

Ofgem

Price Control Operations – Small & Medium Sized Projects

Friday, 25 April 2025

allan.rankine@ofgem.gov.uk

Dear Mr Rankine,

RIO-2 NZASP Re-opener Draft Determinations: East Coast and Hyline Cymru Hydrogen Network FEED Studies

We welcome the opportunity to respond to Ofgem's re-opener Draft Determination on hydrogen network FEED studies. This response is written by Future Energy Networks (FEN) on behalf of the GB Gas Transmission and Distribution Companies.

Support for the decision

FEN and its members welcome the funding decisions made by Ofgem on the East Coast projects submitted by Cadent, National Gas Transmission (NGT) and Northern Gas Networks (NGN). These projects will enable the development of vital hydrogen infrastructure in a critical part of the country delivering for industry, power and helping government meet its net zero goals.

Ofgem's decision not to fund the Wales & West Utilities (WWU) project is disappointing given the criteria used to select the projects were not clear in advance. Greater clarity on these selection criteria in advance would have been helpful to ensure re-opener submissions were more likely to meet the requirements. Additionally, not providing funding for the Hyline Cymru project risks delays and uncertainty for industry in Wales which is seeking to decarbonise but which require a gas to allow this transition to be made in a financially viable and operationally practical way.

Further clarity required

FEN maintain that clarity and certainty of funding routes for hydrogen infrastructure projects is critical to ensure they are developed and delivered in a timely way at best value for consumers. Whilst we welcome the FEED funding decision, the ongoing funding routes for these projects is unclear. We do not know how funding through the DESNZ Hydrogen Transport Business Model will work yet. For example, it is uncertain when or how the funding will be transferred from Ofgem to DESNZ. This lack of clarity means networks will be starting these projects without certainty of funding in the future, which puts a level of risk on the companies and the projects. The fact there are unanswered questions when it comes to the long-term funding of these projects could lead to breaks in funding which can increase delivery costs and delay completion dates meaning consumers will pay more and have to wait longer for benefits. We want to work closely with Ofgem and government, through FEED study funding in the short term and DESNZ Hydrogen Transport Business Model (HTBM) in the medium to long term, to ensure that funding is made available for the most beneficial hydrogen transport projects in the right areas of Great Britain. We need to reduce the risk that there will be breaks in funding for critical national infrastructure projects which could be created due to the change in funding mechanism for this type of project.

Conclusion

FEN and its members welcome Ofgem's decision to fund the three East Coast hydrogen cluster FEED studies put forward by Cadent, NGT and NGN. We agree that the cluster is well placed and has the potential to be a significant low-carbon hydrogen region which could connect hydrogen supply to energy intensive industries or those generating power across Humber, the East Midlands and Teesside.

We are concerned about the signal the draft determination on Hyline Cymru gives on process, given the points above on clarity of criteria, as well as the impact on industry in Wales which need to decarbonise and can not do so via full electrification or another means.

FEN and its members are keen to work with Ofgem and DESNZ on the ongoing funding routes for these projects to ensure benefits can be realised sooner and projects can be delivered as efficiently as possible.

Should you wish to discuss any of the points raised in our letter, please do not hesitate to contact myself or the team on the following email addresses: [REDACTED] or gas@futureenergynetworks.org.uk.

Yours sincerely



James Earl

Chief Executive Officer
Future Energy Networks