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NEWBRIDGE  
Edinburgh EH28 8TG

Steven McMahon  
Deputy Director, Electricity Distribution  
and Cross Sector Policy,  
Ofgem

23 November 2020

Dear Steven,

**Gas Networks Response to Consultation on amendments to Gas Network Innovation Competition (NIC)  
Governance Document version 3.0**

We are responding to Ofgem's consultation as above to set out our support for the Formula Year 2020/2021 permitted annual cap to be raised to £28m. We understand that this would allow sufficient funds to be available for both SGN's H100 Fife submission and National Grid's HyNTS FutureGrid submission should both qualify for award under the Full Submission process, in line with the requirements and criteria of the Gas NIC Governance document version 3.

The purpose of the NIC is to award funding to innovation projects that deliver learning for the other networks in the form of environmental benefit, cost reduction and maintaining security of supply. We believe that both H100 Fife and HyNTS Futuregrid present business cases that satisfies this and will be instrumental in informing the transition to a low carbon economy for the gas networks and the wider energy system.

It is paramount that in the current circumstances of a global pandemic, in the face of net zero and ahead of government heat policy decisions, that the gas networks demonstrate their enduring role in energy systems and that qualifying projects are selected to reach demonstration. Collectively, this will aid the delivery of the green recovery in what has otherwise been a year of unprecedented change that has put strain on the UK's economy and brought uncertainty to many sectors.

In conclusion, we see value in increasing this year's NIC annual cap to avoid a potential artificial barrier that could be the only constraint to seeing both these projects to fruition. We as the gas networks endeavour to continue our collaboration and joint working to ensure the future of the gas networks is secured, helping lead the UK to net zero and participate in an enduring decarbonised energy system, supported by the gas sector. As it is widely regarded that both electricity and gas (hydrogen) could contribute to the UK's decarbonisation, we feel it is warranted that comparable funding is allocated to both the electricity and gas networks to demonstrate innovation and we understand that increasing the 2020 Gas NIC annual cap would be justified in line with this.

Yours sincerely,

David Handley  
Head of Regulation