

Minutes of Net Zero Advisory Group meeting

From: Andrew Conway

Date: 8th June 2020

Time: 10:30am

Location: Teleconference

1. Present

- 1.1. Ofgem – Chair
- 1.2. Department for Business, Energy & Industrial Strategy, UK Government
- 1.3. HM Treasury, UK Government
- 1.4. Department for Transport, UK Government
- 1.5. Scottish Government
- 1.6. Welsh Government
- 1.7. National Infrastructure Commission
- 1.8. Committee on Climate Change
- 1.9. Citizens Advice

2. Apologies

- 2.1. N/A

3. Objectives and Purpose of the Group

- 3.1. The Group discussed the objectives and purpose of the Net Zero Advisory Group as outlined in the draft Terms of Reference.

4. Net Zero Programme Update – Impact of Covid-19 and Supporting a Green Recovery

- 4.1. There was a discussion on early stage ideas on how Ofgem and the various Government bodies could support an economic green recovery following the impact of COVID-19. The discussion took into account short- and long-term impacts on the decarbonisation of power generation and heat, and the electrification of transport.

5. RIIO-2 Programme - Net Zero Policy Discussions

- 5.1. *Review of Net-Zero related proposals for RIIO-2 Draft Determinations for Electricity Transmission*

- 5.1.1. Ofgem set out a general overview on their proposed approach, to be consulted on at Draft Determinations, to facilitating net zero investment through the RIIO-2 price controls starting in 2021. This included the design of a suite of investment and innovation mechanisms, including a net zero reopener and a new Strategic Innovation Fund, that are intended to provide flexibility as policy for net zero continues to evolve. The Group then discussed how this approach could be used to support infrastructure projects and wider investments once needs are clearly defined.

5.2. Strategic Innovation Fund – Strategy & Delivery Arrangements

5.2.1. The Group discussed Ofgem's proposal, to be set out in Draft Determinations, to introduce a new Strategic Innovation Fund for networks from 2021, intended to replace the existing RIIO-1 Network Innovation Competition (NIC).

5.3. Approach to Strategic Investment and Regionalisation for Electricity Distribution (RIIO-ED2)

5.3.1. The Group discussed Ofgem's intended approach for the next electricity distribution price control (RIIO-ED2) starting in 2023 and the particular net zero challenges that are likely to be faced by the local grids. The Group discussed some of the key questions around strategic investment, as well as on responding to national, devolved and local priorities, and net zero ambition. The Group discussed a number of potential regulatory approaches, taking into account the different trade-offs that would need to be considered in order to support decarbonisation whilst protecting consumers.

6. Any other business

6.1. N/A

7. Date of next meeting

7.1. The Group agreed to meet on a six-month frequency, the date of the next meeting would be proposed in the near future.