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**Cadent Gas Limited**

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[cadentgas.com](http://cadentgas.com)**Forward Work Programme 2018-19**

Ofgem

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

Dear Sir/Madam,

**Consultation on Ofgem's draft Forward Work Programme 2018-19**

Thank you for the opportunity to respond to the consultation on Ofgem's Forward Work Programme 2018 – 19. This response is made on behalf of Cadent Gas Limited and can be published by Ofgem.

At Cadent, we exist to keep the energy flowing. We're proud to be at the heart of heat, working closely with local communities across the nation to keep them warm, safe and connected. We know that customers expect their gas supply to be reliable and affordable, and this represents our focus for both today and tomorrow.

We fully support Ofgem's commitment to ensuring customers receive access to fair, competitive and sustainable energy services. We welcome the new format of the Forward Work Programme consultation, with its clear linking of Ofgem's future activities to positive consumer outcomes. As the energy system changes to facilitate lower emissions, it's important consumers – and the issues that matter to them – don't get left behind.

Ofgem's **core purpose**, identified in the consultation, closely aligns with our four core customer outcomes:

- **Keeping the energy flowing safely, reliably and hassle-free**
- **Building a better world for the next generation**
- **Working for our customers and communities**
- **Value and satisfaction at the heart of our services**

To achieve all of these aims, it's essential we work with Ofgem to maximise the potential of gas, as there is no credible scenario in which there isn't an extensive gas network in 2050. With this in mind, there are three key areas that we suggest deserve closer attention in the final Forward Work Programme 2018-19:

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\*Calls will be recorded and may be monitored

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## 1) Lowering emissions and the future role of gas

We believe in a joined-up, industry-wide approach to achieving cleaner emissions. The future of the energy industry revolves around heat, power and transport; these are the pillars on which any future strategy must be built, and it's vital we tackle these challenges as one industry. At the same time, greater recognition must be given to the key role gas will play in the energy mix. At peak demand, gas can fulfil up to 80% of the UK's energy demand – it's vital we keep it at the forefront of the conversation as we look toward our 2050 environmental targets.

The recent message from the Committee on Climate Change, in response to the government's Clean Growth Strategy, was therefore encouraging: 'Through investment under the RIIO price control system and carbon reduction projects across the country, our gas networks are at the very forefront of finding new and innovative ways to decarbonise heat and transport.' Effective use of our gas resources will support the transition to not only a lower carbon economy, but one with lower emissions across the board.

Cadent firmly believes that maximising the use of existing gas and electricity energy systems is the best approach to lowering emissions, as it represents the lowest-cost, least disruptive pathway. Equally, there will likely be little public or political support for the extensive electricity grid required if heating energy loads are moved off the gas grid. Indeed, a clear direction from Ofgem that expanding the electricity grid to accommodate heat and transport is not a credible option would help simplify the development of long-term, low carbon energy policy.

Alongside electric vehicles (EVs), Compressed Natural Gas (CNG) could have a significant role to play, particularly in the commercial and public service vehicle market. Cadent's investment in [the first commercial high-pressure CNG refuelling station in the UK](#) is a great example of innovation becoming reality. CNG can deliver 84% savings in CO<sub>2</sub> emissions compared to diesel, offering a sustainable solution to powering heavy goods vehicles (HGVs) cleanly. There are currently nine CNG refuelling stations connected to our networks.

Cadent has also begun a three-year [HyDeploy project](#) at Keele University to demonstrate how we can blend hydrogen with natural gas for safe distribution and use, without disruptive changes for customers. Elsewhere, we are working with project partners to fund the world's first commercially operating [BioSNG](#) plant, making gas from household waste and biomass. BioSNG is an affordable, low-carbon option for heating homes and powering vehicles. In the transition to a cleaner energy mix, we need to make best use of existing assets like these, which can provide solutions at scale today, before we look to brand new and potentially unpredictable solutions.

## 2) Protecting consumers' interests

Cleaner emissions must also be balanced with positive consumer outcomes. We support Ofgem's refresh of its 2013 Consumer Vulnerability Strategy – in which Cadent has played a leading role – and look forward to hearing more about how this develops. Our initiatives, like the [Locking Cooker Valve \(LCV\)](#) service and carbon monoxide awareness campaigns, have helped to ensure the safety of those in the greatest need of support. We've also been working with our partner Affordable Warmth Solutions (AWS) to support the development of technology that can accurately locate fuel-poor homes in the UK. As at the end of the 2016/17 financial year, we have delivered around 45,000 low-cost gas connections to fuel-poor customers since the start of RIIO-GD1.



Ofgem's commitment to recruiting more staff from engineering and technology backgrounds will hopefully support and facilitate the management of risk on behalf of consumers. However, we ask that Ofgem ensures diverse representation from across the industry in this recruitment strategy, incorporating both gas and electricity expertise to create the best possible outcomes.

Across the full range of consumers, it's important we remain focused on what really matters to them. To support this, the RIIO-2 framework needs to be built on extensive stakeholder engagement, not just within the energy sector but in the broader sense of the communities we serve. We believe input from regional bodies can really help shape a strong regulatory framework. In doing so, we can continue to ensure that the consumer's voice is heard and reflected in RIIO-2.

### **3) Building a successful RIIO-2 framework**

RIIO-2 should continue to incentivise innovation in lowering emissions across all vectors of heat, power and transport, recognising that gas is central to achieving the lowest-cost pathway to decarbonisation for all energy consumers. Gas is the go-to solution today, when the electricity network cannot deliver the flexibility customers need to balance supply and demand – or critically for economic growth, the timely provision of reliable new capacity. To support this challenge, gas distribution networks (GDNs) must continue to be justly rewarded for the valuable solutions they deliver.

It's vital we work together as an industry to shape a RIIO-2 framework that delivers the best possible outcomes for the energy transition and the good of consumers. In doing so, it is critical that Ofgem maintains its established regulatory principles, focusing on the long-term interest of consumers by creating a stable and predictable regulatory framework. In order to maintain and attract the required investment to deliver the outcomes required by current and future customers, all network companies must have a realistic opportunity to achieve fair returns in RIIO-2 which are clearly aligned to improvements in customer outcomes.

We believe there needs to be a more joined-up approach across the RIIO-2 framework and a reduction in the complexity of electricity and gas distribution and transmission price controls. Greater consistency and comparability across price controls, both vertically and horizontally, will facilitate greater collaboration across the energy industry and ensure recognisable benefits for all energy consumers. At the same time, each price control must continue to be appropriate to the section of the industry it represents. We're committed to supporting Ofgem to evolve the RIIO-2 framework and give customers confidence in the value for money delivered.

If you would like to discuss any of the points in this letter further, please do not hesitate to contact me via email at [neil.cahill@cadentgas.com](mailto:neil.cahill@cadentgas.com).

Yours sincerely,

**Neil Cahill**

Graduate – Regulatory & Industry Frameworks

Regulation & External Affairs