



St Lawrence House  
Station Approach  
Horley  
Surrey  
RH6 9HJ

Ofgem

By email to [fwp@ofgem.gov.uk](mailto:fwp@ofgem.gov.uk)

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### **Forward Work Programme 2021-22**

SGN welcomes the opportunity to respond to Ofgem's Forward Work Programme consultation<sup>1</sup>. As you may be aware, SGN manage the network that distributes natural and green gas to homes and businesses across Scotland and the South of England. We deliver a safe, secure and reliable gas supply to 5.9 million customers through 74,000km of pipeline.

We appreciate the visibility that the Forward Work Programme provides and our opportunity to feed into it. In our response below we have grouped the key themes as set out in the Forward Work Plan, referencing the programme points to which they refer.

As reflected in Ofgem's Strategic Change Programmes, the actions taken now will be critical to future energy systems. As such, SGN is already implementing ambitious low carbon projects and targets, to create a meaningful glide path towards a net zero energy system.

Should you require any further information with regards to our response then please do not hesitate to contact me at [David.Handley@SGN.co.uk](mailto:David.Handley@SGN.co.uk)

Yours faithfully,

David Handley  
Head of Regulation  
SGN

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<sup>1</sup> [Consultation document](#)

## GD2

### Regulation of the Networks (2)

As gas networks we have recently received our licences for the RIIO-GD2 period, commencing 1<sup>st</sup> April 2021, and are embarking on the close out of the GD1 period.

The RIIO-GD2 process has been challenging for all parties, in part due to the impact of COVID on normal working processes, but also in terms of the time allowed for key activities. It is important that a full assessment of the process is undertaken to determine where improvements can be made. As the RIIO-2 Framework Consultation document was published in March 2018, three years ago, based on the same timelines we should expect the RIIO-3 framework to be published in two years, in March 2023. It is very important that a review of the RIIO-2 process is undertaken in good time for any lessons to be learnt and applied in advance of the RIIO-3 process commencing.

Within the RIIO-2 price control period, a greater focus has been placed on reopeners for demonstrating the role of networks in delivering decarbonisation. We are fully supportive of this increased focus on the energy system transition and encourage Ofgem to ensure that these mechanisms are responsive and adaptable to the nature of the challenge they have to meet. A lot of good progress has been made in recent years, and we have a high level concern that overly designing the mechanisms at this stage could both delay necessary and priority innovation, and also create inflexibility that then creates a barrier to future projects.

In relation to GD1 close out, it is important that this happens in a timely manner, and that it is true to the licence obligations into which networks entered at the start of the price control.

### Protecting Vulnerable Customers (1) and Data and Digitisation (7)

Customer service continues to be at the heart of our activities, with the protection of vulnerable customers remaining a top priority. Our ambition to seek continuous improvement and learn from our community partners was recently recognised at the Utility Week Awards 2020, with our partnership with Scope and UK Power Networks being shortlisted in the Community Investor category for our work increasing access for people with disabilities. Furthermore, our success as being named Utility of The Year was accompanied by the judges' observation that "This energy network...rose to the challenge of maintaining critical supplies while ensuring the safety of the public and staff through the pandemic"<sup>2</sup>. We have also demonstrated a long-term commitment to a culture of inclusion, and we are proud to have achieved the BSI standard of Inclusive Service Provision<sup>3</sup> for three years.

In RIIO-GD2 we intend to build further on our success, with ambitious plans to maintain our industry-leading customer service performance in customer satisfaction and complaint handling by minimising disruption as we maintain and repair our network. We have consistently achieved a 9.5/10 customer satisfaction score relating to households on the Priority Services Register and will seek to maintain this position moving forwards.

Furthermore, we intend to maximise the impact of the new Vulnerability and Carbon Monoxide Allowance to deliver the greatest social impact, by actively partnering in our communities to support 250,000 households in vulnerable circumstances to use energy safely, efficiently and affordably.

We are committed to lifting customers in our community out of fuel poverty, investing in ways to identify those most at risk of living in a cold, unhealthy and unaffordable home. Natural gas has a critical role as a safe and cost-effective energy source for such customers. Our focus is providing those most

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<sup>2</sup> <https://www.sgn.co.uk/news/we-won-top-prize-utility-week-awards-2020>

<sup>3</sup> BSI 18477: <https://www.bsigroup.com/en-GB/our-services/Inclusive-Service/>

impacted households with a holistic programme of measures to support their move out of fuel poverty, and our commitment to deliver 18,000 funded connections to fuel poor homes to reduce the cost to heat is ambitious across the sector.

Data, and the smart use of data, is vital in identifying and supporting customers in vulnerable situations and forms a key aspect of Ofgem's Vulnerability Strategy<sup>4</sup>. As such, we are committed to a joined up approach using a single Priority Services Register across all utilities, as this represents the most effective way of safeguarding those in need from both an affordability perspective and at times of immediate need, for example during a gas, electricity or water supply interruption or emergency evacuation.

### Developing new regulatory approaches and best practices to manage cyber risks to energy infrastructure (4)

While the coordinated use of data across industry and sectors will create further opportunities to deliver excellent customer service, it is important that the relevant storage and security procedures are in place to protect the information being held. As such, it is critical that organisations are given adequate flexibility to maintain pace with prevailing security requirements and are enabled to invest in anticipation of emerging and evolving risks, without restrictively rigid regulatory regimes.

## Decarbonising Energy

### Net Zero Economy (1) and Low Carbon Infrastructure (4)

SGN remains at the forefront of biomethane development, in support of Ofgem's Decarbonisation Action Plan<sup>5</sup>. During the RIIO-GD1 period we have connected over 30 plants, supplying green gas to c.200,000 homes. We recognise that biomethane has an important role in both the transition to a hydrogen energy economy and also on a continuing basis as a localised low carbon energy source, both of which must continue in RIIO-GD2. We are committed to leaving no customer behind, working to support communities with their future energy needs by developing innovative ways to deliver green gas solutions while minimising any disruption and continuing to offer an affordable heat source to hard to reach customers. Demonstrating our commitment, we have set ourselves the target of injecting biomethane to meet the annual needs of 450,000 homes by 2026.

SGN also remains focussed on developing hydrogen as a viable net zero energy source, with our Aberdeen Vision<sup>6</sup> demonstrating the commercial viability of hydrogen blending, and our H100 project<sup>7</sup>, the first of its kind, taking hydrogen into 300 homes from 2022, providing zero-carbon fuel for heating and cooking. These projects represent key steps in our Gas Goes Green<sup>8</sup> programme, developed in collaboration with the other Gas Distribution Networks, to inform critical decisions in relation to the future of heat, and to deliver the world's first zero carbon gas grid. The programme has shown that a pathway which combines low carbon gasses such as biomethane and hydrogen could save £13bn per annum out to 2050, in comparison with the alternative option of full electrification<sup>9</sup>.

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<sup>4</sup> [https://www.ofgem.gov.uk/system/files/docs/2020/01/consumer\\_vulnerability\\_strategy\\_2025.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/01/consumer_vulnerability_strategy_2025.pdf)

<sup>5</sup> [https://www.ofgem.gov.uk/system/files/docs/2020/02/ofg1190\\_decarbonisation\\_action\\_plan\\_revised.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/02/ofg1190_decarbonisation_action_plan_revised.pdf)

<sup>6</sup> <https://sgn.co.uk/about-us/future-of-gas/hydrogen/aberddeen-vision>

<sup>7</sup> <https://www.sgn.co.uk/H100Fife>

<sup>8</sup> <https://www.sgn.co.uk/about-us/future-of-gas/gas-goes-green>

<sup>9</sup> <https://www.energynetworks.org/creating-tomorrows-networks/>

### Government schemes (3)

While there is a high degree of industry confidence in the potential of a low carbon infrastructure, it is crucial that the energy policy and regulation strategy is shaped to facilitate growth in the biomethane market alongside that of hydrogen. Furthermore, while the ambition must be to move towards a low carbon and net zero future, the incumbent role of natural gas as a safe and cost-effective energy source should not be compromised.

In particular, the role of Ofgem in managing industry subsidy schemes to continue facilitating access to gas-based solutions while supporting zero carbon energy sources throughout their transition to full market capability will be critical to ensuring the success and viability of a range of future energy sources, while preserving access and affordability for all. SGN has concerns that the supporting policies which facilitate access to a funded connection are looking to exclude first time gas central heating from 2022<sup>10</sup>, limiting our ability to support vulnerable customers through the Fuel Poor Network Extension Scheme and limiting those customers from having the choice and access to the most effective interventions to reduce fuel poverty. Similarly, we have previously highlighted our concerns that the BEIS Green Gas Support Scheme will be insufficient to meet both our own targets as well as the Government's ambition of tripling biomethane capacity by 2030, and we remain hopeful that the scheme may be re-assessed<sup>11</sup>.

### Whole Systems

#### Full chain flexibility (5)

We agree that the requirement for enhanced network flexibility, with smaller-scale, more localised generation becoming increasingly prevalent and likely a key characteristic of the future energy system. As such, we are working collaboratively with industry stakeholders to develop a whole systems approach to deliver affordable and zero carbon heat for our communities.

While we note the ambition of the Forward Work Plan to facilitate “an electricity sector able to function without fossil fuels” and agree that full system decarbonisation remains the key focus, the role of gas as a transitional stage should be not overlooked.

Gas remains a critical fuel in providing the baseline requirements not only for heating and cooking, but also in supporting the wider electricity network. For example, distribution networks continue to facilitate connections for increasing numbers of gas-fired electricity generators, which have been shown to be critical in supporting the electricity networks at times of system stress. Similarly, connection requests from CNG filling stations demonstrate the ongoing role of gas in the transition to decarbonising transport.

While we agree with the Forward Work Plan that the use of smart technology by consumers may shift an element of demand, the diurnal nature of particularly domestic heating and cooking load will always necessitate an energy system capable of reliably delivering peak demand. While we currently observe gas acting as the balancing energy source during variations, and shortfalls, in supply vs demand in the context of intermittent renewable generation, this role could be fulfilled by hydrogen in a future whole systems scenario<sup>12</sup>.

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<sup>10</sup> BEIS Sustainable Warmth: <https://www.gov.uk/government/publications/sustainable-warmth-protecting-vulnerable-households-in-england>

<sup>11</sup> <https://www.gov.uk/government/consultations/future-support-for-low-carbon-heat>

<sup>12</sup> As presented by SGN at the Decarbonising Heat in Homes inquiry at the BEIS Select Committee, 9 February 2021

## Energy System Governance (8)

As observed in the Forward Work Plan, working with industry to remove barriers is crucial to enabling whole systems coordination and flexibility. The changing mix of gases required to deliver a low/zero carbon future will necessitate support and development of industry codes, licences and legislation to ensure networks and markets are ready and correctly incentivised to deliver both the infrastructure and volumes of gases required, and SGN continue to engage with key stakeholders on this matter. Such activity is already underway in the existing legislative environment, where SGN is engaging and supporting the review of potential changes which could deliver more flexible access to distribution capacity, in support of localised generation and CNG vehicles<sup>13</sup>.

However, we agree that more wide-ranging review reviews are also required, nothing the System Operator Review<sup>14</sup> currently underway, which could identify key opportunities in driving a whole systems focussed approach to future energy management. It is important that such reviews, while identifying changes where they may deliver operational or strategic benefits, do not diminish any positive elements of the existing arrangements, the value of which have been refined over many years of operational experience. Such reviews should also recognise the increasing role that distribution networks will play in entering gas into the energy market coupled with the potential for transmission networks to play a less significant role, with the industry codes which set out the commercial interactions between transmission, distribution and shipping/supply organisations reflecting this shift in activity.

In particular, to meet the requirements of both the transitional and enduring low carbon and net zero arrangements, the Gas (Calculation of thermal energy) Regulations and Gas Safety (Management) Regulations will require review and amendment, in order to adapt to the increasing number and mixes of gases in the network.

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<sup>13</sup> UNC Review 0749R – [Increased DM SOQ Flexibility](#)

<sup>14</sup> <https://www.ofgem.gov.uk/publications-and-updates/ofgem-review-gb-system-operation-terms-reference>