RIIO-3 Draft Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors

Offshore Energies UK (OEUK) is the leading trade body for the UK’s integrating offshore energies industry. Our membership includes over 400 organisations with an interest in offshore oil, gas, carbon capture and storage (CCS), hydrogen, and wind. From operators to the supply chain and across the lifecycle from production to decommissioning, they are safely providing cleaner fuel, power, and products to the UK. Working together with our members, we are a driving force supporting the UK in ensuring security of energy supply while helping to meet its net zero commitments.

OEUK and our members are committed to working, together with the UK Government, industry, and regulators, to help deliver net-zero by 2050 in an efficient, affordable and timely manner. As a sector we are equally committed to producing the oil and gas that the UK will continue to need in the decades to 2050, and beyond – with lower emissions than imported options. Achieving this will bring huge economic and environmental benefits across the breadth of the UK.

The offshore energy industry is a fundamental pillar of the UK economy supporting hundreds of thousands of jobs and contributing billions of pounds to the exchequer annually whilst powering homes and businesses across the breadth of the country. Our sector has the potential to spend almost £200 billion over this decade in the energy sector and continue to support hundreds of thousands of jobs across the UK. The majority of this could be spent in offshore wind, CCS, and hydrogen in the right investment environment. The companies investing in and supporting nascent opportunities like floating offshore wind and CCS will require the cashflow from a stable and predictable oil and gas business to help fund these opportunities.

The UK has a significant opportunity to be an energy transition leader, whilst retaining its core function of supporting energy security. To do this though, we need long-term stable and competitive policy that gives investors, companies, and supply chain the confidence to commit to the UK.

In addition to the above, please find below our response to specific questions.

https://www.ofgem.gov.uk/consultation/riio-3-draft-determinations-electricity-transmission-gas-distribution-and-gas-transmission-sectors

**OVQ1. We would welcome any views on the enduring role of the ISGs during RIIO3 and for future price controls.**

The Independent Stakeholder Groups (ISGs) have played a crucial role in shaping company plans and providing independent assurance of their quality and focus during the RIIO-2 price control period. Their involvement has been positively highlighted by Ofgem in the draft determinations for RIIO-3. The ISGs have been instrumental in ensuring that company business plans are well tested and scrutinised before submission to Ofgem, reflecting a high level of constructive engagement. ISGs provide a platform for those with extensive expertise in the energy sector to ensure that plans align with broader goals of energy security and transition. As an example, Offshore Energies UK (OEUK) plays a significant role in the ISG for National Gas. This involvement is crucial for OEUK members, including both wind developers and oil and gas producers, who seek to have reliable transmission networks at the lowest cost possible. Further, ISGs allow organisations like OEUK to represent members who may be resource limited and that will be impacted by plans established during these processes, providing feedback on behalf of those who cannot develop comprehensive responses.

Key points on the enduring role of ISGs include their critical role in shaping plans, ongoing accountability, and enhanced engagement. ISGs ensure that business plans are well tested and scrutinised, and Ofgem acknowledges their vital role in holding companies accountable for delivery throughout RIIO-3. Lessons learned from the process will support future price control reviews, and ISGs will continue to play a crucial role in stakeholder engagement, ensuring that the voice of energy generators are heard and that company spending plans reflect what energy generators need and value.

**OVQ2. Do you agree with our proposed position on the Environmental Action Plan and Annual Environmental Report ODI-R for RIIO-3?**

Offshore Energies UK (OEUK) supports the proposed position on the Environmental Action Plan (EAP) and Annual Environmental Report (AER) ODI-R for RIIO-3. The EAP and AER are essential for ensuring that gas distribution networks (GDNs) have ambitious environmental commitments and report on their performance against these commitments annually.

OEUK agrees with the proposal to withdraw the Environmental Scorecard and instead incentivise improvements in environmental impacts through the AER. This approach focuses on continuous improvement and transparency in environmental performance. The AER will serve as a tool to monitor and report on the environmental performance of GDNs, ensuring they meet their environmental commitments.

We encourage industry collaboration to ensure effective development of plans, for example, the oil and gas sector was one of the first sectors to be required to develop decarbonisation and environmental action plans and therefore, GDNs could use lessons learned from oil and gas production to shape their own plans.

OEUK emphasises the importance of considering the full life-cycle impact of products and installations, particularly for innovative technologies. This holistic approach ensures that environmental impacts are minimised throughout the entire lifecycle of energy infrastructure. Additionally, reporting standards should be aligned with international standards, ensuring consistency and comparability in environmental reporting across the industry.

The proposed position on the EAP and AER ODI-R for RIIO-3 is designed to ensure that GDNs have ambitious environmental commitments and report on their performance annually. This approach aims to maintain a safe and resilient network while managing environmental impacts effectively.

**OVQ3. Do you agree with our consultation position to create a new common mechanistic PCD for ZEV and associated infrastructure costs?**

Offshore Energies UK (OEUK) supports the consultation position to create a new common mechanistic Price Control Deliverable (PCD) for Zero Emission Vehicles (ZEV) and associated infrastructure costs. This position aligns with OEUK's commitment to supporting the UK's transition to a low-carbon economy and ensuring the development of reliable and cost-effective energy infrastructure.

The creation of a common mechanistic PCD for ZEV and associated infrastructure costs is a positive step towards decarbonising the transport sector. This aligns with OEUK's broader goals of reducing emissions and supporting the UK's net-zero targets by 2050. A common mechanistic PCD ensures that the costs associated with ZEV infrastructure are managed efficiently and transparently. This approach helps in maintaining a balance between investment in new technologies and the need to keep costs low for consumers.

By establishing a clear and consistent framework for ZEV infrastructure costs, the PCD encourages innovation and investment in new technologies. This is crucial for the development of a robust and sustainable energy system.

**OVQ4. Do you agree with our proposed approach to measuring Baseline Network Risk Outputs and our application of the NARM mechanism?**

Offshore Energies UK (OEUK) supports the proposed approach to measuring Baseline Network Risk Outputs and the application of the Network Asset Risk Metric (NARM) mechanism. The NARM framework is essential for ensuring network reliability, which is fundamental to the UK's energy security. OEUK members, including both oil and gas producers and wind developers, recognise the importance of a robust and transparent methodology for assessing network risk.

**OVQ5. Do you agree with our proposed approaches to calculating the funding adjustments and to the application of penalties?**

OEUK agrees with the proposed approaches to calculating funding adjustments and the application of penalties. It is crucial that these mechanisms are transparent and fair, ensuring that network companies are held accountable for their performance. The proposed approach should incentivise efficient investment and maintenance practices, ultimately benefiting stakeholders by keeping costs low. However, it is important to ensure that penalties do not negatively impact the ability of network companies to maintain and improve network reliability.

**OVQ6. Do you agree with our proposed approaches to improving the NARM framework?**

OEUK supports the proposed approaches to improving the NARM framework. Continuous improvement of the NARM framework is essential to adapt to changing conditions and emerging risks. The focus on enhancing the framework to better capture the full life-cycle impact of assets and incorporating forward-looking resilience metrics is commendable. This approach aligns with OEUK's commitment to supporting the UK's energy transition while ensuring the reliability and resilience of the energy network

**OVQ7. Do you agree with our proposal for the physical security PCD?**

Offshore Energies UK (OEUK) supports the proposal for the physical security Price Control Deliverable (PCD). Ensuring robust physical security measures is essential for maintaining the integrity and reliability of the UK's energy infrastructure, which is a priority for OEUK members, including both oil and gas producers and wind developers.

The proposed physical security PCD aligns with the broader goals of OEUK members by ensuring that the necessary investments are made to protect critical infrastructure from potential threats. This is particularly important for National Gas, as the security of gas transmission networks is vital for energy security and the smooth operation of the energy system.

By establishing a clear and consistent framework for physical security investments, the PCD helps to ensure that these costs are managed efficiently and transparently. This approach supports the development of a resilient energy network while keeping costs low for consumers and users, which is a key concern for OEUK members.

**OVQ8. Do you agree with our approach taken to review of the Climate Resilience strategies?**

Offshore Energies UK (OEUK) supports the approach taken to review the Climate Resilience strategies. The proposed approach aligns with OEUK's commitment to ensuring that the UK's energy infrastructure is resilient to the impacts of climate change, which is crucial for both oil and gas producers and wind developers.

The review process includes embedding climate resilience into the RIIO-3 framework through the introduction of resilience strategies, developing forward-looking resilience metrics, and establishing climate resilience working groups. This comprehensive approach ensures that the energy network can adapt to changing conditions and emerging risks, which is vital for maintaining a reliable and secure energy supply.

OEUK appreciates the focus on quantifying the scale of the challenge and risk, as well as the involvement of universities and academics to provide insights into the impacts of climate change. This collaborative effort will help in developing robust strategies that are based on the latest scientific research and data.

Furthermore, the proposed approach to maintaining resilience during system changes is commendable. It ensures that the energy network remains operational and reliable even as it undergoes significant transformations to meet the UK's net-zero targets

**OVQ9. Do you agree with our views on the Workforce Resilience Strategies?**

Offshore Energies UK (OEUK) supports the proposed views on the Workforce Resilience Strategies. Ensuring a resilient workforce is crucial for the energy sector, particularly for OEUK members, including both oil and gas producers and wind developers, who rely on a skilled and adaptable workforce to meet the demands of the energy transition.

A key initiative in this regard is the Energy Skills Passport, launched by OEUK in collaboration with RenewableUK. This tool enables workers to easily identify which qualifications and training standards are needed for specific roles across the energy sector, including oil, gas, and offshore wind. The Skills Passport helps workers transition between sectors by mapping out potential career pathways and recognising transferable skills, thus supporting workforce resilience and adaptability. The principal of the skills passport could easily be expanded to the network workforce. The proposed Workforce Resilience Strategies focus on sustaining employment levels, promoting workforce capability and transferability, and ensuring a fair and managed transition. This aligns with OEUK's commitment to supporting a skilled and diverse workforce for a net-zero future. The emphasis on linking workforce demand modelling to clean energy delivery plans and increasing representation of under-represented groups is aligned with OEUK D&I focus.

**OVQ10. Do you agree with our views on the Supply Chain Resilience Strategies?**

Offshore Energies UK (OEUK) supports the proposed views on the Supply Chain Resilience Strategies. Ensuring a resilient supply chain is crucial for the energy sector, particularly for OEUK members, including both oil and gas producers and wind developers, who rely on a robust and adaptable supply chain to meet the demands of the energy transition.

OEUK's Supply Chain Principles, developed by industry for industry, define good procurement practices and aim to strengthen business relationships within the supply chain. These principles are essential for promoting transparency, fairness, and innovation across the energy sector.

The proposed strategies focus on sustaining a strong and well-resourced supply chain that remains anchored in the UK. This aligns with OEUK's commitment to supporting the UK's net-zero goals by 2050. The early access to funding for supply chain commitments, coupled with the pre-construction funding to build supply chain capability and capacity is particularly commendable, as it ensures that the supply chain can deliver the energy transition effectively.

**OVQ11. Do you agree with the equal weightings applied per criteria/rating for the 'Clarity scorecard' and the 'Business Plan Commitments scorecard' for the Stage C assessment?**

Offshore Energies UK (OEUK) supports the equal weightings applied per criteria/rating for the 'Clarity scorecard' and the 'Business Plan Commitments scorecard' for the Stage C assessment. This approach ensures a balanced and fair evaluation of business plans, reflecting the importance of clarity and commitment in delivering value to stakeholders. By applying equal weightings, the assessment process remains transparent and consistent, which is crucial for maintaining trust and accountability among network users.

**OVQ12. Do you agree with the weightings applied per outcome for each sector for use in the Stage C - Business Plan commitments assessment?**

OEUK agrees with the weightings applied per outcome for each sector for use in the Stage C - Business Plan commitments assessment. The proposed weightings ensure that the unique characteristics and priorities of each sector are adequately considered. This tailored approach allows for a more accurate and meaningful evaluation of business plans, ensuring that the specific needs and contributions of different sectors, such as oil, gas, and wind, are recognised and valued. This alignment with sector-specific outcomes supports the overall goal of delivering reliable and cost-effective energy infrastructure, which is a key concern for OEUK members.

**OVQ13. Do you agree with the use of a default materiality threshold and its level?**

Offshore Energies UK (OEUK) supports the use of a default materiality threshold and its level. Establishing a clear and consistent materiality threshold is essential for ensuring transparency and accountability in financial reporting and regulatory compliance. This approach aligns with the interests of OEUK members, including both oil and gas producers and wind developers, who require a stable and predictable regulatory environment to make informed investment decisions.

The default materiality threshold helps identify significant changes that could impact financial statements or operational performance. By setting a standard threshold, it ensures consistent reporting of relevant changes, maintaining investor confidence and regulatory oversight. This is particularly important for National Gas, ensuring that material changes in the gas transmission network are adequately reported and addressed.

Moreover, the threshold simplifies the reporting process, reducing the administrative burden while ensuring significant issues are not overlooked. This balance supports OEUK members in maintaining reliable and cost-effective energy infrastructure.

**OVQ14. Do you agree with out proposed amendments to the CAM for RIIO-3?**

OEUK view is that the amendments are a positive step towards enhancing the efficiency and reliability of the energy transmission networks. OEUK supports the retention of the CAM, as it provides a structured approach to managing adjustments and ensures that the networks can adapt to changing demands and conditions.

OEUK members, including those involved in wind and renewables, appreciate the focus on maintaining a balance between cost efficiency and network reliability. The amendments are seen as a way to incentivise innovation and ensure that the networks are prepared for future challenges, including the integration of renewable energy sources

**OVQ15. Do you agree with our proposed design of the NZARD UIOLI?**

OEUK generally support the design as it aligns with our goals of enhancing system efficiency and reliability, which are crucial for the successful integration of renewable energy sources.

The focus on incentivising the optimal use of transmission capacity is appreciated, as it ensures that the infrastructure is used effectively and can accommodate the increasing demand for renewable energy. However, we believe that consideration should be given to issues that are out of the control of developers. Factors such as regulatory changes, unforeseen technical challenges, and market conditions can impact the ability of developers to fully utilise their allocated capacity.

**OVQ16. Do you agree with our proposed design of the NZASP re-opener?**

The design aligns with the goals of enhancing system efficiency and reliability, which are crucial for integrating renewable energy sources. The NZASP re-opener allows for early design, development, pre-construction work, and net zero facilitation capital projects, enabling the achievement of Net Zero Carbon Targets.

**OVQ17. Do you agree with our design proposal for the resilience re-opener?**

The proposal to allow physical security costs to be submitted through a broader resilience re-opener is seen as a positive step towards enhancing the overall resilience of the energy infrastructure.

**OVQ18. Do you agree with our proposed approach to RPEs?**

OEUK generally support the approach, as it aligns with the goals of ensuring cost efficiency and transparency in the energy sector.

**OVQ19. Do you agree with our proposed approach to ongoing efficiency?**

The proposed approach to ongoing efficiency is crucial for managing the costs associated with both renewable energy projects and traditional gas infrastructure. The emphasis on cost efficiency helps ensure that projects remain financially viable and can contribute effectively to the transition to a low-carbon energy system. This is particularly important as the industry navigates the transition to net zero emissions.

**OVQ20. Do you agree with our proposed NIA funding levels?**

OEUK generally support the proposed NIA funding levels as they align with the goals of ensuring cost efficiency and transparency in the energy sector.

**OVQ21. Do you agree with our approach to the future of gas-related workstreams?**

OEUK supports the proposed approach to the future of gas-related workstreams, recognising the importance of maintaining a reliable and efficient gas infrastructure while transitioning to net zero emissions.

**OVQ22. Do you agree that £2.5m of additional NIA should be used to provide enhanced advisory services for innovators at the early stages of innovation development?**

OEUK agrees that the £2.5m of additional NIA funding should be used to provide enhanced advisory services for innovators at the early stages of innovation development, as this will support the development of new technologies and solutions essential for the energy transition.

**OVQ23. Do you agree with our approach to improving oversight and reporting of the NIA?**

OEUK supports the proposed approach to improving oversight and reporting of the NIA, emphasising the need for transparency and accountability to ensure that the funds are used effectively and deliver the intended benefits.

**OV24. Do you agree with our proposals to allocate £500m for SIF funding?**

Offshore Energies UK (OEUK) and its members, generally support the proposed allocation £500m for SIF funding as it aligns with the goals of ensuring cost efficiency and transparency in the energy sector.

**OVQ25. Do you agree with our proposals to introduce a ‘Programmatic Approach’ to the SIF?**

OEUK and its members, including TotalEnergies, support the introduction of a ‘Programmatic Approach’ to the SIF, recognising the importance of a structured and strategic approach to innovation funding.

**OVQ26. Do you agree with our proposal to introduce a £50m deployment fund, utilising £50m from the total £500m SIF allocation?**

OEUK and its members, including TotalEnergies, support the proposal to introduce a £50m deployment fund, as it will help accelerate the deployment of innovative projects and technologies.

**OVQ27. Do you agree that the deployment fund should also be open to innovation projects that haven't been funded through NIA, NIC or SIF?**

OEUK agrees that the deployment fund should be open to innovation projects that haven't been funded through NIA, NIC, or SIF, as this will encourage a broader range of innovative solutions.

**OVQ28. Do you agree with our proposal to reverse the SSMD position of removing the Discovery phase from SIF?**

OEUK supports the proposal to reverse the SSMD position of removing the Discovery phase from SIF, as the Discovery phase is crucial for identifying and developing early-stage innovations.

**OVQ29. Do you agree with our proposals to retain the core aspects of the SIF for RIIO-3?**

OEUK and its members, support retaining the core aspects of the SIF for RIIO-3, as it ensures continuity and stability in innovation funding.

**OVQ30. Do you agree with our proposals for a more flexible approach to contribution rates to fund SIF projects?**

OEUK supports a more flexible approach to contribution rates for funding SIF projects, as it allows for better alignment with project needs and market conditions.

**OVQ31. Do you agree with updating the SIF eligibility criteria and assessment process?**

OEUK agrees with updating the SIF eligibility criteria and assessment process to ensure that the most impactful and innovative projects receive funding.

**OVQ32. Do you agree with our proposal to establish a direct pathway for transformative projects to seek Ofgem's support for funding?**

OEUK supports the proposal to establish a direct pathway for transformative projects to seek Ofgem's support for funding, as it will facilitate the development of groundbreaking innovations.

**OVQ33. Do you agree on the need to clarify roles and responsibilities within the innovation ecosystem, and the factors that we should consider?**

OEUK agrees on the need to clarify roles and responsibilities within the innovation ecosystem, ensuring that all stakeholders understand their roles and can collaborate effectively.

**OVQ34. Do you agree with our approach to improving reporting of deployed SIF projects and lessons learned post-funding?**

OEUK supports the approach to improving reporting of deployed SIF projects and lessons learned post-funding, as it will enhance transparency and accountability.

**OVQ35. Do you agree with our proposals for the Cyber Resilience re-opener?**

**OVQ36. Do you agree with our position of not changing the Digitalisation licence condition?**

**OVQ37. Do you agree with our proposed approach to the DSI licence condition?**

**OVQ38. Do you agree with our proposed design of the Digitalisation re-opener?**