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**Dear Allan,**

**Consultation On RIIO-2 NZASP Re-opener Draft Determinations: East Coast and Hyline Cymru Hydrogen Network FEED Studies**

I am writing to you on behalf of SSE Thermal in response to the above consultation. SSE Thermal operates a fleet of gas-fired generation and natural gas storage assets and is developing a pipeline of low-carbon dispatchable power projects, and hydrogen production, transport, and storage projects within GB.

Of specific relevance when considering Ofgem's determinations on the above consultation are our Keadby Next Generation<sup>1</sup>, Ferrybridge Next Generation<sup>2</sup>, Aldbrough Hydrogen Storage<sup>3</sup>, Aldbrough Hydrogen Pathfinder<sup>4</sup>, and Humber Hydrogen Pipeline<sup>5</sup> projects, all being developed in the region of the East Coast Hydrogen cluster either solely by SSE Thermal or with partner organisations. These projects will deliver capability across the whole value chain of the hydrogen economy and could deliver the first large scale hydrogen-fired power stations in the world. Support for hydrogen pipeline projects will also encourage the development of hydrogen production facilities, either by SSE Thermal or by others – especially where these pipelines have the potential to connect production sites to storage facilities.

SSE Thermal's view is that the East Coast Hydrogen projects are key to catalysing our investments and ultimately delivering a secure, clean power system for GB consumers by linking clusters of hydrogen production (in some cases enabled by carbon dioxide transport and storage infrastructure) with large-scale salt cavern storage and offtakers, including hydrogen-fired power stations. The UK Government's Clean Power 2030 action plan outlines the need for up to 2.7GW of new low carbon dispatchable power capacity by 2030 and up to 25GW by 2035. Additionally, the CCC's latest carbon budget outlines a need for up to 38GW of low carbon dispatchable power capacity by 2050 in order for the UK to meet its Net Zero target.

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<sup>1</sup> <https://keadbynextgen.com/project>

<sup>2</sup> <https://www.ssethermal.com/flexible-generation/development/ferrybridge-next-generation-power-station/>

<sup>3</sup> <https://www.aldbroughhydrogen.com/>

<sup>4</sup> <https://www.ssethermal.com/flexible-generation/development/aldbrough-hydrogen-pathfinder/>

<sup>5</sup> <https://www.humberhydrogenpipeline.com/>

We fully support Ofgem's decision to provide FEED funding for the East Coast Hydrogen projects. Ofgem should look to continue to provide support for hydrogen projects in this region to provide developers certainty that this key infrastructure will be delivered.

Our specific responses to the consultation questions are set out in Appendix 1.

Yours sincerely,

**Craig Molyneux**  
Thermal Regulation Manager

## Appendix – Question Responses

### **Q1, Do you agree with our Draft Determination not to provide funding for the WWU Hyline Cymru project FEED study?**

SSE Thermal has no specific views on WWU's Hyline Cymru project.

### **Q2, Do you agree with our assessment of the Needs cases for the three East Coast FEED studies?**

SSE Thermal agrees with Ofgem's assessment of the needs cases for the East Coast FEED studies. The East Coast is a key area for development of the hydrogen economy, with existing gas transmission and storage infrastructure facilitating the development of hydrogen production and dispatchable power generation assets. Providing FEED funding for these projects will be crucial to enabling the UK's Net Zero targets in the power generation sector and wider industry.

### **Q3, Do you agree with our proposed approach to protect consumer value by standardising our approach to funding in some areas?**

SSE Thermal agrees it is appropriate for Ofgem to standardise its funding approach for these projects – they are being developed to attain the same overall objectives within the same region, standardisation will facilitate future delivery of investment at the required pace.

### **Q4, Do you agree with our proposal to approve funding for the Cadent East Coast North project under the NZASP re-opener mechanism, and at the value proposed?**

SSE Thermal agrees with Ofgem's proposal to approve the Cadent East Coast North project but has no specific feedback on the level of funding provided.

### **Q5, Do you agree with our minded-to decision to approve funding for the NGN East Coast project under the NZASP re-opener mechanism, and at the value proposed?**

SSE Thermal agrees with Ofgem's proposal to approve the NGN East Coast project but has no specific feedback on the level of funding provided.

### **Q6, Do you agree with our minded-to decision to approve funding for the NGT PU: East Coast project under the NZASP re-opener mechanism, and at the value proposed?**

SSE Thermal agrees with Ofgem's proposal to approve the NGT PU: East Coast project. We view that it is proportionate for Ofgem to fund only the hybrid option for the time being, however this may cause future delays if it emerges that repurposing existing assets is not a viable option.

SSE Thermal's view is that Ofgem should reconsider its approach to disallowing some key enabling activities for the project and wider Project Union development. In particular, the Supply Chain and Asset Strategy activities will be key to ensuring the required infrastructure can be delivered in a timely manner.

Additionally, Ofgem should consider whether the activities it considers to be BAU should be transferred over to the RIIIO-3 price control settlement if they were not already included in NGT's business plan submission. Ofgem's RIIIO-3 Sector Specific Methodology Decision set out that companies should not be funding hydrogen development activities through the RIIIO-3 price control, so for Ofgem to expect that these activities are covered by BAU price control funding is somewhat paradoxical.

**Q7, Do you agree with our proposed deliverables for Cadent, NGN and NGT?**

SSE Thermal agrees with Ofgem's approach to setting deliverables for the East Coast Hydrogen FEED studies – this will ensure licensees are held to account for delivering the funded activities.

**Q8, Do you agree with our proposed directions for Cadent, NGN and NGT?**

SSE Thermal has no feedback regarding the proposed directions for Cadent, NGN and NGT.