require clarity on regulatory intent to properly assess investment risks. Similarly, Distribution Network Operators (DNOs) must maintain clear accountability for network development and the implementation of Regional Energy Strategic Plans (RESPs). Regulatory stability is essential for sustaining investor confidence, and we continue to support the RIIO framework as an effective tool for overseeing network investment. However, Ofgem must ensure that investment in both generation and network infrastructure remains attractive. The Clean Power 2030 action plan highlights that the majority of capital investment is needed for generation assets, yet the UK's regulatory system has overly insulated network operators from risk, failing to recognise that most of the required investment—and its impact on consumer costs—lies outside regulated assets. At present, Ofgem is being pulled in multiple directions, which complicates the setting of clear priorities and timely responses to the rapidly evolving energy landscape. Without a more focused approach, regulatory delays and missed opportunities for economic growth are a real risk.

Additionally, Ofgem's experience has largely been in regulating major energy suppliers, which does not easily extend to the complexities of the microgeneration sector. Small-scale renewable businesses, predominantly made up of SMEs and sole traders, operate under very different market conditions. Ofgem's regulatory framework needs to be adapted to reflect these differences, particularly in how it communicates with consumers. It is essential that small-scale energy users understand their rights and have access to suitable dispute resolution processes. Unlike large utility customers, those involved with small-scale renewable installations

need more tailored and accessible regulatory support.

For the UK's energy sector to grow and thrive, Ofgem must provide a clearer regulatory framework, improve transparency in decision-making, and ensure its approach is suitable for all segments of the energy market. Without these changes, investment uncertainty will persist, slowing progress toward Net Zero and hindering economic growth.

Transparency and accountability

We are seeking views on making more detailed information available about energy company performance and behaviour, and how this might assist other licensees and consumers. We are inviting views on Ofgem's annual report and the KPIs it reports against, and how to strengthen Parliamentary scrutiny of Ofgem's performance.

No comment

Skills and capability

We are seeking views on the capabilities Ofgem needs to be an effective regulator in a more digital, fast-moving sector. Ofgem's Regulatory Remit Does Ofgem have the right regulatory remit?

Have you observed harms caused by uncertainty over Ofgem's remit, or by gaps in what is currently regulated in the energy sector?

We are seeking views on Ofgem's role in an energy system that is now, in part, driven by strategic planning following the creation of NESO, in particular, how should regulatory strategy be aligned with strategic energy plans.

No comment

Delivering Investment and Innovation in the Transition

We are seeking views on the role Ofgem should play to support growth and the government's industrial strategy.

What can Ofgem do to increase investment and innovation in the sector?

What might Ofgem do to support an environment of falling energy prices?

What else might Ofgem do differently to support higher growth in the energy sector and wider economy?

Are Ofgem's regulatory processes sufficiently fast, effective and user friendly?

Ofgem's responsibilities have expanded over time, with recent legislative changes broadening its role to include Net Zero, economic growth, and carbon reduction targets. However, there is still a lack of clarity regarding how Ofgem balances these duties, particularly in complex policy analysis and managing trade-offs. It is crucial to establish clearly defined roles and responsibilities. At present, there is a notable gap in accountability, with ambiguous definitions of the roles of Ofgem, NESO, and the government. The industry should not face overlapping regulation, and it is essential for Ofgem to retain its leadership role, including final decision-making authority.

Moreover, there has been a concerning lack of accountability, particularly evident during the connections reform process. In our experience, responsibility has been passed back and forth between NESO, Ofgem, and DESNZ, with each party claiming that another holds ultimate responsibility. This has made engagement with the process challenging. A key example is the issue surrounding Clean Power 2030 capacities, where NESO shifted responsibility to the Department for Energy Security and Net Zero (DESNZ), leaving the final decision in their hands. However, DESNZ lacked the ability to investigate NESO's modeling that led to this advice. In our view, Ofgem should have been at the forefront of these discussions, holding NESO accountable for such critical decisions. This issue also appears in the TMO4+ minded-to consultation, where Ofgem has taken NESO's proposals at face value without conducting a thorough impact assessment of the 2035 allocation pots.

A major concern is the ongoing grid connections reform, which will impose rigid 2035 projections as hard limits on solar capacity, with NESO planning to implement these caps by May 2025. This represents a critical juncture where Ofgem must intervene to ensure these figures remain flexible. Without intervention, the industry risks an investment hiatus after 2030, making projects with connection offers for 2031–2033 unnecessary. This approach fails to account for project attrition, the need for competition in Contract for Difference (CfD) auctions, and the possibility of delays or cost overruns in other technologies. Ofgem must ensure NESO incorporates greater flexibility into its planning process to avoid placing unnecessary constraints on solar and storage development.

A necessary reform Ofgem must introduce is a continuous review process for Clean

Power figures. The industry has had no opportunity to comment on the 2035 capacity caps because they were not included in NESO's initial advice. The Strategic Spatial Energy Plan (SSEP) is expected to replace these figures, but it will not be published until Q4 2026, leaving a significant gap in clarity. This uncertainty has already delayed investment decisions and hindered project development. Ofgem must implement mechanisms for the regular reassessment of capacity figures, allowing for industry feedback and necessary adjustments.

Economic growth is dependent on stable investment conditions, yet the ongoing uncertainty surrounding post-2030 capacity figures is already having negative financial consequences. If the constraints on solar and storage persist, the industry estimates a £26.35 billion loss in missed solar and battery projects, along with the stalling of millions of pounds in investments already committed to UK clean energy projects. Ofgem must recognize that its regulatory decisions directly impact investor confidence and the UK's ability to attract capital for new energy infrastructure.

In addition to these concerns, there are two critical issues affecting the sector: predictability and Network Operator performance.

The large-scale changes under TMO4+ have created widespread confusion and concern within the industry. While it is understood that changes to the regime were necessary, the scale of the alterations and the short "grandfathered" date for connections—set for December 2026—means that for 132kV projects, investment is already being put on hold as stakeholders await the outcome of NESO Gate 2. With details of the reordering unlikely to be available until late 2025, this means 132kV projects won't be able to connect until 2028, due to clock change restrictions and ICP availability. This uncertainty is hindering the progress of projects, even those that already have planning approval or a CfD. Despite proposed guarantees suggesting these projects would complete by 2030, this timeline is insufficiently detailed to proceed with investment.

Adjusting the "grandfathered" date to December 2027 would resolve this concern by aligning the proposals with real-world construction timelines, giving NESO and the DNOs sufficient time to reorganize the remaining connection dates.

Another key issue is the ongoing poor performance of DNOs in meeting connection dates, causing significant concern among investors. Delays to projects, often accompanied by substantial additional costs, are more common than projects connecting on time, and this trend is being reflected in market pricing. The higher returns required to offset delays between construction and energisation will make

more marginal projects unviable or necessitate higher prices for Power Purchase Agreements (PPAs) to achieve the required return thresholds. While poor DNO performance primarily impacts developers, these additional costs will ultimately be passed on to customers through higher PPA prices. If solar or battery projects are not energised until much later than expected, it will result in financial losses that must be compensated.

Both of these issues—the lack of predictability and the poor performance of DNOs—are undermining investor confidence and threatening the viability of future projects. These concerns fall squarely within Ofgem's purview and require decisive action. Reliability and predictability are key to attracting low-cost investment, and the higher the perceived risk, the higher the return demanded by investors. Ofgem must act to ensure more predictable timelines and improved Network Operator performance to foster a more stable and attractive investment climate.

Finally, transparency and accountability are key. Ofgem's End-to-End review presents an opportunity to improve data transparency and ensure that transmission and distribution activities support renewable energy growth. The review should lead to clear enforcement mechanisms to prevent unnecessary delays in network upgrades and connection approvals. Ofgem must act on the feedback from this review and ensure the final recommendations are effectively implemented. Similarly, DESNZ must ensure that Ofgem incorporates the recommendations from the Solar Taskforce and holds NESO and network operators accountable for any breaches of service level agreements. These recommendations must be continually monitored to ensure progress.

Low Carbon Technologies

We are seeking views on Ofgem's remit in enforcing consumer law in respect of low carbon technologies, such as heat pumps and solar panels, and what the appropriate boundaries might be.

Solar Energy UK (SEUK) strongly supports the proposal to extend Ofgem's remit to include enforcement of consumer law for low-carbon microgeneration technologies. Given the sector's expected growth, it is essential that consumers receive the highest protections. We urge Ofgem to work closely with the Microgeneration Certification Scheme (MCS) in shaping any policy related to consumer law, ensuring that industry expertise informs the development of effective protections. This extension aligns with Ofgem's broader mandate to safeguard consumer interests in an evolving energy landscape.

SEUK fully endorses MCS as a leader in consumer protection within the small-scale renewables sector. Their mission is to instill confidence in microgeneration technologies by defining, maintaining, and continuously improving quality standards. As the recognised industry body for quality assurance, we would highly recommend that Ofgem collaborate with MCS in addressing any boundaries.

MCS has invested significant time and resources into strengthening consumer protections within its certification scheme. Following extensive consultation with industry experts and consumer protection specialists, MCS has undergone a comprehensive redevelopment of its certification framework. The updated scheme, launched in January, is designed to support reputable installers while driving up quality and compliance across the sector. By incentivising adherence to high standards, it aims to enhance industry reputation, ensuring that consumers can have confidence not only in the purchasing process but also in the long-term performance of the technologies they adopt.

Improving executive accountability and consumer standards

We are seeking views on how Ofgem can ensure consumer standards are better represented – for example with reference to other business models within the sector, such as through potentially adopting a ‘consumer duty’ and ‘Senior Management Regime’

We continue to strongly support MCS and recognise the significant steps they have taken to enhance consumer protections within the microgeneration sector. Their recent scheme redevelopment ensures that consumer standards are more effectively represented, strengthening safeguards across the industry.

One of the most notable improvements is the introduction of the MCS Customer Commitment, which functions similarly to the FCA’s Consumer Duty. This sets clear expectations for consumer service and defines installers’ obligations under consumer law. Drawing on 16 years of experience, MCS has distilled best practices into a framework that places consumer protection at its core. We encourage Ofgem to take inspiration from this approach—or even adopt the MCS Customer Commitment—to create consistency in consumer protections across the sector.

Standardisation is essential to prevent MCS-certified contractors from having to navigate multiple, and potentially conflicting, codes of conduct. A fragmented approach could create confusion and undermine efforts to build consumer

confidence. The work MCS has already undertaken provides a strong foundation for Ofgem's role in consumer protection, and we believe aligning efforts will ensure a clearer, more effective regulatory framework for the sector.

Enhanced investigatory & enforcement powers to protect consumers

We are seeking views on Ofgem having enhanced investigatory powers. We are seeking views on Ofgem being granted enhanced enforcement powers similar to the CMA

We support the proposal to grant Ofgem greater investigatory and enforcement powers to ensure stronger consumer protections, particularly as the energy sector continues to develop. For Ofgem to regulate the microgeneration sector effectively, it must be equipped with the necessary authority to uphold consumer rights and ensure compliance across the industry.

MCS can play a valuable role in complementing Ofgem's work. While Ofgem is well-structured to regulate large energy suppliers, MCS already has the specialist knowledge and expertise required to oversee and investigate small-scale installations. As we move towards the implementation of MCS:2025, our focus is on a more preventative approach, ensuring that non-compliance is addressed swiftly.

However, as a voluntary certification scheme, MCS does not have the enforcement powers required to regulate the entire microgeneration sector. This is why we support the extension of Ofgem's enforcement powers—particularly to address the most serious cases, where non-certified actors could undermine consumer confidence and market integrity. By combining Ofgem's regulatory authority with MCS's operational expertise, we can ensure consumer protections are both effective and efficiently enforced.
