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Dear Dora,

Consultation Response - Assessing the Energy Efficiency Potential of Great Britain's Energy Infrastructure

Thank you for the opportunity to review and comment on Ofgem's draft report which assesses the energy efficiency potential of the gas and electricity infrastructure in Great Britain.

Energy networks have a key role to play in the transition to a low carbon economy both in terms of facilitating the deployment of new low carbon, efficient technologies for energy production, consumption and efficiency as well as the carbon footprint of network operations. To deliver the energy efficiency potential of energy networks, it is necessary for regulators and policy makers to provide the frameworks that support both the efficient delivery measures that can be delivered in the near future whilst also supporting the development of new technologies and techniques.

The new model for regulating energy networks – RIIO – introduced by Ofgem has delivered significant advances in providing a regulatory framework that simultaneously targets improvements in environmental performance via;

- Output commitments
- Financial arrangements that incentivise network operators to identify and deliver environmental improvements beyond baseline output commitments
- Totex arrangements that allow environmental costs and benefits to be assimilated into investment decisions; and
- Funding for innovation, research, development and implementation of technologies, processes and techniques that can accelerate the development of a low carbon energy sector.

We consider that the draft report you have published has adequately assessed the energy efficiency potential of gas distribution networks in GB.

- **Shrinkage** - The report identifies the significant improvements in the amount of energy used/lost in operating the gas network, referred to as Shrinkage, over the current regulatory period out to 2021. NGN are forecasting to reduce this element of energy usage by close to 30% over this period through a range of concrete measures aimed at limiting the environmental impact of our operations. The measure being employed by NGN are summarised effectively within the report.

- **Business Carbon Footprint (excluding Shrinkage)** – The report appropriately covers the measure being pursued by NGN to address its wider Business Carbon Footprint relating to transport (scope 1) and energy consumption (scope 2).
- **Wider Energy Efficiency Impacts** – The ability of GDNs to facilitate energy efficiency initiatives in the wider market is also appropriately captured in the report. The connection of fuel poor customers to the gas network provides cost and carbon reductions for those customers. Whilst working to facilitate the connection to the network of low carbon sources of gas such as biomethane will contribute directly to the decarbonisation of heat.

Beyond these concrete measures that will be delivered within the current GDN price control period, the report provides a good summary of the key areas of potential investment that could deliver further cost- effective energy efficiency improvements in the network infrastructure. The development of these initiatives has been stimulated and supported by the innovation funding available within the RIIO price control mechanism.

Therefore, NGN believes that the report sets out a comprehensive assessment of the energy efficiency potential of the gas distribution network. The report sets out in detail the concrete measures that will be delivered in the period to 2021 and provides detailed summary of the initiatives being explored to deliver further energy efficiency improvements beyond that time. There are no further measures which are relevant for inclusion in the assessment at this time.

I hope you find the comments in this response to your consultation helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Parker', written in a cursive style.

Stephen Parker
Regulation Director