

Summary of Ofgem's RIIO-GD2 Decarbonisation stakeholder group – September 2019

From: Ofgem

Date: 17 October 2019

Location: Conference call

Time: 10:00 – 13:00

1 Introductions

1.1. Ofgem outlined developments since the previous meeting, including;

- Publication of [RIIO GD2 Sector Specific Methodology Decision](#) – May 2019
- Publication of updated [Business Plan Guidance](#)
- Ongoing discussions between GDN's and stakeholders on draft Business Plans.

2 Net Zero

2.1. Ofgem published an [open letter](#) to provide additional business planning guidance to gas and electricity network companies in response to the new UK Net Zero emissions target. Ofgem highlighted that companies may set out in their business plans how these could be 'flexed' in order to achieve the target by 2050. It was noted that BEIS are scheduled to publish a 'pathway' to net zero by the end of 2020, which may provide further information on the issue of transitioning to a zero carbon heat sector.

2.2. In response to a question, Ofgem stated that there were currently no plans to include a net zero uncertainty mechanism in the RIIO-GD2 framework beyond the existing proposal for a heat policy reopener. It was noted however that in their business plans GDNs could suggest additional uncertainty mechanisms that Ofgem would judge on their merits as part of the process.

3 Heat policy re-opener

3.2. Ofgem presented on potential policy developments that the heat re-opener could respond to (see slides for detail). In regards to the domestic load connection allowance (DLCA), stakeholders were broadly content with the potential idea of using a volume driver to set the allowance, with a re-opener should policy towards connections change during RIIO-GD2. The view was expressed that removal of DLCA may initially lead to a spike in connections prior to the policy being implemented.

3.3. It was suggested by stakeholders that developments in biomethane or heat networks should also be included as uncertainty mechanisms. Ofgem noted that some actions would be more appropriately funded through innovation funding than baseline allowances.

4 Environment Report

4.1. Ofgem presented its initial thinking on the scope and process of the Annual Environment Report that companies will need to produce in RII-GD2. Stakeholders were broadly supportive, but noted the need to take care in duplicating other reporting requirements. Ofgem noted that, where possible, the report design should cater to interested stakeholders and be comparable across sectors.

4.2. Ofgem will continue to work with companies on reporting metrics for the Annual Environment Report.

5 Any other business

5.1. Ofgem stated that there are no specific plans for future meetings of the working group, however this would be kept under review.