



HOMEflex Compliance Scheme Research Report

Roadmap to a future compliance scheme for domestic flexibility: views from the sector and recommendations for implementation

A report by the Centre for Sustainable Energy and ADE Research for Flex Assure and Scottish and Southern Electricity Networks

September 2024



Contents

Executive summary	3
Findings	3
Summary of recommendations	6
Introduction	8
Background on domestic flexibility and HOMEflex	8
Regulation	9
Compliance schemes	12
A note on methodology and sample	12
Research findings	14
The need for and role of a compliance scheme	14
Principles and requirements of the compliance scheme	19
Scheme governance and oversight	21
Monitoring and auditing members	21
Complaints and dispute resolution	24
Funding the compliance scheme	26
Promoting public awareness	29
Conclusion	32
Governance	32
Scheme design	32
Requirements	33
Monitoring and auditing	33
Further considerations	34
Appendix A: Methodology	36
Surveys	36
Workshop	37
Recommendations	45
Appendix B: Sample	46
Survey	46
Workshop	48
Overall	48

Executive summary

ADE Research at the Association for Decentralised Energy (ADE) and the Centre for Sustainable Energy (CSE) have been commissioned by Flex Assure and Scottish and Southern Electricity Networks (SSEN) to report on the creation of a compliance scheme for the domestic flexibility sector and offer recommendations on the scheme's characteristics, aims, and objectives. The overall aim is to establish best practice for companies delivering energy flexibility services, through common standards and accountability. The HOMEflex (Household or Microbusiness Energy flexibility) Code of Conduct (CoC) acts as a foundation for a future compliance scheme, following the clear benefits of regulation in the domestic flexibility industry. This report provides feedback from participants in the domestic flexibility sector and recommendations on the key characteristics and components that can help the HOMEflex Code of Conduct become a future compliance scheme.

Data collection took place over two phases: a survey with Flexibility Service Providers (FSPs) who had taken part in National Grid's Demand Flexibility Service (DFS) 2023-24, followed by a deliberative workshop with FSPs and other key stakeholders in the domestic flexibility sector. A flexible, mixed-methods approach was chosen to offer different routes for FSPs to participate in the research, helping to maximise engagement. There were some challenges with engaging with some FSPs around the survey, however the profile of respondents is broadly consistent with the profile of the overall population of the current domestic flexibility sector. Collectively, participating organisations delivered more than 64% of the volume of domestic flexibility procured by the Electricity System Operator (ESO) for DFS 2023-24. The online co-design stakeholder workshop was designed to encourage relevant stakeholders to provide qualitative data on a series of discussion points built around characteristics such as: the need for a scheme, design, structure, guiding principles, governance, monitoring and auditing, funding and public awareness.

Findings

Scheme purpose and scope

Overall, participants supported the creation of a compliance scheme for the domestic flexibility sector, highlighting the scheme's potential to bridge regulatory gaps, enhance consumer protection, and support industry integrity, thereby fostering innovation while ensuring consumer interests and system stability. A minority of respondents, mainly from apps/technology companies and aggregators not currently subject to regulation, were sceptical about the need for additional standards. In contrast, energy suppliers were more supportive, advocating for uniform regulatory scrutiny across all FSPs.

Participants identified several key roles for a compliance scheme: the scheme should set quality standards to ensure customer protection, build trust, and protect good practitioners from being undercut. It should prepare the industry for formal regulation if required by providing a common set of standards. Additionally, the scheme should protect customers by informing them of their rights, auditing providers, and supporting mediation efforts. Beyond protection, it should incentivise high-quality service by recognising trusted companies, reducing fees for positive reviews, and granting market access to HOMEflex-certified firms.

Workshop participants generally agreed that customer-facing organisations involved in domestic flexibility should align with any a compliance scheme. There was less clarity regarding non-customer-facing entities, and whether they should also be included.

Scheme design

Research participants felt the compliance scheme should build on the existing HOMEflex Code of Conduct, making it easier for organisations already aligned with the Code to transition. Workshop attendees emphasised two main principles for scheme design: avoiding overlap with existing regulations to prevent redundancy and addressing gaps to ensure comprehensive coverage and robust consumer protection. Additionally, the scheme must be adaptable, regularly updating to reflect technological advancements and market changes.

Governance, oversight and monitoring

Most survey respondents emphasised the need for independent oversight, with workshop attendees suggesting the formation of an independent steering board, including regulatory body representatives like The Office of Gas and Electricity Markets (Ofgem) to ensure regulatory legitimacy and trust. Independent oversight was also seen as essential for maintaining stakeholder and consumer trust, ensuring transparency, and addressing potential conflicts of interest, demonstrating a commitment to fairness and integrity.

Feedback also stressed the importance of effective auditing and monitoring within the compliance scheme. Participants called for robust, enforceable standards with penalties for non-compliance to maintain the scheme's integrity. There was a preference for straightforward and reliable metrics, such as aggregate customer satisfaction scores from platforms like Trustpilot, to monitor compliance without imposing significant administrative burdens. The scheme should also ensure ongoing adherence to cybersecurity and data management standards through regular, lightweight audits. While acknowledging the importance of cybersecurity, participants suggested that the scheme should leverage existing regulatory frameworks rather than establishing its own rules, focusing on its core objectives and preventing overlap with current regulations.

Complaints and dispute resolution

Participants considered access to effective, independent dispute resolution mechanisms essential. They suggested the scheme include independent oversight and mediation provisions, involving organisations like the Energy Ombudsman or the Renewable Energy Consumer Code (RECC), and reiterated the value of consumer platforms like Trustpilot for independent customer satisfaction measures. Clear procedures for handling complaints and disputes, with defined documentation requirements, were recognised as necessary for fair and timely resolutions. Establishing an independent dispute resolution committee, potentially including experts and regulatory representatives, was recommended to manage conflicts impartially.

Regarding penalties and incentives, participants stressed the need for a balanced, customer-centric approach. Penalties could be equitable and adaptable, relative to the organisation's size, addressing both systemic issues and individual consumer redress.

Funding

There was a broad consensus that funding should operate on a principle that those who profit from domestic flexibility, and thus stand to gain the most from the benefits of a compliance scheme, should pay. In practice, participants suggested that two groups should hold the most responsibility for funding: major procurers of domestic flexibility – ESO and Distribution Network Operators/System Operators (DNOs/SOs) – and FSPs. There was also a strong emphasis on having a tiered fee structure to account for, for example, organisational size.

Public awareness

The marketing of any future compliance scheme was considered crucial, starting with raising industry-level awareness, as engagement challenges highlighted limited awareness of HOMEflex among FSPs. Participants emphasized the need for an impartial, widespread awareness campaign to educate households and the industry alike. Establishing clear communication contacts and hosting industry engagement events, such as webinars or conferences, were suggested to encourage broader participation. Leveraging existing brands and tools, such as collaborations with well-known consumer-facing bodies like Citizens Advice or Money Saving Expert, was recommended to build public trust.

Summary of recommendations

The recommendations produced from our findings principally cover the design of the HOMEflex compliance scheme, alongside broader issues like scope, purpose, and publicity.

- The role of the compliance scheme should be to:
 - Set a list of criteria (through the Code of Conduct and guidelines) for FSPs.
 - Provide publicly available information on good practice and customer rights.
 - Establish quality standards in domestic flexibility services and signpost them to participants and customers.
 - Monitor and audit organisations against non-compliance and support and advise customers seeking dispute resolution.
 - Work with regulators, customer advocacy groups and trusted bodies to ensure the scheme remains relevant, transparent and in the best interest of domestic customers.
- The scheme should primarily target customer-facing domestic FSPs. Where there are other parties involved in the customer's experience, it should remain the responsibility of the lead contracting entity with the domestic customer to manage and ensure any other subcontracting entity follows the CoC and principles of the scheme.
- Encourage DNOs/SOs and flexibility procurers (including the Market Facilitator) to integrate principles from the HOMEflex compliance scheme into their service agreements with FSPs to increase awareness of the protections and quality standards that should be provided to the end customer. Moreover, this will allow the non-customer-facing FSPs to better understand the requirements that customer-facing companies have to adhere to. This will ensure a more cohesive working relationship between FSPs that deliver flexibility services for DNOs/SOs while someone else engages with the domestic customer.
- Scheme requirements be updated as needed (e.g. twice a year) to reflect the latest regulation updates. Scheme guidelines should seek to avoid unnecessary regulation overlap and address potential regulatory gaps.
- The scheme guidelines should seek to inform customers of their rights as participants in the domestic flexibility market.
- Independent oversight is necessary to ensure the scheme is trusted by industry and consumers. An elected board of members with voting rights, comprised of industry and regulation experts, is recommended, and the scheme administration should consider including Ofgem within their governance.
- The scheme should consider how participating organisations use customer feedback as part of their monitoring and auditing processes and establish a set of metrics focused on customer experience. These metrics would encompass customer rights and commercial

best practices. In the event of customer complaints, HOMEflex would request relevant information from both the organisation and the customer and then review this information against the established metrics.

- The scheme must address cybersecurity, whether to supplement existing regulation or to manage a gap, however the precise nature of this action depends on the eventual regulatory context.
- Data and privacy protection are also highly important, and the scheme should encourage transparency and rigour in the safety of organisations handling data.
- Any complaints and dispute resolution processes should begin with clear guidelines and expectations on the customers' rights and a list of documentation that would need to be submitted or provided as proof of evidence.
- Registered mediators such as the Energy Ombudsman or the Renewable Energy Consumer Code (RECC) can play an important role in handling disputes and complaints. HOMEflex could consider providing a similar service as 'TrustMark,' which will allow customers to research and review best practices in the sector.
- The scheme should seek to establish the right balance between penalties and incentives, encouraging good practice and exemplary behaviour that sees customer protection as a core value.
- Funding responsibility could be split between major procurers of domestic flexibility (ESO and DNOs/SOs) and individual FSPs. The contribution from FSPs may need to be smaller initially and increase as the domestic flexibility market matures. HOMEflex should hold consultations with participants (both procurers and FSPs) over the most effective fee system, which could include a tiered system based on organisation size, or flexibility delivered/procured, or a flat rate.
- To increase public awareness, we recommend that HOMEflex:
 - Engage with consumer advocacy groups and regulators such as Citizens Advice, RECC, and Ofgem to showcase the benefits of domestic flexibility.
 - Design early marketing campaigns in areas of potential grid constraints where domestic flexibility is seen as a priority by DNOs and FSPs to encourage customers to enquire about safe domestic flexibility services.
- HOMEflex should collect and review domestic customer feedback, especially during the early stages of the compliance scheme.

Introduction

This report has been commissioned by [Flex Assure](#) and [Scottish and Southern Electricity Networks \(SSEN\)](#). It aims to bring together the views of stakeholders and businesses participating in domestic flexibility on creating a compliance scheme for the sector and offer recommendations on the scheme's characteristics, aims, and objectives.

ADE Research at The Association for Decentralised Energy (ADE) and the Centre for Sustainable Energy (CSE) have partnered to deliver primary research built on a foundation of stakeholder engagement through surveys, phone interviews, and a co-design workshop with domestic flexibility participants and other key stakeholders.

ADE Research and CSE believe the findings from this research strongly reflect and support the sector's views. The research team has engaged with relevant stakeholders through various research activities, including participation in Flexibility Forums and Working Groups with the sector's leading organisations hosted by ADE, one of the UK's leading trade associations for domestic, industrial, and commercial flexibility.

Background on domestic flexibility and HOMEflex

The domestic energy flexibility market refers to a set of commercial propositions that encourage domestic consumers to shift their energy usage to contribute towards grid balancing. Although still relatively small, domestic flexibility is a new and growing market that is central to plans to decarbonise the UK energy system.¹ A range of companies (FSPs) are currently involved with delivering flexibility services to domestic consumers. These include traditional energy suppliers, as well as newer market entrants like app companies, technology manufacturers and aggregators. These FSPs typically operate by 'delivering' flexibility to procuring companies (like the ESO) through aggregating the energy shifts made by multiple individual consumers, either themselves, or through a wider delivery partnership.

The recent proliferation of new domestic flexibility products, tariffs and services has been accompanied by concern that some consumers may be being exposed to new kinds of harm. CSE's Smart and Fair? research programme has highlighted how vulnerable, fuel poor and other consumers may be left behind as domestic flexibility becomes more widespread.²

Since the inception of Flex Assure's Industrial and Commercial Code of Conduct and Compliance scheme, (launched in 2019), key energy stakeholders within the energy industry like Ofgem and DESNZ, (formally BEIS) and the ADE have been monitoring the flexibility markets to

¹ <https://www.nationalgrideso.com/future-energy/future-energy-scenarios-fes>.

² <https://www.cse.org.uk/resource/smart-fair/>.

assess whether there was a need for Flex Assure to extend these standards to a domestic context. In January 2021, a report jointly published by Citizens Advice, Energy UK and the ADE analysed the adequacy of existing legislation in addressing the potential risks faced by domestic consumers in a new evolving flexibility market. The report highlighted that the current regulations provided limited to no protection for domestic consumers, posing a threat to consumer confidence and thus market development. At this time, a number of initiatives were starting to focus on the development of domestic flexibility.

Given that some DNO's predicted that a significant portion of flexibility in local flexibility markets would be obtained from domestic assets, there was a push for Flex Assure to explore the creation of a domestic/micro business code of conduct, (and possibly a compliance scheme). This initiative aimed to safeguard customer interests and address the gaps in domestic consumer protection. Support for the development of a domestic code of conduct by Flex Assure was expressed by key industry players including Ofgem, DESNZ, Citizens Advice, Energy UK and relevant members of the ADE.

It was in this context that, in 2022, Flex Assure, in partnership with Scottish and Southern Electricity Networks (SSEN) and funded by the [Network Innovation Alliance](#) (NIA), established [HOMEflex](#). The core aim of the project was to establish best practices for companies delivering domestic flexibility through common standards and accountability, promoting the development of a fair, inclusive and transparent marketplace.

The first major aim for the HOMEflex project was to develop a Code of Conduct that could embed a number of key principles of FSP behaviour. The Code was developed in collaboration with industry and consumers. Key stakeholders within the domestic flexibility sector were first engaged via a working group to draft some key principles covering five areas of operation: i) Sales and Marketing, ii) Contracts and T&Cs, iii) Technology Due Diligence, Data and Cybersecurity, iv) Complaints and v) Redress and Ethics. CSE then conducted research with domestic consumers with a range of needs and preferences in relation to energy flexibility. Across a set of two focus groups, consumers shared some of their key concerns around domestic flexibility offers and how these could be addressed through the Code. Results were published in a research report in January 2023.³ Following a final round of industry consultation, a [final version of the HOMEflex Code of Conduct was then published in October 2023](#).

This latest phase of HOMEflex research aimed to collate feedback from the domestic flexibility sector on the design of a compliance scheme to support the Code of Conduct.

Regulation

The compliance scheme is being developed in the context of an evolving policy landscape. As highlighted in our findings later in this report, it will be important for the Code to be regularly reviewed and updated to ensure it continues to add value once new regulations come into

³ <https://www.cse.org.uk/resource/homeflex-qualitative-research-report/>.

force. Participants in this research were aware that duplication between the Code and regulations might either duplicate administrative purposes, support regulations by providing instructive guidance on compliance or demonstrate best practices beyond that set out in the statute. Furthermore, participants agreed that there may be gaps not addressed by regulations, where an ongoing industry code could be necessary to ensure high standards are maintained in the interests of consumers and the sector.

This spring, the Department for Energy Security and Net Zero (DESNZ) published their second consultation on the Smart Secure Electricity Systems (SSES) programme, which proposes Energy Smart Appliance (ESA) regulations, introduces a tariff data standard, and implements a Load Control Licence. The Load Control Licence would set standards for organisations to manage ESAs for demand-side flexibility, a capability expected to expand significantly. Recent changes, such as the Balancing and Settlement Code (BSC) modification P415, will now allow flexibility aggregators to trade in the wholesale energy market, a practice previously not permitted. Additionally, the ongoing efforts by the ESO the DNOs, and The Department for Energy Security and Net Zero (DESNZ) through the Review of Electricity Market Arrangements (REMA) will further increase the volume of Distributed Energy Resources (DER) able to provide flexibility. Similar to HOMEflex, the SSES programme aims to enhance the consumer experience in participating in flexibility services, recognizing the importance of positive engagement for the market's growth at this nascent stage.

DESNZ propose the following organisations and activities to be within the scope of the Load Control Licence:

- Demand Side Response Service Providers (DSRSPs) who have a contractual agreement with domestic and small non-domestic consumers to provide services such as load control.
- Demand-side response Load Controllers (DSR Load Controllers) that provide Energy-Smart Appliances (ESAs) load control.
- Large Load Controllers providing load control to an aggregated load on or above 300MW.

Supplier licensees would also be required to obtain the Load Control Licence, providing they participate in the above activities.

Within the licence, DESNZ proposes to introduce more detailed Standards of Conduct, such as those included in the Electricity Supply Licence, in addition to a general principle on consumer fairness. The level of detail to be included in these standards is under consultation. Proposals include adding specific requirements regarding consumer communication, what services are recommended to consumers depending on their specific needs, an established complaints and dispute process and a question as to whether DSRSPs must record the details of all consumers in vulnerable circumstances. The consultation also includes suggestions to ensure consumers can set their preferences for participating in DSR, such as accessing an interface to control their

ESA and override any external optimisation. Cybersecurity requirements, such as implementing stricter regulations on large load controllers due to their potential impact on critical national infrastructure, are also included in the consultation.

Depending on parliamentary action, this licencing could come into effect at the end of 2025. There would be a 'transitional period' between when licence applications are approved and when FSPs become accountable, but these timelines are still subject to confirmation. Acknowledgement is paid to the HOMEflex code and any future compliance scheme such as this as a possibility to prove that an organisation is meeting the licence requirements.

“The government notes that a voluntary Code of Conduct, HOMEflex, is currently being developed by industry stakeholders, and will continue to engage with those involved.” **DESNZ** ⁴

HOMEflex is conscious that a future compliance scheme will evolve from the CoC while also assimilating the requirements of new, incoming regulation in a way that the compliance scheme can ultimately exist by providing a service both to Ofgem’s efforts of regulation and providing the right signals for FSPs to deliver a service that guarantees customer protections.

In surveys and a co-design workshop, participants in this research have shared their views on HOMEflex’s future role in supporting regulation efforts (see Research Findings below).

Within this work, it is also important to note the newly established Market Facilitator role which is to be carried out by Elexon.⁵ The aim of this role is to carry out the following:

- Strategic leadership: Flexibility market development at a local level, addressing and raising to Ofgem developments and issues across the policy landscape.
- Market Coordination: Monitoring as rules and standards across ESO and DSO flexibility markets develop, facilitating stakeholder engagement and ensuring that flexibility markets across the local and transmission network are aligned.
- Implementation Monitoring: As standardisation is delivered by the Market Facilitator, ensuring that what is implemented meets the aims of the industry, reporting any issues to Ofgem and ensuring that market coordination is under continuous development.

At this stage, it is impossible to give specific recommendations to HOMEflex about the level of engagement needed with the Market Facilitator, but it is prudent to expect that it must be considered in the development of a compliance scheme.

⁴ <https://assets.publishing.service.gov.uk/media/6425a2d23d885d000fdadfc0/smart-secure-energy-system-government-response.pdf>.

⁵ https://www.ofgem.gov.uk/sites/default/files/2023-12/Market%20facilitator%20delivery%20body%20consultation_0.pdf.

Compliance schemes

A compliance scheme ensures that organisations in charge of producing or delivering customer services adhere to a set of good practice standards and operation purposes aligned or compliant with regulations from a specific government or independent agency. Compliance schemes normally embed mechanisms that monitor and/or audit participants as well as offering dispute and conflict resolution processes for customers. Using regulation and mandatory requirements, compliance schemes develop good practice guidelines that members agree to follow. In the case of non-compliance, the scheme can then penalise responsible parties with financial and non-financial penalties. Lastly, it is expected that compliance schemes will liaise with citizen advocacy groups and relevant regulatory bodies, providing public-facing services such as information on customer rights, documentation or evidence needed to enable dispute proceedings and forums or platforms where members of the public are allowed to express their views or request information and support.

In the specific case of this report and the research questions guiding the findings, ADE Research and CSE used examples from the existing [Flex Assure](#) CoC for Industrial and Commercial (I&C) Flexibility and [Heat Trust](#), a voluntary compliance scheme setting minimum standards of customer service and protection for heat suppliers providing heat through heat networks and district heating, as these two schemes are closely aligned with HOMEflex's guiding principles and governance.

Research participants have also shared their views on other existing compliance and accreditation schemes from which HOMEflex could learn and adapt.

A note on methodology and sample

This research made use of a flexible mixed-methods approach, designed to adapt to the difficulty of engaging with organisations within a nascent sector. This would allow us to hear from as many FSPs and other stakeholders as possible, maximising the robustness of our findings to support our ultimate research objective: to produce recommendations for designing a HOMEflex compliance scheme. Full details on methodology and the sample achieved are provided in Appendices A and B, but can be summarised below.

The first phase of the research comprised a quantitative survey targeting all FSPs who had taken part in the ESO's Demand Flexibility Service running in winter 2023-2024 (DFS 23-24). The DFS is a critical peak service that rewards energy customers with smart meters who reduce their electricity usage during critical peaks in response to notifications received from FSPs. For this research the DFS 2023-24 cohort serves as a suitably identifiable population of FSPs, of which roughly one third had self-declared their alignment with the Code of Conduct, enabling us to compare expectations and decision making across both groups.⁶ There was also an option for

⁶ Out of the 31 domestic DFS providers, some directly enter homes and install, then operate kit on behalf of households, for example Ohme (aligned with the Code) and Passiv (not aligned). Others operate entirely via a

FSPs to complete the survey via a phone interview to allow for different preferences and schedules.

The second phase of the research involved a deliberative online workshop with FSPs and other key stakeholders in the domestic flexibility sector. Some attendees were invited through earlier engagement with HOMEflex – including FSPs invited to complete the survey and stakeholders involved in developing the Code of Conduct – but open invitations were also sent out through CSE, ADE and Flex Assure channels. For stakeholders keen to input but unable to attend the workshop (at all or for the entire duration), evidence was collected more informally from individual video calls and emails. This agile approach ensured that we could collate views from as wide a group of stakeholders as possible throughout the data collection process.

Of the 31 FSPs involved in DFS 23-24, survey responses were received from 12. This may appear to limit the statistical power of the survey responses, but the sample is more representative than it appears. Firstly, due to a combination of different delivery partnerships and industry churn, the total number of FSPs who could have provided a valid response was 26 (see Appendix A for more details). Secondly, the 12 respondents also cover a broad range of the current domestic flexibility sector: collectively, these organisations delivered 64% of the volume of domestic flexibility procured by ESO for DFS 2023-24.⁷ Thirdly, Table 1 in Appendix B also highlights that our survey sample achieved was relatively balanced: no particular type of organisation was over-represented – in terms of alignment with the HOMEflex Code of Conduct or other organisational characteristics. Nonetheless, whilst we are confident that the survey results are representative of the wider FSP population, due to the small sample size, we have still taken a relatively cautious approach in setting out our findings, generally treating survey results as qualitative, on par with interview and workshop results.

The online workshop was attended by a strong sample of key stakeholders in the domestic flexibility space: 26 in total. As well as FSPs, there were attendees from the ESO, DNOs, consumer advocacy organisations and energy consultants (see Table 2 in Appendix B). Although not all attendees were able to stay for the whole workshop, follow-up video calls and emails (with one stakeholder) enabled feedback from as many stakeholders as possible. However, it is important to acknowledge that the responses gathered in individual video calls might differ from those given in a group workshop setting due to the absence of peer dynamics and immediate cross-stakeholder interactions. While this introduces an element of self-selection, recognising this nuance adds depth to our understanding of the collected data and reinforces the comprehensive nature of our approach.

phone app, for example Hugo (aligned) and Loop (not aligned). Some DFS providers are also licensed energy suppliers, for example Ovo (aligned) and Octopus (not aligned) which means they are operating under different licensing regimes to Virtual Lead Parties. All these factors influence an FSP's attitude towards the HOMEflex Code of Conduct and affect their experience of aligning with the code.

⁷ https://www.nationalgrideso.com/data-portal/demand-flexibility-service/dfs_utilisation_report.

Research findings

The need for and role of a compliance scheme

Need for a scheme

Overall, research participants supported the creation of a compliance scheme for the domestic flexibility sector. As shown in Figure 1, two thirds (67%) of survey respondents felt a general need for a Code of Conduct and compliance scheme.

In the workshop, six out of seven poll respondents reported that the domestic flexibility sector needed a compliance scheme. Workshop discussions also implied broad support for a compliance scheme. Stakeholders recognised the scheme's potential to bridge regulatory gaps, enhance consumer protection, and support industry integrity. They highlighted the need for a structured framework to foster innovation whilst ensuring consumer interests and system stability. The dialogue confirmed participants' preference for formalising a compliance scheme, reflecting a proactive approach to regulatory adaptation and a commitment to responsibly advancing the domestic flexibility sector. No participants suggested a compliance scheme was not needed.

A minority of survey respondents were more sceptical about the need for a compliance scheme: three agreed that there was already sufficient control of flexibility service providers.

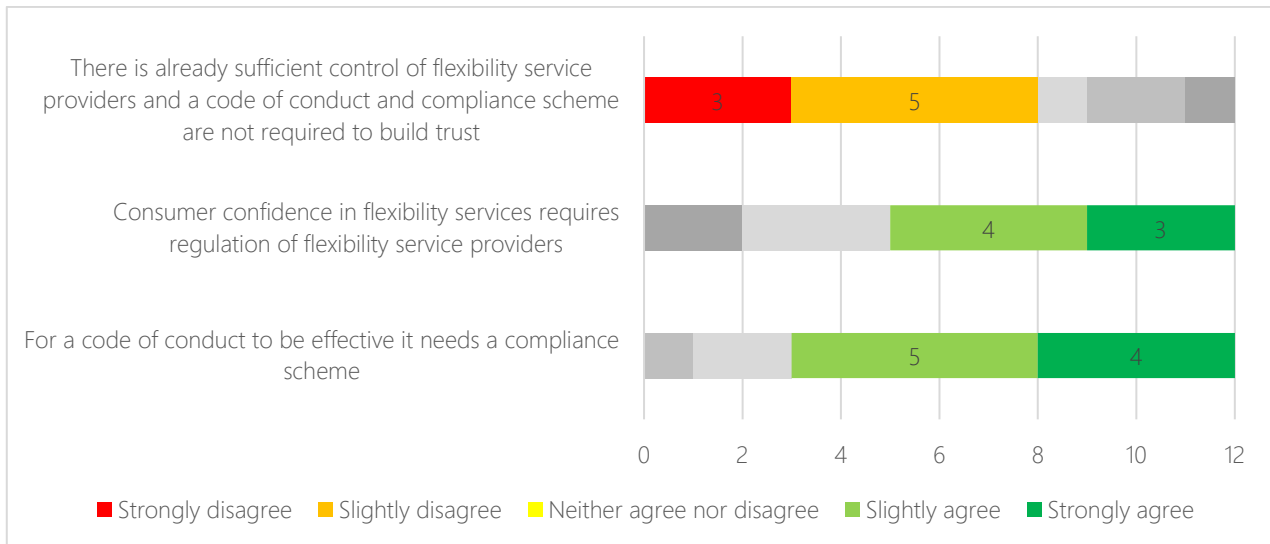
"I'm just not sure yet how much this is needed and to what extent we need additional standards over and above consumer protection, etc..." **Survey respondent**

As shown in Figure 1, two of these three were also doubtful about the broader role of regulation within the domestic flexibility sector: they strongly disagreed that consumer confidence in flexibility services requires regulation of FSPs. This viewpoint may have been impacted by the role of these organisations in the domestic flexibility sector. All three were either apps/technology companies or aggregators, not currently subject to regulation through the supplier licencing. On the other hand, energy suppliers who responded to the survey were generally keener on the compliance scheme and regulation more broadly.

"There is currently a very large disparity between the regulations to which energy suppliers are already subject and those under which a 3rd party aggregator/FSP operates. We are therefore largely concerned with seeing non-regulated FSPs being brought up to the same level of regulatory scrutiny as suppliers." **Survey respondent**

This evidence suggests that, despite consensus around the need for a compliance scheme, support is not universal, and may vary for different types of FSPs.

Figure 1: Survey respondents' views on the role of compliance schemes in customer protection



Recommendations

These findings suggest that there should be a compliance scheme for domestic flexibility service providers. Evidence provided by the industry and relevant stakeholders supports the creation of a compliance scheme because it is in the customer's and the sector's best interest for providers to agree to follow best practices and protect the customer and the industry's reputation.

What should the role of the compliance scheme be?

Participants highlighted several possible roles for a compliance scheme. The most fundamental role suggested was to support the HOMEflex Code of Conduct: three quarters (75%) of survey respondents agreed that, generally, a compliance scheme was necessary to support a Code of Conduct to be effective (Figure 1).

Survey and workshop respondents further identified the following areas in which a compliance scheme could provide value:

- Setting quality standards: participants felt that having a common set of best practices was crucial. On the one hand, these would help ensure customer choice and protection. Also, they would build internal and external trust (between FSPs and the public) in the domestic flexibility sector. Workshop participants felt this would protect those who deliver good

practice from being undercut. A survey respondent also reported how the Code of Conduct had already been valuable in helping him validate industry partners.

“The fact that the Code exists meant that we could easily recognise a legitimate third party with whom we could work to offer flexibility services.” **Survey respondent**

- Preparing the industry for more formal regulation of domestic flexibility.

“Having a common set of standards - such as [the] Code of Conduct - seems like a pragmatic first step [before regulation] in the sense it will deliver results quickly and provide a single set of standards under which all FSPs can operate.” **Survey respondent**

Protecting customers

Survey respondents and workshop participants have shown agreement that the compliance scheme is there to protect customers by:

- Informing customers of their rights and providing expertise and advice, including where regulation may not offer clarity or solutions,
- Auditing domestic flexibility providers, either periodically or in response to customer complaints (this can be done independently or through an appointed third party),
- Supporting the customer with mediation and liaising with a potential ombudsman or regulation.

However, the role of the compliance scheme is not only focused on protecting customers from infringements but also incentivising companies to provide a high-quality service to customers. Stakeholders have suggested examples such as:

- HOMEflex is seen as the brand of ‘good practice’ for FSPs. Signposting to customers which are the companies they can trust,
- Reduced participation fees for those with ‘positive reviews’ and ‘good behaviour’,
- Entry to participate in specific markets if ‘you are HOMEflex certified’.

Recommendations

The compliance scheme could encourage the industry’s commitment to delivering a reliable and mutually beneficial service to customers that adhere to existing regulations and promote quality standards, ensuring people’s trust in the domestic flexibility service sector.

Survey and workshop participants suggest that the role of the compliance scheme should be to:

- Set a list of criteria (through the Code of Conduct and guidelines) for FSPs to follow.

- Provide publicly available information on good practice and customer rights for anyone wishing to participate in domestic flexibility or currently doing so.
- Establish quality standards in domestic flexibility services and signpost them to participants and customers.
- Monitor and audit organisations against non-compliance and support and advise customers seeking dispute resolution.

Who should (and would) sign up to a compliance scheme?

Workshop participants generally felt it was important that customer-facing organisations involved in domestic flexibility should be aligned with any compliance scheme.

“Compliance schemes should focus on the party that's consumer-facing, and that should be their responsibility.” **Survey respondent**

Nonetheless, one survey respondent highlighted that their delivery partner (a flexibility specialist), who did not have a customer-facing relationship, was aligned with the Code of Conduct. As a result, the respondent, an energy supplier with a direct customer relationship, had decided not to align. This finding suggests that customer relationships don't guarantee that an FSP will think they should sign up for a compliance scheme.

There was less clarity on whether other parties – for example, load controllers without a direct customer relationship – should also fall within the scheme's scope. In a workshop poll, no respondents (out of seven) felt that the compliance scheme should only apply to those with a customer-facing relationship. However, as reflected in the quote above, the responses of some workshop respondents suggested they felt that, as long as customer-facing parties were signed up, other delivery partners may not need to be.

The survey and workshop also showed how other organisational characteristics might impact an FSP's perspective on signing up for a compliance scheme. There was a strong feeling in the workshop that FSPs already broadly delivering in line with the Code of Conduct would be more willing to sign up.

“Organisations that are already undertaking best practice are happy to join and align because they're already at that level and see it as a mark of quality.”

Survey respondent

Nonetheless, one survey respondent reported that they hadn't aligned with the Code of Conduct *because* they knew, as a small organisation, they were already delivering good practice. They felt they would be more likely to align if they were a larger organisation with less oversight of internal training.

“If we got bigger, I think it makes more sense to align because then you are pushing those standards down through your organisation.” **Survey respondent**

As well as supporting the aforementioned role of a compliance scheme in setting internal and external standards, this evidence highlights that existing good practice shouldn't be equated uncomplicatedly with a willingness to sign up for compliance and that organisation size could impact this decision-making.

Unsurprisingly, there was also a broad trend that FSPs who were already liable to some regulation (for example, energy suppliers through the supply licence) and were generally more open to signing up for a compliance scheme than other FSPs. This reflects the higher perceived need for compliance amongst this group highlighted above.

Recommendations

We understand that in an emerging sector as is demand flexibility services there are a number of business models, organisation types and contractual agreements between multiple parties and various types of customers; from the DNOs/SOs or procurers of flexibility, to the domestic customer on the other end of the chain.

Our recommendation for which parties involved in the procuring and delivering of flexibility services should be registered with the HOMEflex compliance scheme, or alternatively, be aware of the scheme and where possible, integrate its guidelines into their service provision, are as follows:

- **Domestic customer-facing FSPs:** As shared by participants of this research, we recommend that domestic customer-facing FSPs should be registered and compliant with the scheme.
- **DNOs/SOs and flexibility procurers** are recommended to integrate the principles or guidelines of the HOMEflex compliance scheme in their service agreements with FSPs. Aligning procurement of flexibility services with the objectives of the compliance scheme will support the standardisation of customer protection and the delivery of quality standards throughout all sector participants, increasing awareness and facilitating a better working relationship with the domestic customer-facing company.

Nevertheless, the customer-facing company should be responsible for ensuring that if there are other contracted parties involved in the customer's journey and experience, they operate in a way compatible with the requirements imposed by the compliance scheme on the customer-facing company.

- **Other parties involved** such as subcontracted organisations, load controllers, asset, or software managers of domestic flex are likely not going to be required to subscribe to the scheme if they do not engage with customers directly, but some companies may find it useful to be compliant, nonetheless. This would facilitate easier collaboration with the lead contractor (FSP or flex procurer), if they must be compliant with the scheme.
- **The compliance scheme governance** should welcome non-customer-facing companies involved in domestic flexibility services to join the scheme so that facilitating a high-

quality standard and customer experience is understood throughout the entire sector and not just by those who engage with customers directly.

Principles and requirements of the compliance scheme

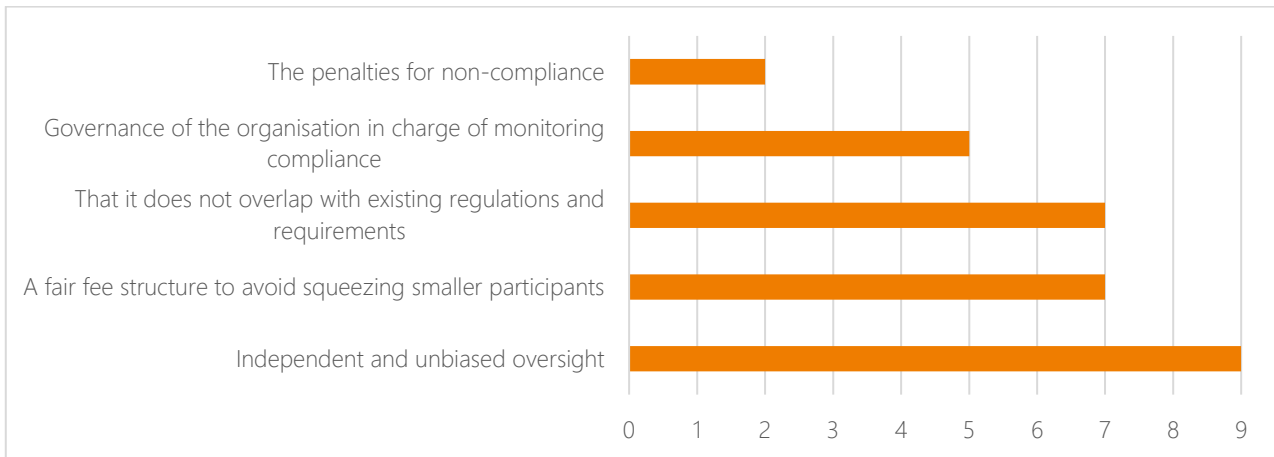
A future compliance scheme would be built from the existing HOMEflex Code of Conduct, and a set of principles and requirements to be followed that resemble or replicate the guidelines set by the Code of Conduct would be designed. This transition would be intuitively simpler for organisations already aligned with the HOMEflex Code of Conduct.

With upcoming regulations (see Regulation), workshop attendees pointed out that the compliance scheme should have two main areas of focus:

- **Avoiding overlap:** The bylaws of the HOMEflex compliance scheme must align with existing regulations to prevent unnecessary duplication. Stakeholders emphasised the importance of acknowledging current regulatory frameworks and integrating seamlessly with them to enhance efficiency and coherence in compliance efforts. Most survey respondents agreed that not overlapping with existing regulations and requirements is one of the most important elements to get right in a future compliance scheme (see Figure 2). Also, most FSPs who responded to our survey and are not currently aligned with the HOMEflex CoC said that one of the key reasons is that the content is already covered in existing regulations or other standards they are aligned with.
- **Addressing gaps:** The scheme must identify and address gaps in existing regulations to ensure comprehensive coverage. This includes areas not sufficiently covered by current rules, providing robust consumer protection and operational clarity for all participants.

“There is already a lot of regulation work going on, and I think this work needs to be brought together into a centralised compliance system that takes into account both the social/marketing implementation, as well as the technical implementations (E.g. those being assessed by PAS 1878/1879).” **Survey respondent**

Figure 2: Survey respondent’s views on the most important elements to get right in a compliance scheme



- Adaptability:** The Code of Conduct’s guidelines and expectations from subscribed organisations should be flexible and adaptable to keep pace with technological advancements and market changes. Stakeholders believe regular updates and revisions will be necessary to reflect the dynamic nature of the energy sector, particularly as new technologies and business models emerge. This approach will ensure that the scheme stays relevant and effective over time.

Recommendations

It would be prudent to use the existing HOMEflex Code of Conduct as the overarching requirement of the compliance scheme and update the code to acknowledge the latest regulation updates.

The scheme guidelines should seek to avoid unnecessary overlap with future regulation and to address potential regulatory gaps or the need for clarity by offering customers a more straightforward approach.

Guidelines, whether existing in the Code of Conduct or new ones, could seek to inform customers of their rights as participants in the domestic flexibility market, encourage them to read the scheme guidelines and demand that their FSPs adhere to the scheme to guarantee more reliable and transparent service provision.

The scheme should aim to update its guidelines/requirements periodically by examining changes in regulation at specific intervals (e.g. twice a year) to remain relevant and efficient. Moreover, the scheme should continue monitoring business innovation and new commercial structures in the sector and make sure the scheme applies to any commercial entity participating in domestic flexibility and engaging with customers, regardless of its business case or structure.

Scheme governance and oversight

Participants in the survey and the workshop highlighted independence as a crucial element of the compliance scheme. Most survey respondents identified independent oversight as a key element to integrate within the compliance scheme (see Figure 2). Workshop participants also discussed the possibility of having an independent steering board. This board should include independent executive directors and representatives from regulatory bodies such as Ofgem. Including Ofgem was considered particularly vital, as it provides regulatory legitimacy and reinforces trust in the scheme.

Participants supported independent oversight as essential for building and keeping trust among stakeholders and consumers. They stressed the governance structure must be transparent and unbiased, ensuring all actions and decisions are made in the market's and its participants' best interest. This approach addresses concerns about potential conflicts of interest and shows a commitment to fairness and integrity.

Recommendations

Research participants strongly support embedding independent oversight into the scheme structure. If the scheme is to be trusted by industry and customers, it must be seen as unbiased and fair.

An elected board of members with voting rights, comprised of industry and regulation experts, is recommended, and the scheme administration should consider including Ofgem within their governance. Ofgem would be able to bring neutrality and expertise in regulation, which would help the scheme avoid overlap and increase its chances of addressing gaps or uncertainty within the existing regulation. Simultaneously, Ofgem involvement could help with future regulatory updates using lessons learned from the scheme.

Monitoring and auditing members

Auditing and compliance checks

Stakeholder feedback on auditing and monitoring highlighted several key concerns and preferences. Participants underscored the importance of having robust, enforceable standards to ensure accountability.

“Auditing and monitoring will need to have 'teeth' - otherwise it becomes a 'lip service' that risks being disregarded.” **Workshop participant**

This suggests that there need to be penalties for non-compliance to maintain the integrity and effectiveness of the scheme. Findings from the workshop indicated that clear guidelines and regular audits are crucial for maintaining standards and ensuring compliance. This feedback

points to the necessity of balancing effective monitoring with the economic constraints faced by entities within the sector.

Participants expressed a preference for straightforward and reliable metrics rather than complex, bureaucratic processes. Aggregate customer satisfaction was suggested as a crucial measure to monitor. However, the challenge of measuring compliance effectively was appreciated:

“I think there's a bit of a challenge about measuring things that would deserve penalties. [...] We've already got hundreds of thousands of customers [...] so you know, you need ways of measuring that, [...] things like Trustpilot [...] provide an aggregated customer satisfaction score. [...] I can imagine one category of penalties that would apply to non-compliance with policies. [...] In terms of customer satisfaction, I think it's perhaps quite challenging to measure [...] because it's a mass thing.” **Workshop participant**

Using platforms like Trustpilot was suggested, as these scores and reviews provide an independent and publicly accessible measure of customer satisfaction, which can be instrumental in identifying issues and areas for improvement. Survey respondents also stressed the need for a lightweight approach.

These insights underscore the necessity of developing an auditing and monitoring framework that is both effective and economically feasible for participants.

Auditing and monitoring in this context will specifically evaluate compliance with cybersecurity and data management standards. The HOMEflex compliance scheme should implement a system of regular, lightweight audits to ensure ongoing adherence to these compliance standards. These audits will focus on key metrics that reflect critical aspects of cybersecurity and data management without imposing significant administrative burdens on participants. This strategy is designed to maintain high standards while being practical and efficient. Using straightforward and reliable metrics, such as customer satisfaction scores from platforms like Trustpilot, will help in maintaining transparency and trust without adding undue complexity.

Cybersecurity and data management

Cybersecurity and data management, including privacy, were key points of discussion during the workshop. Cybersecurity focuses on protecting systems and networks from digital attacks, whereas data management encompasses the handling, storage, and protection of data, ensuring its privacy and proper use. Participants underscored the critical nature of trust and security, stating,

“The trust in the system is critical for reaching net zero. Questions around privacy and security, regulated by the Smart Energy Code Administrators, are significant.” **Workshop participant**

The risk associated with data breaches was also highlighted.

“If I have a data pool of a hundred thousand homes with my solar panels from which I get data every 10 minutes, the risk of that breach affects the industry, not just one company.” **Workshop participant**

Insights from the workshop also emphasised the importance of strong cybersecurity measures and comprehensive privacy regulations to safeguard consumer data and maintain system integrity.

Cybersecurity and data management in the flexibility sector present unique challenges distinct from other service industries due to the interconnected nature of energy systems, the sensitivity and volume of aggregated data, and specific regulatory requirements. Additionally, the complexity of responsibility and ownership issues within flexibility further complicates data management, as highlighted by another participant.

“We often sit in a really grey area by virtue of creating and offering that transparency...who actually owns the customer and who's responsible for addressing something because we are the face of the data to the consumer but have no control 99% of the time over the underlying problem.” **Workshop participant**

These factors underscore the critical need for robust, sector-specific cybersecurity and data management practices.

Participants perceived cybersecurity as important during the workshop, though the HOMEflex consumer research report found that data privacy concerns were low among some consumers.⁸ However, the workshop discussions recognised the need to utilise existing legislation, conduct regular audits, and maintain clear policies on data usage. Balancing customer concerns with operational needs is crucial. It is recommended that cybersecurity remains outside the direct scope of the HOMEflex compliance scheme, as other regulatory frameworks already address this area. As one participant noted:

“...pointing to other regulation out there would be important and preventing overlapping wherever possible.” **Workshop participant**

Thus, while acknowledging the significance of cybersecurity, the scheme should expect participants to comply with existing cybersecurity regulations rather than establishing its own rules. This approach ensures that the compliance scheme remains focused on its core objectives while leveraging established regulatory frameworks to address cybersecurity and data management concerns.

Recommendations

- **Clarifying customer-facing responsibilities:** The HOMEflex compliance scheme should ensure clarity on which organisation is the customer-facing entity within each participating business. Workshop participants emphasised that it should be the

⁸ <https://www.cse.org.uk/resource/homeflex-qualitative-research-report/>, 31.

consumer-facing organisation that has the primary responsibility for compliance. Without this clarity, the scheme may struggle to effectively monitor or audit compliance activities when necessary.

- **Using customer feedback for monitoring:** The scheme should consider how participating organisations use customer feedback as part of their monitoring and auditing processes. Understanding the methods and effectiveness of feedback collection is essential. HOMEflex should explore the potential benefits of including short descriptions of each aligned organisation on its website and linking customers to online review portals such as Trustpilot or Google Reviews. This approach may encourage customers to research the organisation and its reputation, thereby promoting greater accountability and customer satisfaction.
- **Establishing customer experience metrics:** HOMEflex should establish a set of metrics focused on customer experience. These metrics would encompass customer rights and commercial best practices. In the event of customer complaints, HOMEflex would request relevant information from both the organisation and the customer and then review this information against the established metrics. This process ensures that complaints are assessed fairly and consistently, providing clear guidance for participating organisations.
- **Cybersecurity and regulation:** Following the development of SSES, cybersecurity monitoring should depend on what regulation determines. However, the scheme must address cybersecurity, whether to supplement existing regulation or to manage a gap, because failure to do so could be detrimental to the sector's overall reputation. There should be an expectation of certain levels of cybersecurity management depending on the size of the organisation and type and number of assets installed in people's properties (for example cyber security expected requirements above or below 300MW loads).
- **Data and privacy protection:** Data and privacy protection are also highly important, and the scheme should encourage transparency and rigour in the safety of organisations handling data.

Complaints and dispute resolution

Participants considered access to effective dispute resolution mechanisms essential. Workshop participants suggested the scheme should include independent oversight and mediation provisions, such as involving organisations like the Energy Ombudsman or RECC. The role of consumer platforms like Trustpilot was also highlighted as valuable in providing an independent measure of customer satisfaction and identifying issues. Independence was seen as crucial in ensuring the complaints process is beneficial and easy for consumers, with an independent channel for raising concerns being particularly important.

“And I guess customer-centred, right? Potentially giving customers, a route to raise concerns outside of the company they're working with, maybe that would be an important role for it.”

Survey respondent

Clear procedures for handling complaints and disputes, including definitions and documentation requirements, are necessary to support fair and timely resolutions. Setting up an independent dispute resolution committee within the compliance scheme can help manage conflicts impartially. This committee, potentially including independent experts and regulatory bodies' representatives, would oversee the resolution process and ensure decisions are fair.

Penalties and incentives

Evidence from both the survey and workshop suggested that penalties and incentives should be balanced, with a focus on being customer-centric. Participants noted the need for a balance between punitive measures and positive incentives, suggesting that penalties should be equitable and adaptable, relative to the organisation's size. Only a minority of survey respondents considered penalties for non-compliance to be among the most important elements of a future compliance scheme (Figure 2). This could reflect a feeling that penalties are not significant altogether – but is more likely to mean that penalties shouldn't be the main method for ensuring compliance. Indeed, generally in the workshop, current compliance schemes were seen as overly punitive, deterring engagement due to high costs and rigid penalties. To counter this, the HOMEflex scheme should introduce incentives that reward good behaviour, such as reduced fees, public recognition, or access to exclusive benefits. These 'carrots' can motivate participants to comply voluntarily, fostering a more cooperative and proactive compliance culture. Workshop participants also stressed the difference between certain kinds of penalties – and stressed that the compliance scheme should focus on providing maximum benefit to consumers.

“I think there's a difference between penalties for like systemic issues and penalties that are designed to provide redress to a consumer who's suffered detriment.” **Workshop participant**

Recommendations

We recommend that any complaints and dispute resolution process begin with clear guidelines and expectations on the customers' rights and a list of documentation that would need to be submitted or provided as proof of evidence. By sharing publicly available information informing customers of good practices and their rights, customers are more likely to be better prepared to handle disputes or raise complaints.

Evidence from the research suggests that participants recommend using registered mediators such as the Energy Ombudsman or the Renewable Energy Consumer Code (RECC) to handle disputes and complaints. Alternatively, a third party could be involved and contracted to

deliver this mechanism. Nevertheless, it is important that the party involved in the dispute resolution process is an expert and has a track record in resolving conflict fairly.

Research participants approve the use of penalties, and it is recommended that HOMEflex designs penalties that are equitable and adaptable based on organisation size and/or level of participation in the flexibility markets but also reiterate that it is equally important for the scheme to consider how it will incentivise and reward companies who deliver high quality standards in customer protection and exemplary services.

It would be sensible for HOMEflex to consider becoming an arbiter of good standards in domestic flexibility and offering certification to companies based on their high standards of practice and customer satisfaction. The scheme could consider providing a similar service as 'TrustMark,' which will allow customers to research and review best practices in the sector.

Certain stakeholders in the sector have supported HOMEflex's indefinite existence as a certification scheme for domestic flexibility businesses and assets. This would help build customer trust as the market grows and avoid a bad reputation from poor installations or services.

In conclusion, ensuring an effective, independent, and transparent complaints and dispute resolution mechanism within the HOMEflex compliance scheme is essential. This approach will help maintain consumer trust and foster a culture of compliance and high standards in the domestic flexibility market.

Funding the compliance scheme

Both workshop and survey participants expressed some nuanced views about the funding of a compliance scheme for the domestic flexibility sector.

The two most commonly suggested sources of funding by workshop participants were ESO and/or DNOs/SOs and membership contributions from FSPs. Several participants explicitly suggested a mixed funding model, split between these two groups.

“ESO and DNO should financially input alongside pro rata subscriptions from participants” **Workshop participant**

The contributions from ESO and DNOs/SOs was justified some participants with reference to their role as major current procurers of domestic flexibility.

“Flex procurers should pay to fund the scheme (ESO and DSOs).” **Workshop participant**

Another participant also suggested that if procurers required FSPs to sign up to the compliance scheme, then they should pay.

It should be noted that workshop participants used the terms DNO and DSO differently. Some used them interchangeably, especially with reference to their role as procurers of flexibility. Others appeared to differentiate between the two: some questioned whether DNOs should be involved with funding the scheme, and one highlighted that funding responsibility could pass from DNOs to DSOs over a number of years.

Generally, workshop participants agreed that FSPs should contribute to the funding mix via membership fees or subscriptions. Two participants also suggested an additional enrolment fee for FSPs to encourage strong applications.

Overall, the funding models proposed by workshop participants reflect a broader consensus that emerged from discussions around the funding of a compliance scheme from both survey and workshop: those who profit from domestic flexibility, and thus stand to gain the most from the benefits of a compliance scheme, should pay.

“Those who gain value should be the ones that financially support.” **Workshop participant**

In practice, as highlighted by one survey respondent, the current nascency of the domestic flexibility market might make it difficult for FSPs to bear too many costs immediately.

“Today, it would have to be lightweight. There’s not very much money in flex. So, if it adds cost to business, that’s a big problem.” **Survey respondent**

As a result, some workshop participants proposed that it might make sense for procurers to shoulder more of the initial costs of the compliance scheme.

“The scheme should not just be paid for by membership fees. DNOs should front the cost initially.” **Workshop participant**

Some workshop participants were more open to FSPs bearing greater responsibility for funding in future. This may reflect a view that, as the domestic flexibility market grows and becomes more profitable, individual FSPs are more able to contribute towards funding.

Both survey and workshop participants also felt that a balance between profit and payment should be struck in terms of finding an equitable way of splitting costs amongst FSPs and procurers. Seven out of 12 survey respondents reported that a fair fee structure was an important element to get right in any compliance scheme (Figure 2). This viewpoint was broadly shared amongst workshop participants: fairness was seen as enabling growth and broad participation across the sector.

Opinions differed on how this fairness might be achieved. A number of workshop participants suggested scaled or tiered contributions based on organisational size. This could be measured in terms of the number of domestic flexibility customers, the volume of flexibility delivered or

procured, and the number of employees. One participant did point out, however, that this would require effective auditing.

Some workshop participants also proposed market participation fees, with a small percentage fee of the total domestic flexibility market value (like 0.03%) levied. This would ensure the scheme's funding burden remained aligned with the size of the growing market.

Nonetheless, evidence from some survey respondents also suggested that any membership fees might be a challenge for FSPs:

“We didn't align with it BECAUSE it was free, but if it wasn't, that would have been an impediment.” **Survey respondent**

Finally, the principle of ‘who profits, pays’ was also borne out in workshop discussions of the potential for government funding. One participant was sceptical about whether the government would fund a compliance scheme, and another expressed reservations about passing costs onto taxpayers. Interestingly, no workshop participant suggested that customers should bear any direct costs for the compliance scheme – even though some would ideally profit from it. There was no discussion of costs being passed indirectly to consumers in other ways, for example, by FSPs.

Recommendations

The funding of the compliance scheme could be split between major procurers of domestic flexibility (ESO and DNOs/SOs) and membership fees from individual FSPs. Initial outlay may need to be weighted more towards procurers, with FSP contributions increasing over time as the domestic flexibility market grows. The scheme should also hold consultations with participants (both procurers and FSPs) to ensure any payments are balanced with domestic flexibility profits. Options to consider could be:

- **Tiered system:** fees are based on the MW of flexibility delivered/procured, or revenue and market size of distributed flex are considered.
- **Tiered system:** fees are based on the size of the organisation, the number of customers, or the annual turnover.
- **Flat system:** fees without any tiering.

The scheme should consider a fee system that is fair amongst participants and reflects profits from domestic flexibility. This is important for new FSPs who may see very little revenue from domestic flexibility in their early stages of market penetration, but also for ESO and DNOs/SOs who may procure varying MW of flexibility each year.

Promoting public awareness

“Awareness amongst the industry is important too and this can be increased too.” **Workshop participant**

The marketing of any future compliance scheme was considered crucial by survey and workshop respondents.

Some workshop participants suggested starting by doing some research to analyse how other similar schemes have built their profile. This may provide some useful examples to build on.

Evidence suggest that raising awareness at an industry level will also be a key first step. The engagement challenges encountered during the survey stage (see Appendix A) highlight some difficulties in engaging with FSPs. Moreover, evidence from the surveys suggests that awareness of HOMEflex amongst FSPs is relatively limited. Although all FSPs were asked about the Code of Conduct when registering for DFS 2023-4, few survey respondents engaged in detail with the content of the Code in their responses.

“We haven't been involved [with HOMEflex], previously partly due to a lack of widespread awareness within the organisation.” **Survey respondent**

Evidence from those who declared alignment with the Code also implies that their experience, though not negative, was relatively superficial. These findings support that a crucial first stage of engagement around a compliance scheme will be with those FSPs who will be involved. This could focus on establishing clear communication contacts. Workshop participants also suggested the value of industry engagement events—such as webinars or conferences—for encouraging broader participation and engagement with the scheme and HOMEflex more generally.

Both survey and workshop participants felt there were opportunities to leverage existing brands and tools to raise awareness of HOMEflex. One survey respondent needed clarification about the value of creating a customer-facing compliance scheme without a recognised brand attached, citing similar schemes in the renewables industry.

“I think we've seen it with solar... there's so many names and schemes that go against a solar installer, there's too many, and people don't know what they mean. Yeah, I guess I'm dubious about the value of creating schemes that customers do not know of as like a badge of quality.”
Survey respondent

This respondent suggested that a more well-known name associated with HOMEflex - like Ofgem, or National Grid - could help to build public recognition and interest. Another survey respondent also suggested this could drive buy-in from FSPs.

Workshop participants also felt that collaborations with well-known consumer-facing bodies - such as Citizens Advice or Money Saving Expert – or events or existing campaigns, like smart meter awareness, could support public trust in HOMEflex.

Participants highlighted the importance of raising public awareness of flexibility generally. Avenues like social media could be used to increase public awareness of the importance and benefits of flexibility and the role that HOMEflex has to play. This could also include educating consumers on the benefits of choosing compliant FSPs.

“Part of widespread impartial, awareness raising campaign needed for domestic flexibility to educate/engage households.” **Workshop participant**

Workshop participants also suggested using a public rating system (like a 5-star rating or an existing tool like Trustpilot) for FSPs participating in the scheme. These ratings could be based on compliance and consumer feedback. This would have the dual advantage of enhancing transparency for consumers, helping them make more informed choices, and incentivising FSPs to maintain high standards.

Recommendations

Public awareness is considered to be of high importance in the sector. As the scheme aims to inform and protect customers, effective campaigns and reliable sources of information will be crucial, especially during the early stages of the scheme’s inception.

HOMEflex must have an online presence through social media, its website and other channels of interest. To increase public awareness, we recommend that HOMEflex:

- **Engage and learn from other schemes** in the UK and internationally to gather views on how different sectors build public awareness and reputation in new markets.
- **Establish clear communication contacts** with all FSPs involved in the scheme to build and maintain engagement with the scheme.
- **Engage with consumer advocacy groups** like Citizens Advice and Money Saving Expert to showcase the benefits of domestic flexibility for customers and companies alike.
- **Work with recognised and known industry actors** like Ofgem and RECC to increase awareness of the scheme within the domestic flexibility and wider energy sector.
- **Design early marketing campaigns** focusing on areas of potential grid constraints where domestic flexibility is seen as a priority by DNOs and FSPs. Encourage customers to enquire about safe domestic flexibility services that are in everyone’s best interest.
- **Collect and review customer feedback**, especially during the early stages of the compliance scheme, showing that stakeholder engagement is important to the scheme and that public views are being considered when updating principles/requirements and the signals sent to the private sector. HOMEflex could consider updating its domestic flexibility customer satisfaction report periodically (every 2-3 years) and learning from the changing and new views shared through stakeholder engagement. The latest findings will inform future campaigns and raise

public awareness and a better understanding of the market and its customers throughout the industry.

Conclusion

The research findings have shown that there is strong support for a domestic flexibility compliance scheme, building on the existing HOMEflex CoC.

The specific structure, governance and requirements are subject to a broader, long-term decision by Flex Assure and SSEN, however, we can elaborate on specific characteristics and considerations resulting from our research.

These overarching characteristics and considerations for the creation of the future compliance scheme have been underpinned across the research in the following way:

Governance

- **Independent oversight:** Research participants' views reflect that the compliance scheme should be steered by an independent board comprised of industry experts, Ofgem, and/or DESNZ to guarantee impartiality and trust from both customers and FSPs.
- **Transparency:** Our research highlights the need for transparency in the scheme, including using clear metrics and KPIs for auditing and monitoring purposes, unbiased processes to support dispute resolution (i.e. using a third party) and working alongside customer-facing groups to encourage public awareness of good practice in the sector.

Scheme design

- **Regulation:** Workshop attendees strongly favoured the compliance scheme being built side by side with future regulation, aiming to avoid overlaps where possible, reduce business red tape, and address potential gaps to ensure customer protection. It is advised that the compliance scheme seeks to update requirements and/or bylaws subject to regulation and embed an internal structure where governance can reflect on regulatory changes as and when needed.
- **Adaptability:** The scheme is also encouraged to maintain an adjustable structure and requirements according to market, technological and commercial needs as well as regulatory requirements to ensure it remains competitive and relevant in a nascent sector with complex and varied business models. This also applies to embedding a system that allows for monitoring penalties and incentives to ensure they achieve the desired result and be able to review and amend as needed.

Requirements

- **Customer protection:** Research participants have stressed the importance of creating a scheme that places customer protection at the heart of its guidelines and principles. Therefore, it is fundamental that the FSPs that engage with and are the customer-facing parties are aligned with the compliance scheme. Moreover, it is likely the scheme administration will have to familiarise themselves with various FSPs business models to understand who manages the customer-facing relationship and is responsible for aligning with the scheme and ensure that third parties participating in the service delivery enable the lead organisation to continue being compliant with the scheme.
- **Quality standards:** Findings from both the survey and workshops have highlighted that compliance with the scheme should aim to deliver customer protection and showcase quality standards in the domestic flexibility sector. Like with any nascent commercial market, customer trust and consistency in service quality are essential to ensure a healthy reputation and further engagement from existing and new customers. The research supports providing incentives and signposting to FSPs (as well as customers) of good practice and high-quality standards in the services provided. The scheme is advised to build on the existing CoC to support this.
- **Balance between incentives and penalties:** Striking the right balance between incentives and penalties was seen as essential by a smaller group of stakeholders. They believe achieving the right balance will make the scheme appealing to FSPs and deliver on the compliance scheme's role not only to ensure customer protection but to reward businesses that deliver high-quality services and are deemed as trustworthy and competitive by both public and market. Some stakeholders highlighted that the compliance scheme has the potential to enable successful FSPs to participate in flexibility markets if they receive incentives that guarantee new market penetration. Moreover, survey participants highlighted that penalties should feel appropriate to the specific example of non-compliance/breach in customer protection as well as being fair according to business size and/or revenue in the flexibility market. The scheme is also advised to consider non-financial penalties; a measure which survey participants have shown strong support for.

Monitoring and auditing

- **Simplicity in the process and trust in the system:** Workshop participants have indicated the need for the customer experience to be based on simplicity in the information they receive as non-experts, whether it is on the services provided by FSPs, their rights as customers or the process they should follow to raise an issue of non-compliance or dispute resolution. As mentioned above, the scheme governance is advised to build a monitoring and auditing system based on realistic metrics and KPIs and through a transparent and non-biased process which can help build trust from customers.

- **Embed a system of public awareness:** Stakeholders have mentioned that FSPs should be asked to provide customer feedback, sign up to customer service review websites like Trustpilot and share with the scheme the process by which FSPs capture and act on customer feedback. Monitoring FSPs could include a system in which customer reviews and feedback are made public on the HOMEflex website or other platforms to showcase successful customer relationships and promote public awareness of services being provided.
- **Include cybersecurity and data protection:** In the workshop, Research participants highlighted the importance of ensuring the scheme requires FSPs to comply with specific cybersecurity and data protection/privacy requirements. This is likely going to be mandated through regulation in 2025. Still, the scheme should nevertheless do its best to support Ofgem by monitoring and auditing (where necessary) compliance with these requirements as they have been addressed by sector stakeholders as central to any form of customer protection.

Further considerations

- **Longevity:** Stakeholders advised that the scheme seeks longevity and avoids redundancy by overlapping with regulation or proving itself unnecessary to encourage customer protection and high-quality service provision by FSPs. Previous and existing schemes have disappeared over time with the introduction of new regulations or plans to do so after a certain period. Yet, the proposed scheme could continuously rely on its public-facing aspiration to showcase high-quality standards in the industry and maintain its reputation as the facilitator of trustworthy and reliable domestic flexibility services from a customer perspective. Regulation and market experts involved in this research have indicated their desire to see a potential scheme that is equally driven to promote a competitive and fair domestic flexibility market while simultaneously ensuring quality standards and customer protection.
- **Adapt to innovation:** Workshop attendees also suggested that the future compliance scheme is able to adapt to innovation in the sector and respond to the needs of customers and markets as the sector develops. As mentioned above, it is important that the scheme design and requirements for FSPs can welcome innovative technologies, business models and commercial opportunities in the sector.
- **Public awareness:** Survey respondents and workshop participants stressed the importance of maintaining a profile that is visible to the public and campaigns in favour of quality standards and customer protection, raising awareness of the opportunities that come from domestic flexibility services as well as the guidelines to encourage a safe and mutually beneficial relationship between FSPs and customers. Collaboration between regulatory bodies, customer advocacy groups and industry experts is encouraged by sector

stakeholders as this helps educate and inform customers of their rights and competitive, high quality services.

Appendix A: Methodology

Data collection took place over two phases. In March and April 2024, we ran a quantitative survey (with an option to complete the survey over an interview call) with all FSPs who had taken part in the DFS 2023-24. This was followed in May 2024 by a deliberative workshop with FSPs and other key stakeholders in the domestic flexibility sector. As explained in the introduction, this approach was chosen to recognise previous challenges around engaging FSPs in similar research. Adopting a flexible, mixed-methods approach would help FSPs to participate in the research most appropriately, helping to maximise engagement.

Surveys

The survey was designed to gather opinions about the HOMEflex Code of Conduct from FSPs participating in the DFS 2023-24. When signing up, all 31 participating FSPs were invited to align with the Code of Conduct. In the end, 11 aligned, and 20 did not.

As a result, two surveys were designed to gather opinions from the two groups. For aligned groups, questions focused on the experience of aligning with the Code. For non-aligned groups, questions focused on why the decision was not to align. There were also some questions common to both surveys around organisational characteristics and more general views on customer protection within the domestic flexibility space, including a potential compliance scheme.

ADE Research and CSE distributed surveys via email, using existing contacts (for example, derived from ADE membership) wherever possible. Flex Assure and SSEN, as well as other third parties like Energy UK, also helped share surveys via email. Where contacts were available, follow-ups were also made via telephone.

There were some challenges with gaining responses from all 31 FSPs. Due to industry churn, some FSPs were no longer trading or were otherwise out of contact at the time the survey was ran. Other FSPs who had taken part in the DFS via a gatekeeper organisation were not efficiently reachable - or were unqualified to give a response as they had not been involved with deciding to align or not align with the Code of Conduct. Some FSPs also indicated they prefer to share their opinions in another format, like the workshop. As a result, the total number of FSPs from which we could have received responses was 26, instead of 31. Furthermore, a high proportion of the remaining 26 FSPs were also operating behind gatekeeper organisations, so may not have provided a survey response for this reason. This may mean the total possible respondent population was even smaller than 26.

Details on the sample achieved for the survey are provided in Appendix B. Quantitative responses were analysed in Excel. Text responses were coded thematically in Word.

Workshop

The online co-design stakeholder workshop was designed to encourage relevant stakeholders to provide qualitative data on a series of discussion points built around characteristics such as; the need for a scheme, design, structure, guiding principles, governance, monitoring and auditing, funding and public awareness.

To ensure that the highest possible representation of the domestic flexibility sector was in attendance, the project team invited FSPs (registered and not registered with DFS) (aligned and non-aligned with HOMEflex), Distribution Network Operators (DNOs), Distribution System Operators (DSOs), aggregators, suppliers and businesses involved in domestic flexibility services.

The workshop was delivered in three hours with three specific focus areas:

1. Share and discuss survey findings, encouraging stakeholders to provide further feedback on questions concerning the need and characteristics of a future compliance scheme.
2. Showcase examples of existing compliance schemes using case studies from the Flex Assure I&C Flex compliance scheme and Heat Trust. Inform participants of how compliance schemes have been designed in other sectors and what their functions and competencies are. Finally, gather feedback on how these examples could support the creation of a future compliance scheme for the domestic flexibility services sector.
3. Conduct a co-design session by splitting the workshop into break-out rooms, enabling more detailed conversations in tandem. Participants used the Miro Board software to share views on a number of themes that the research team and Flex Assure identified as essential for creating a compliance scheme.

The workshop was recorded, and the Miro Board was sent to attendees, as well as non-attendees who had been invited and could not attend, to add further comments and share feedback. The Miro Board continued to be 'live' for a further week to allow enough time for participants to contribute.

During the week the Miro Board was 'live', slides and a summary of the workshop were circulated to attendees, who were invited to offer further feedback either via email, phone, or one-on-one conversations using Microsoft Teams. This was done to ensure that those who could not attend the workshop or fully share their views during the session were given further opportunities to collaborate.

The project team reviewed the workshop recording and a transcript, which was used to extract quotes and feedback. Later, this feedback was compared to the feedback written on the Miro Board and finally analysed against survey findings (where relevant).

Miro Board

The feedback shared in the Miro Board was synthesised by comparing duplicates from the three break-out rooms and reviewed in a thematic analysis that valued repeated comments and narratives to establish support and consensus amongst the sector.

The attached examples include PDF images of feedback shared by workshop participants and synthesized by the project team in the Miro Board, reflecting the sector's views on specific questions regarding a future compliance scheme. Please note the colours of the individual post-it notes were randomly selected by participants and have no meaning.

Figure 3: Miro Board - How do we promote public awareness of the scheme?

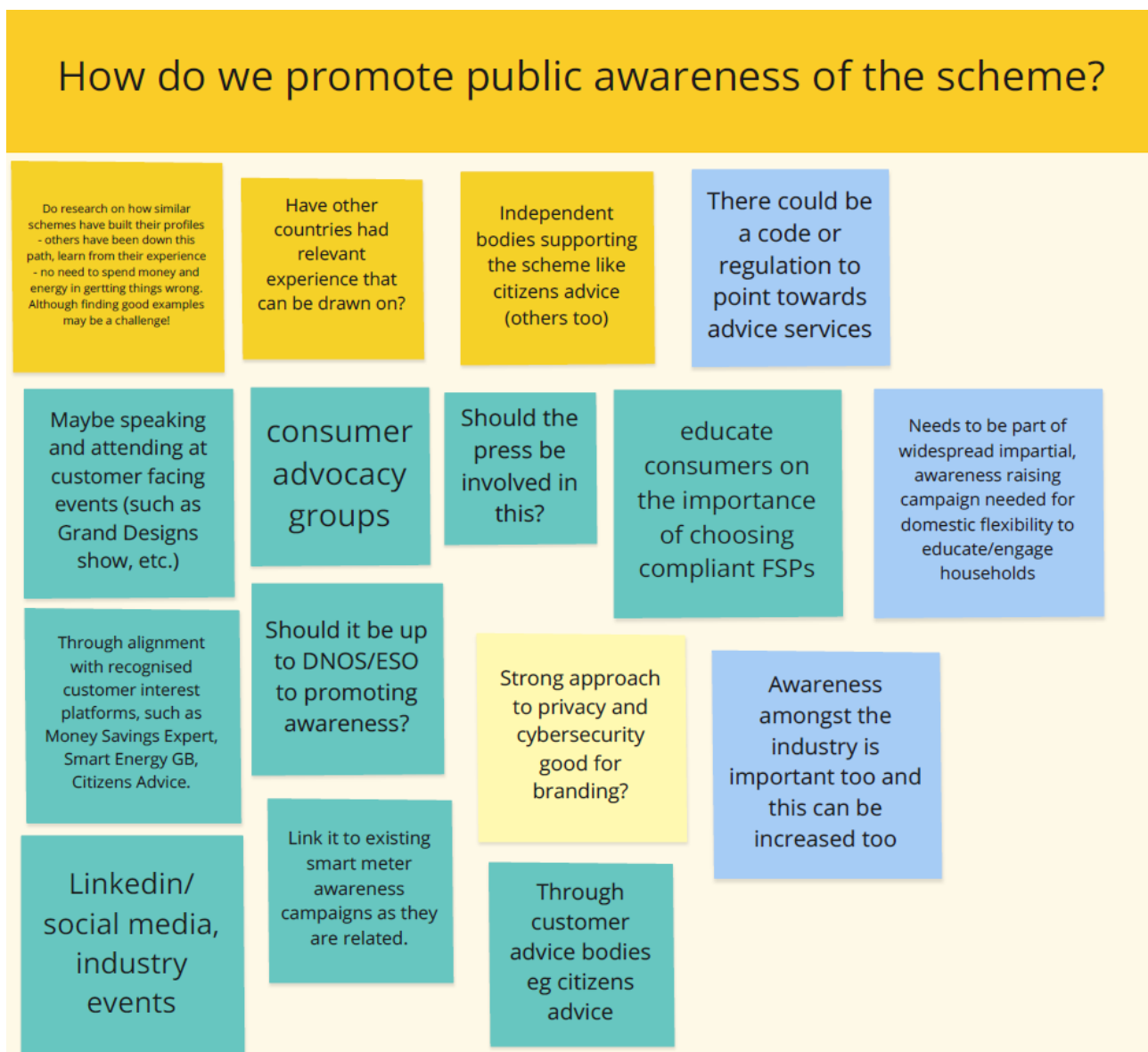


Figure 4: Miro Board - Who should pay for the compliance scheme?

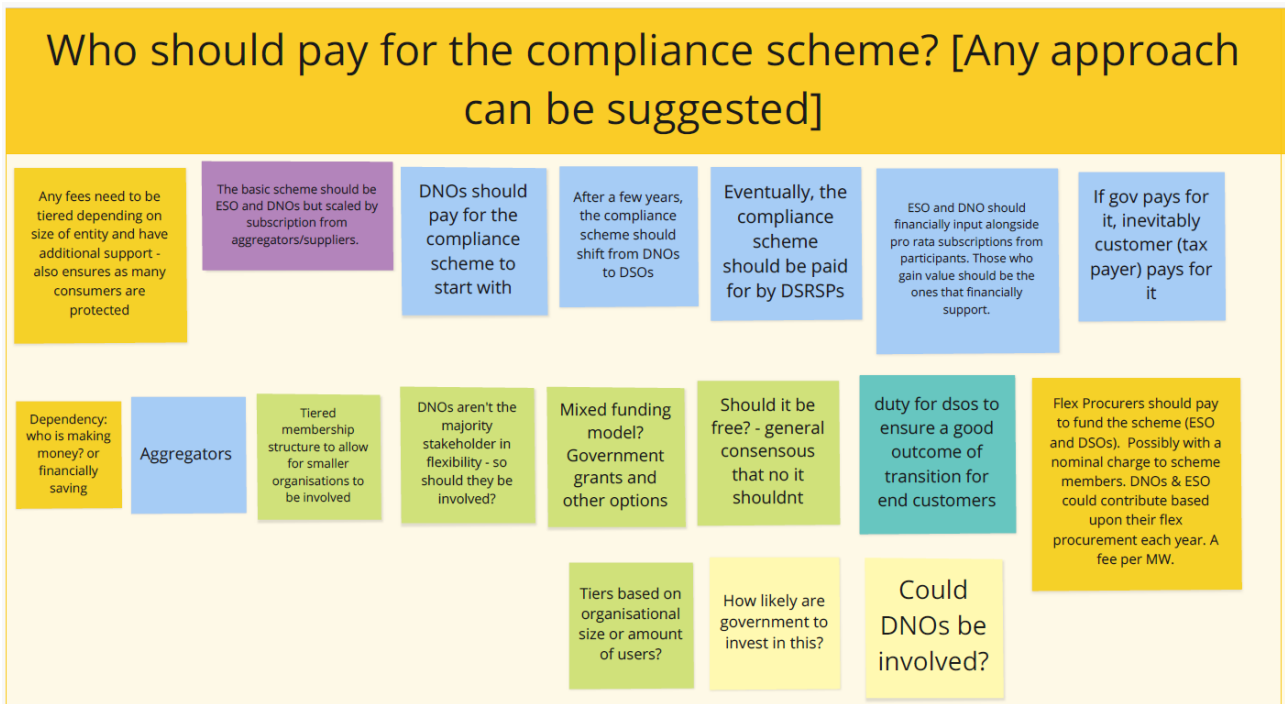


Figure 5: Miro Board - Should the scheme be funded by membership fees? How should that work?

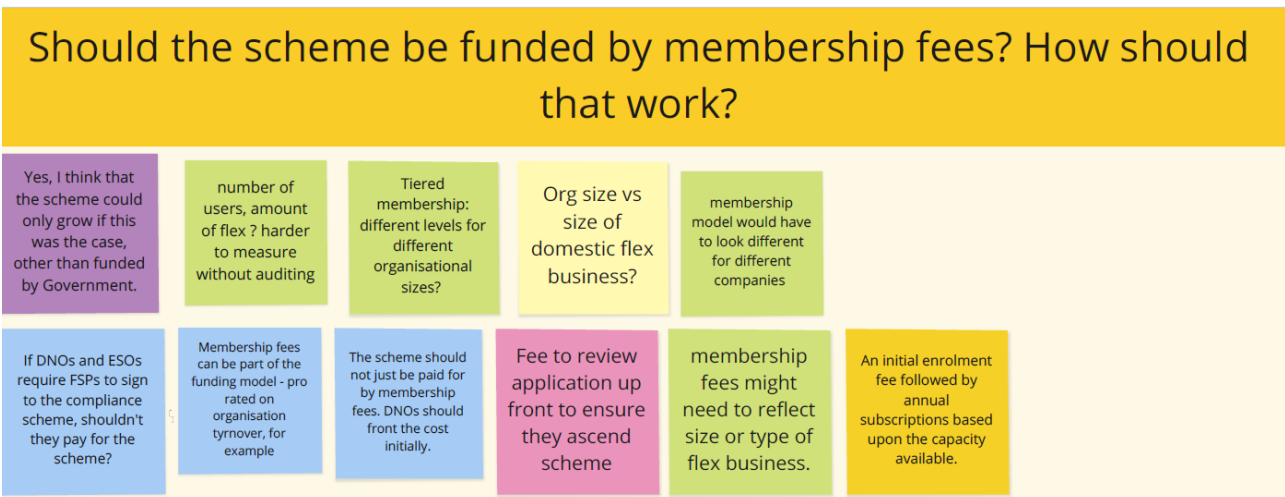


Figure 6: Miro Board - What should be considered when writing the guiding principles of the scheme?

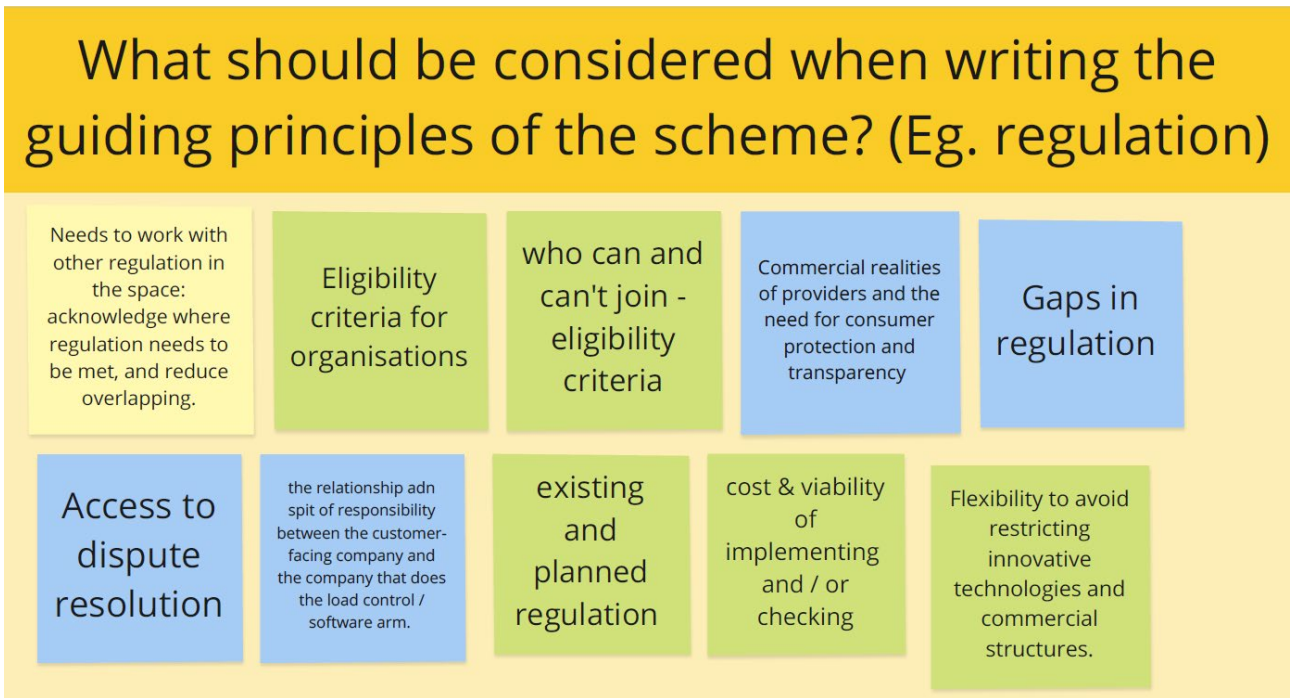


Figure 7: Miro Board - Should the scheme have independent oversight? How should this work?

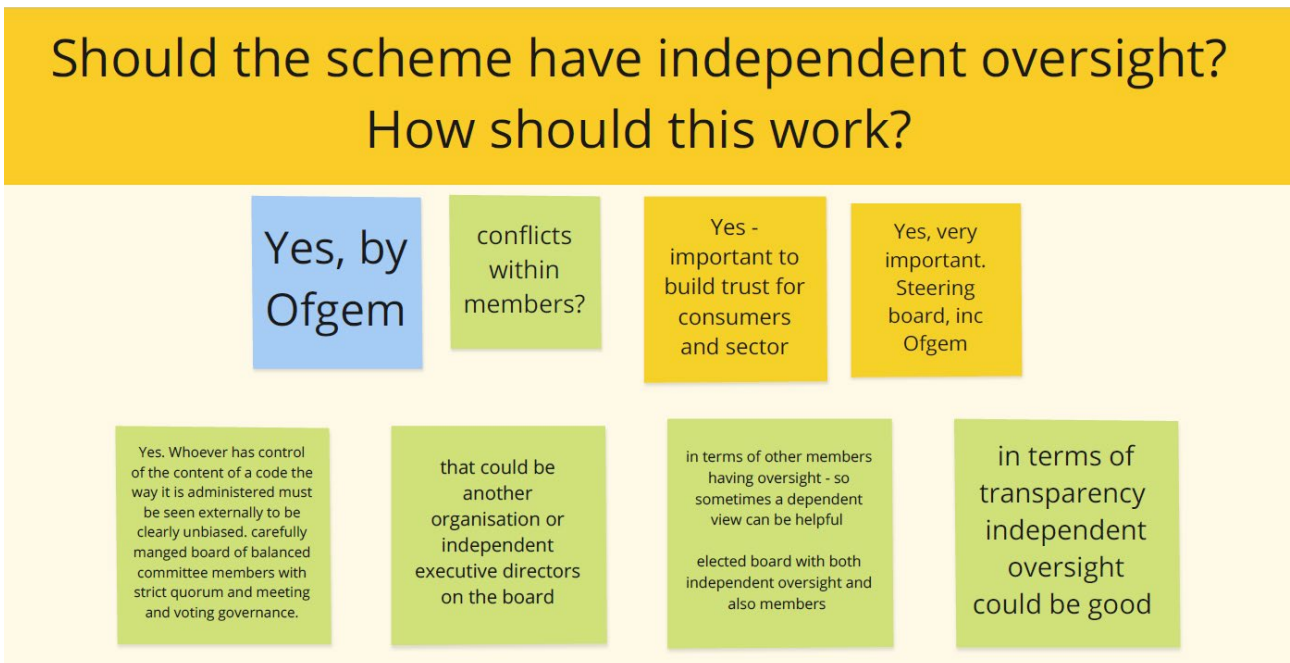


Figure 8: Miro Board - How should the scheme monitor and audit members?

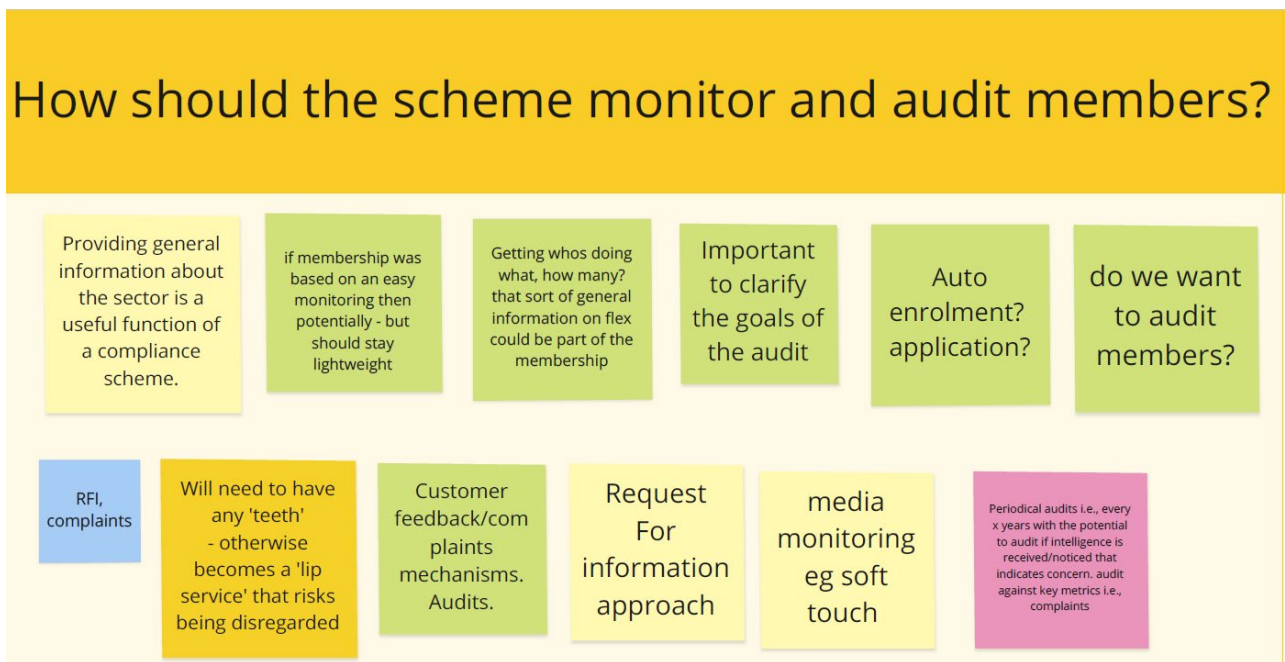


Figure 9: Miro Board - Should there be penalties for infringements? Such as?

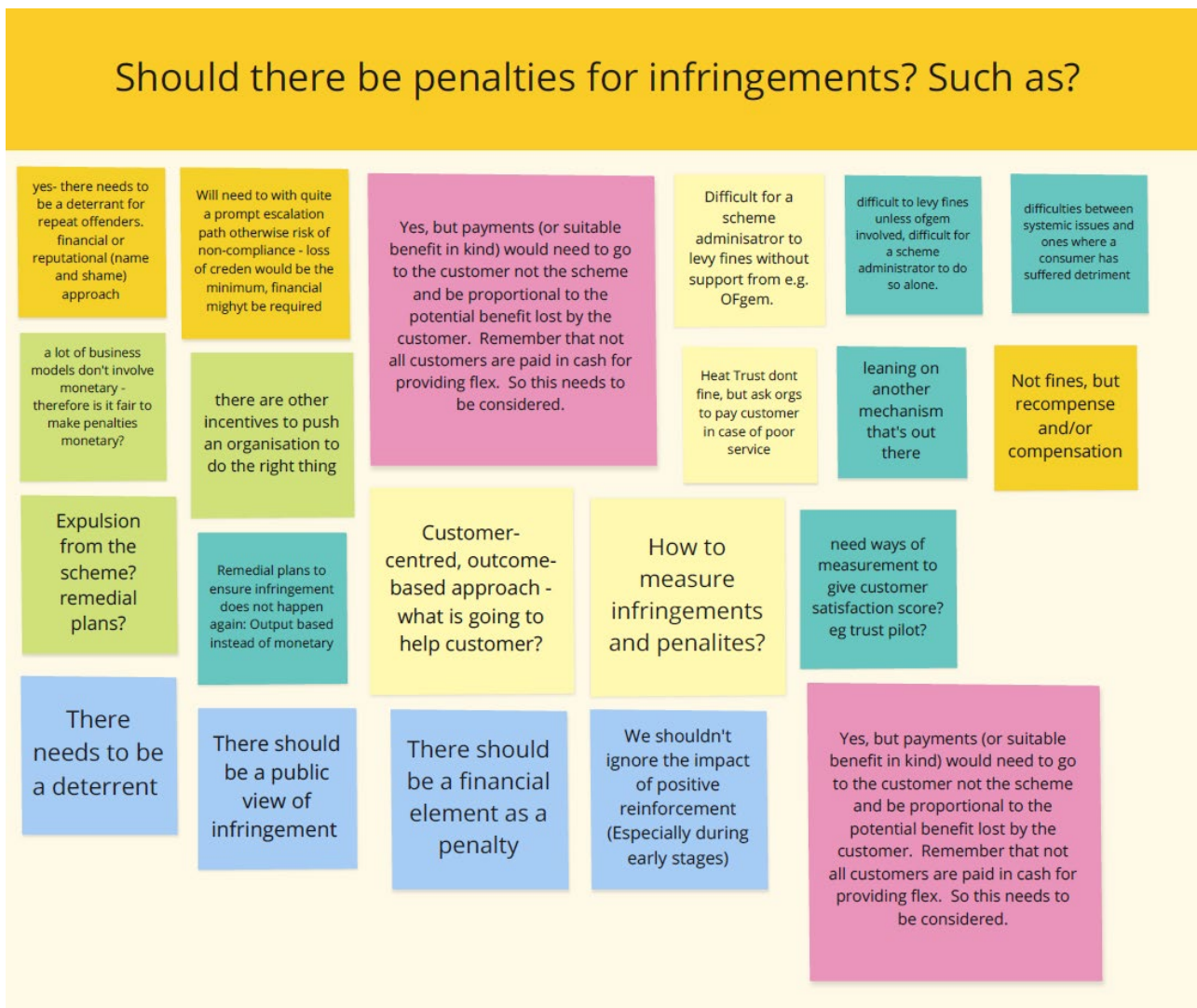
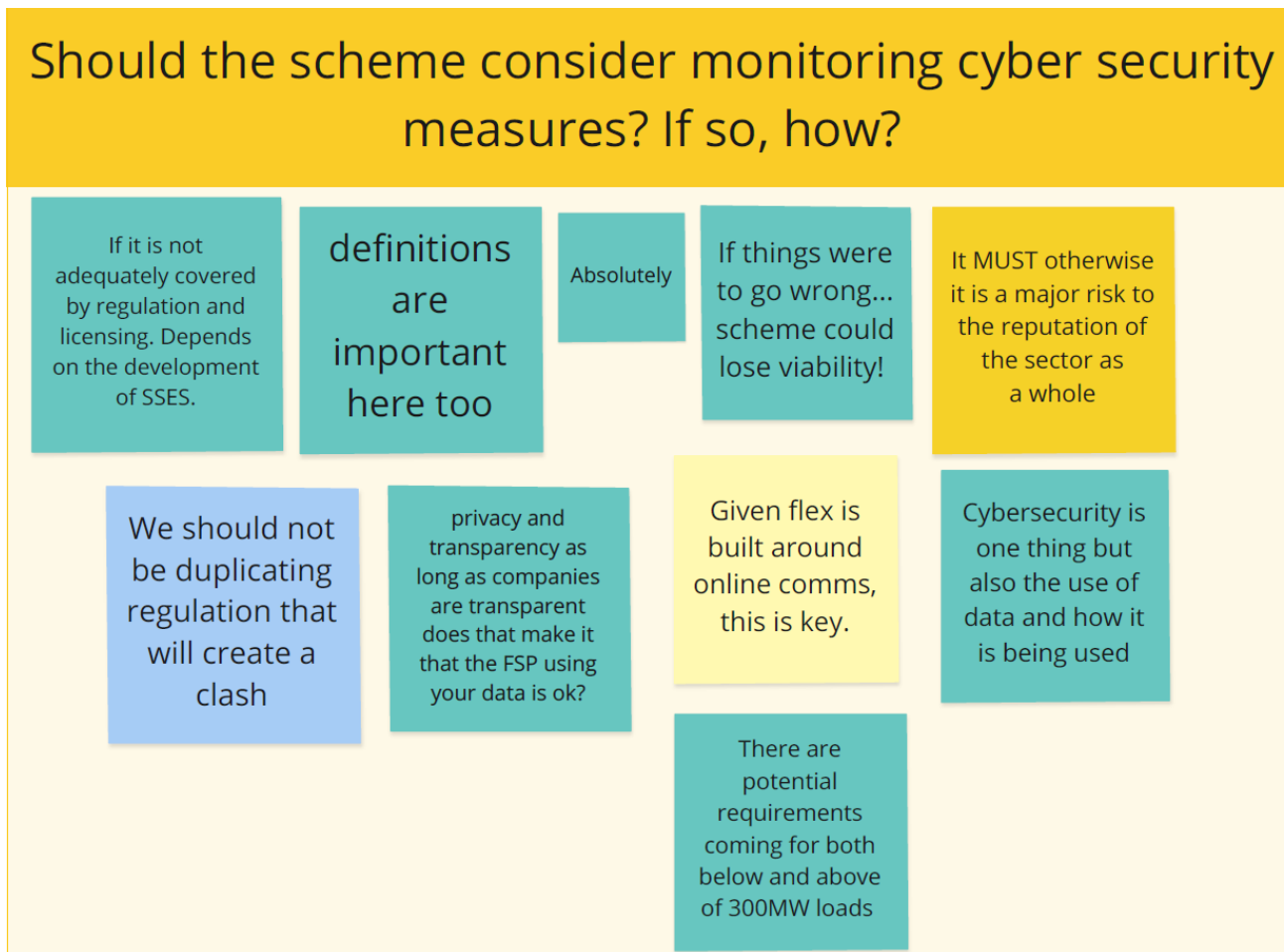


Figure 10: Miro Board - How to address complaints and disputes



Figure 11: Miro Board - Should the scheme consider monitoring cyber security measures? If so, how?



Recommendations

Recommendations included in this report have been written by evaluating the points made by participants, examining repetition and validation, nuance and evidence provided, whether they addressed gaps in the existing evidence or whether they provided outliers of evidence that others missed. Findings were also observed and compared to existing narratives within the sector and policy/regulatory expertise provided by ADE Research, CSE and Flex Assure.

Examples of research questions used to address potential recommendations included:

1. Has a point made been reiterated several times by various research participants?
2. Has the point made provided further nuance, evidence or details of a previously made argument? If so, has this reinforced the point and made it more substantiated?
3. Has a gap been addressed, or new information been provided that was not previously addressed or offered an opposing/alternative view? Does this view represent an industry or stakeholder that has been misrepresented previously?
4. Has the point provided represent a specific sector or stakeholder of interest? Is this view impartial and relevant?

Recommendations were written following the feedback provided on all the themes addressed within the workshop which were aimed at informing Flex Assure and SSEN of how a potential compliance scheme may be structured. These recommendations were presented and shared with Flex Assure using workshop and survey findings as well as policy, regulatory insights and expertise to inform them.

Appendix B: Sample

Survey

Out of the maximum of 26 FSPs who could have provided a survey response, responses were received from 12 FSPs. Of these 12, four were aligned with the Code of Conduct, and eight were not aligned. One of the non-aligned FSPs gave their responses in the form of an interview. A more detailed breakdown of which FSPs replied to the survey is given in Table 2 below.

Despite the relatively small number of respondents, we are confident that this is a relatively representative sample for a number of reasons.

Firstly, as highlighted above, the total number of FSPs who could have responded was significantly lower than the 31 total DFS providers.

Secondly, the 12 FSPs who did respond seem to represent a broad sample of the domestic flexibility market. Over 64% of the domestic flexibility procured by ESO during DFS 2023-34 came from the 12 respondents.⁹

Thirdly, evidence suggests the sample achieved was relatively balanced. Table 1 below highlights some key characteristics of the FSPs that responded, or didn't respond, to the survey.

⁹ https://www.nationalgrideso.com/data-portal/demand-flexibility-service/dfs_utilisation_report.

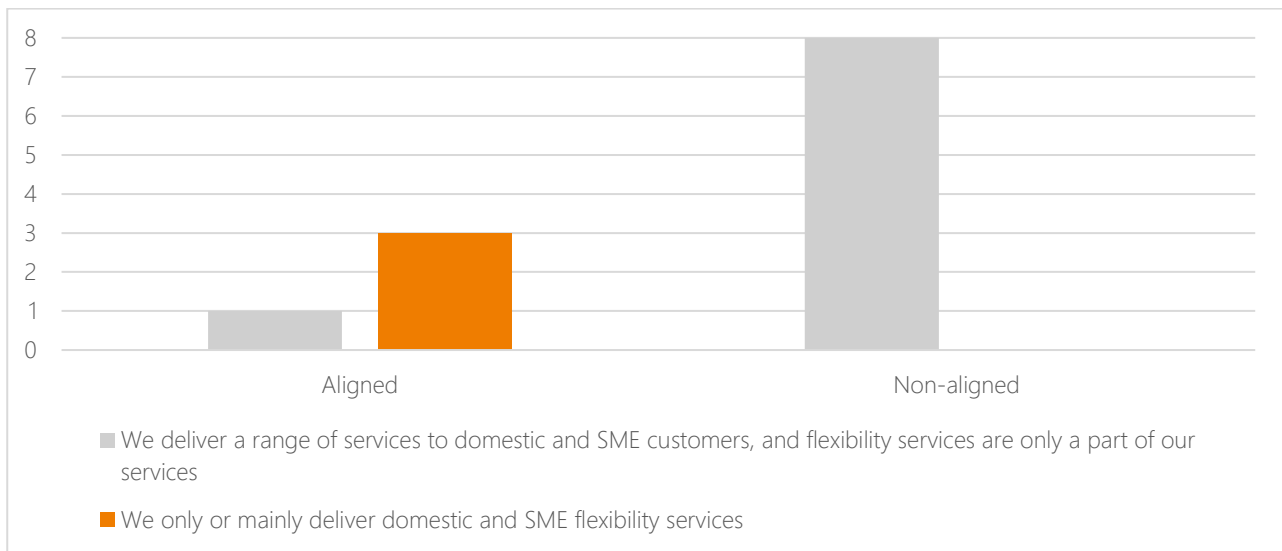
Table 1: Characteristics of organisations that did and didn't respond to the survey

	Organisations that responded to the survey				Organisations that didn't respond to the survey			
Alignment with HOMEflex Code of Conduct	Four aligned		Eight not aligned		Four aligned		Ten not aligned	
Involvement with HOMEflex	Three involved in code development				One involved in code development			
Organisation type	Five suppliers	Three apps	Two aggregators	Two tech companies	Seven suppliers	Two apps	One aggregator	Four tech companies
Delivery model	Three sole suppliers		Nine in partnerships		Six sole suppliers		Eight in partnerships	
Business model	Three domestic flex specialists		Nine non-specialists		Three domestic flex specialists		Eleven non-specialists	

As Table 1 shows, there were few significant differences between the two groups. Organisations involved in the development of the Code were more likely to respond. This aside, there was little evidence that a particular organisation type was over-represented in our sample. This suggests we achieved a relatively balanced sample population.

Furthermore, in terms of the organisations that did respond, there was a relatively even mix of organisation type and size, with no significant differences between aligned and non-aligned FSPs. Notably, nine of the respondents delivered domestic flexibility as part of a delivery partnership rather than as sole suppliers, and there were only three domestic flexibility specialists. The only significant difference between aligned and non-aligned groups was that three out of four aligned groups were domestic flexibility specialists (Figure 12).

Figure 12: Survey respondents by role of flexibility in business model and alignment with the Code of Conduct



Workshop

The online workshop was attended by a total of 26 key stakeholders from across the domestic flexibility sector. As well as FSPs, there were attendees from the ESO, DNOs, consumer advocacy organisations and energy consultants (see Table 3 below for further details). Although not all attendees were able to stay for the whole workshop, follow-up video calls and emails (with one stakeholder) enabled feedback from as many stakeholders as possible.

Overall

Table 2 below summarises all the organisations who contributed evidence during the research process.

Table 2: Organisations by method of contributing evidence to the research

Organisation	Survey	Workshop	1:1 engagement
Axle Energy	Yes	Yes	No

Baringa	NA	Yes	No
British Gas	Yes	No	No
Citizens Advice	NA	Yes	No
E.ON Next	Yes	Yes	No
Ecotricity	Yes	No	No
Electralink	NA	Yes	No
Electricity North West	NA	Yes	No
Energy Saving Trust	NA	Yes	No
Equiwatt	Yes	Yes	No
Flexitricity	NA	Yes	No
Gemserv	NA	Yes	No
Good Energy	Yes	Yes	No
Heat Trust	NA	Yes	No
HIES	NA	Yes	No
Hildebrand	Yes	Yes	No
Loop	Yes (interview)	Yes	No
National Grid ESO	NA	Yes	No
Netscape	NA	Yes	No
Octopus Energy	Yes	Yes	No
Ohme	Yes	No	Yes
Passiv UK	Yes	Yes	No
Perse Technology	Yes	Yes	No
Podpoint	NA	Yes	No
RECC	NA	Yes	No
Scottish Power	Yes	Yes	No
SMS	Yes	Yes	No
Thermal Storage Association	NA	Yes	No
UK Power Networks	NA	Yes	No
Utilita	Yes	Yes	No