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| Network Innovation Competition 2020 Supplementary Answer form | | |

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| Project Name | H100 Fife | | |
| Question number | #33 | Pro forma section | 7 |
| Question date | 24/09/20 | Answer date | 28/09/20 |
| Question summary | How are you engaging with retail on this project and are all retailers comfortable with your proposals? How can you engage with the relevant retailers prior to participants opt-ing in and how will this continue over the operational phase of the project? | | |

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## Answer (please retain document formatting and do not exceed 2 pages unless otherwise agreed with Ofgem)

To date, we have engaged with the shipping community and Xoserve to gain support and endorsement of the project delivery approach. As outlined in our response to SQ28, the response from the shipping community was positive and demonstrated an appetite for participation in the project under regulatory Option 1 (appointing a third-party shipper). The commodity balancing mechanism sought under the project will protect retailers downstream of gas production from the increased cost of hydrogen production associated with a ‘first of a kind’ demonstration, yet maintain consumer choice for retailers. Engaging in this way allows the shipper to purchase hydrogen from the gas producer at a price aligned with a natural gas index. Thus, we are proposing that a third-party shipper, subsequent suppliers and ultimately customers can participate in the project with no cost implication or disadvantage, while allowing flexibility in retailer selection.

We have engaged with Xoserve to introduce them to the project and set out our timescales for mapping all regulatory elements of the project, which is stagegated for March 2021. We have agreed to set up regular meetings between the project team and Xoserve to develop the downstream customer billing and metering solution for the project. It is imperative that customers are billed accurately for the energy they use and the intention is for this to be managed on behalf of our customers to ensure the opt-in process is as simple as possible. We are scoping the requirement for meter flags/markers to identify the MPRN as a hydrogen user, allowing the correction calculation to be applied, reconciling hydrogen meter readings for energy used and not by volume. As part of our engagement plan already underway, we intend to produce an information pack for customers and stakeholders. Within this will be an explanation on the management of the billing and metering process, which would offer the chance for customers to ask further questions if required. Xoserve recognise the relevance of learning that will be developed under H100 Fife to their role and processes if a transition to hydrogen is to be adopted and is keen to understand how its system would need to adapt to the potential hydrogen sector. The solutions being developed under H100 Fife are designed to be transferable to other demonstrators and hydrogen roll out.

As the project progresses, we have set up various internal Working Groups under the overarching internal project Advisory Group to mobilise support from key teams across SGN to deliver H100 Fife. One of these is the Regulation Working Group, which will support the navigation of regulatory intricacies within the project and spearhead plans for engagement relating to regulation. We have established mechanisms in place for engaging with retail that we will employ under the project. We plan to continue our engagement with all the relevant retailers as the strategy develops and throughout operation of the project, where they will have the opportunity to interface through our Stakeholder Group and Technical Group.

In preparation for the project, we have sought both legal and academic expert advice to conduct analysis on our proposal (also referenced in SQ28 response). From this analysis, we are confident at this stage that there are no ‘red flags’ in our approach that would pose an unattractive proposition for retailers. We have a period of at least 1 year before customer opt-in begins in order to build on our engagement so far.