

Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

DNV GL Ltd
Energy Transition Team
4th Floor Vivo Building,
30 Stamford Street
London
SE1 9LQ

Date:

2020-02-21

Consultation Response - Forward Work Programme 2020-22

Dear Sir or Madam

Ofgem has put its Forward Work Programme 2020-22 out for consultation. DNV GL has reviewed the programme and would like to provide the following comments.

Link with Decarbonisation Action Plan: The Forward Work Programme should be updated to reflect the actions in Ofgem's more recently published Decarbonisation Action Plan.

Electricity and Gas Network Neutrality: Both the Forward Work Programme and Decarbonisation Action Plan place greater emphasis on decarbonisation via the electricity networks rather than decarbonised gas. By 'decarbonised gas' we mean hydrogen from electrolysis; hydrogen from reforming natural gas; biogas; and Carbon Capture and Storage (CCS).

As an example, Forward Work Programme p.21 paragraph 3 discusses transport. Decarbonisation is only discussed in terms of a widespread switch to electric transport. DNV GL's view is that hydrogen may be more suitable than batteries for heavy vehicles such as trucks and trains on non-electrified lines. Shipping may be decarbonised with ammonia produced from hydrogen.

The Forward Work Programme should give due regard to, and place appropriate emphasis on support for, decarbonised gas.

Getting Hydrogen Ready: Regional hydrogen injection projects such as Aberdeen Vision, HyNet and H21 will cause disruption to the gas grid, such as bringing an end to the single National Balancing Point (see Dentons, 2019, *The Future of Gas, Transition to Hydrogen in the Gas Grid*). The Forward Work Programme should address how Ofgem will support hydrogen injection into the gas grid, such as supporting the revision of Industry Codes.

Regulating the CO₂ Market: The Forward Work Programme mentions that heat networks should be regulated by Ofgem. However, it does not mention that future carbon capture, transport and storage market will also need to be regulated by Ofgem. CCS is an essential enabler for decarbonisation of the gas networks. Whilst CCS is some way off, business needs certainty to invest and Final Investment Decisions will need to be made in the coming years for major decarbonised gas projects. Therefore, Ofgem should acknowledge the issue of CO₂ market regulation and begin to develop its thinking.

Financial Model for Decarbonised Gas: The Forward Work Programme states that Ofgem will work with BEIS to assess a framework that would allow for new nuclear power to be delivered under a

DNV GL Headquarters, Veritasveien 1, P.O.Box 300, 1322 Høvik, Norway. Tel: +47 67 57 99 00. www.dnvgl.com

regulated asset base (RAB) financial model. Whilst it is stated that this could also apply to all low carbon technologies, we do not consider that this is sufficient. Financial model(s) are needed for CCS and hydrogen and Ofgem should explicitly acknowledge this. These models could be regulated asset base (RAB) or contracts for difference (CfD). Ofgem should include its role in developing these models in its Forward Work Programme.

Fuel Poor Network Extension Scheme: P.22 of the Forward Work Programme lists renewable energy and social schemes which are administered by Ofgem. The Fuel Poor Network Extension Scheme should be added to the list.

We trust that Ofgem will find these comments constructive and helpful for the finalisation of its Forward Work Programme.

Sincerely



Jamie Elliott
Principal Consultant
DNV GL Ltd

Mobile: (0) 792 146 9955
jamie.elliott@dnvgl.com
