



Gas Network RII0-2 Stakeholder Engagement

Workshop Report



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Research background and methodology

Research background and objectives

Background

- The gas network companies are regulated by Ofgem under the RIIO price control framework which is designed to mimic the effects of competition.
- The current RIIO price control (RIIO-1) will end on 31st March 2021, with the new price control (RIIO-2) starting on 1st April 2021.
- Each gas network company has to deliver a RIIO-2 business plan that has been informed by stakeholders and customers, so it is critical that they engage and consult with all types of stakeholders and customers in this process.
- All 5 gas networks carry out the same function and want to engage with the same groups of stakeholders at a national level on the same topics. To avoid duplication of effort and over-burdening stakeholders, the gas network companies need to coordinate research with national-level stakeholders.

Objectives

- To avoid stakeholder 'fatigue', the gas network companies required research to jointly engage national stakeholders.
- This research follows a survey of the gas networks' stakeholders, conducted between July and August 2018.
- The survey showed that a considerable proportion of stakeholders wanted to engage with the networks collectively on the issue of decarbonisation of heat in a discursive forum.
- The gas networks therefore required qualitative research, using a single workshop format, to bring together a broad range of stakeholders from across the country, across different areas of the sector and representing a range of organisations. The workshop aimed to understand stakeholders' views of how the gas networks should individually and collectively support the decarbonisation of heat through their RIIO-2 business planning.

Detailed research questions

- The workshop aimed to explore stakeholders' views of the following overarching questions, in the context of trying to achieve a decarbonised energy system:
 1. What should a whole energy system approach look like?
 2. What should gas network RII0-2 business plans focus on in the context of decarbonising the gas system?
 3. How should customers, including customers in vulnerable situations, be taken into account?
 4. How can the gas networks work collaboratively to achieve decarbonisation targets?
 5. How can decarbonisation best be funded?
 6. What are potential barriers?

Methodology: sampling



Stakeholder sample received from each Gas Network Company and Energy Network Association



Invitation email sent to all stakeholders, followed by recruitment from Accent's Telephone Unit.



54 stakeholder representatives were recruited to participate, with attendance from 37 on the day. Representatives from all gas networks and the Energy Network Association attended.

Methodology: workshop approach

- A three-hour workshop was held on 6th February 2019 involving participation of 37 stakeholders representing 30 different organisations.
- The workshop included a mix of plenary sessions - including discussion, presentation of information relating to gas network activity and the RII0-2 regulatory process - and breakout sessions in smaller groups. To enable for more involved discussion and to allow contribution from all participants, the majority of the workshop was conducted in breakout sessions. The workshop structure is included in the appendices.
- Discussions were facilitated by table facilitators and all sessions were audio recorded for analysis purposes.
- A full list of stakeholders attending on the day is included in the appendices.



Executive Summary

Executive Summary

- Most stakeholders preferred taking a broad definition of ‘whole systems’ and expected the gas networks to find a shared definition (even if it evolves over time). This was seen to:
 - Allow for greater collaboration across sectors, providing a framework for joined-up business planning on shared issues
 - Minimise the risk of unintended consequences
 - Achieve balance and optimise the energy mix
- Stakeholders wanted future-proofed assets and decision-making with the longer-term end goal in mind.
- But they emphasised the need for urgency in putting the stepping stones in place to reach decarbonisation targets
 - E.g. prioritising trialling of options to provide the necessary evidence
- They called for a national conversation about the future of heat, with the gas networks seen as being central to:
 - Raising the topic up the public agenda
 - Helping consumers understand the forthcoming decisions, the need for change and possible options
 - Helping consumers understand the value of the current gas system, but also how future options may compare
- Stakeholders viewed the gas networks as important channels of support to customers in vulnerable situations.
 - This was expected to become even more important in the context of an increasingly decarbonised, and therefore potentially complex, energy system.
- Stakeholders wanted to see more collaboration between networks (gas but also gas-electricity), particularly in relation to innovation. Stakeholders showed appetite for knowing more about existing joint activity.
 - Some, however, felt that this kind of joint-working requires an incentive mechanism to overcome barriers of competition.

Executive Summary (2)

- Stakeholders expressed concern that time constraints of the RIIO price control period, combined with cost pressures, may have the perverse effect of hindering network innovation
 - It was also felt by some that new models for incentivising innovation may be required
- A possible policy cliff edge and lack of clear direction in heat policy were seen as the most significant barriers to effective planning and delivery.
 - Some stakeholders also point to a likely skills and knowledge gap as an additional concern requiring action.

3

What should a whole energy system approach look like?

Stakeholders see benefit in taking a broad definition of 'whole systems'

- Many stakeholders wanted to see a wide definition of 'whole systems', taking account of national and regional geographies and across wider energy vectors such as transport and industry, but also other related sectors such as water.
- This was seen as a broader view than Ofgem's RIIO-2 definition covering electricity and gas, and one that is about encompassing the full breadth of energy vectors that 'keep Britain going'.
- This definition also needs to consider demand side issues, encompassing consumer perceptions and behaviour.

" A whole energy system approach can range from different resources; water, biomass and quite a number of other different things, right the way through to people's perceptions of energy systems, how people are going to relate to energy systems, behavioural change as well. " (Group 3)

" Whole systems is about actually trying to get the gas and electricity systems working together; it's about trying to get the national and local systems working together and personally I think, although Ofgem define it as bounded in that way, it actually needs to think about what's happening on wider heat as well, the sources of heat and the transport and ultimately into customers' homes...but if you're going to have a debate about the future of gas, it seems to me that you need to be thinking wide " (Group 1)

" You can't exclude anything and even things which are not really within the remit of UK policy, things like maritime applications, I think I'm right in saying that that's not part of our carbon commitment but actually you can't ignore it because you're doing something like the Acorn Project where we're producing large amounts of hydrogen at a marine terminal then you've got to think what else is going to happen to that hydrogen? Is it going to support the infrastructure or is it going to have a detrimental impact on it? " (Group 2)

A whole systems approach should be designed to avoid unintended consequences

- Stakeholders felt that the inter-dependencies between electricity and gas sectors and infrastructure mean that a whole systems approach is crucial to involve integration of planning between DNO, GDN, ESO and GSO.
- A wider scope of the whole systems definition, while introducing complexity, was seen to be necessary to give the gas networks full view of their operational dependencies and to reach the optimal mix of delivery.
- Crucially, this wider definition/approach was also considered vital to allow for the full range of options to be included in business plans and to avoid unintended consequences.

“ *Hydrogen as transport for heavy goods vehicles but there is a symbiotic relationship between the gas and the electricity networks and what potentially we do on the gas network has an impact on the electricity network and vice versa....you've got the gas networks, you've got potentially at the moment unregulated heat networks which then you might increase over the coming years which then has an impact on what kind of gas networks are installed or electricity networks. So that broader definition of whole system is much more important than the one that maybe Ofgem are looking at.* ” (Group 4)

“ *It might be quite hard for the gas network to determine whether there's a whole system benefit which is a rather obvious point but nevertheless significant. And I think also it might be difficult then to think of optimisation. So what is the optimal mix anyway?*” (Group 1)

And is about giving balance and achieving optimisation

“ *Isn't a lot of this to do with balance, if we're going to have an electric transport roll-out and then you're going to need to balance that with something because you're either going to massively generate more electricity if you're also going to electrify heating or you're going to have to find a balance and that balance would be the gas grid at the moment. So you're balancing, you're using the whole system to balance out where those various decarbonisation routes are going to go so you've got the strategic targets, how can you balance the resources that we currently have in use to optimise your decarbonisation?* ” (Group 2)

“ Great, it's easy to fit a heat pump, probably takes a day but what happens to the upstream network when the estate of 5,000 properties have all got heat pumps? ...the customer is fickle and if gas hydrogen is going to be expensive but they can go and get a heat pump off the shelf installed by Corgi registered guy in a day or two, all of a sudden you get the problem upstream because you've got a network that can't cope” (Group 1)

Some want to see an evolving definition of 'whole systems'

- Some stakeholders argued that the definition itself should not be the most important thing, as long as it is clearly articulated upfront. They argued that a perfect definition will never be reached, and could not work for all parties.
- Rather, a working definition should be adopted, clearly set out in business plans, and used as the framework for business planning. This approach was seen to provide the flexibility that it could adapt and be changed over time – and networks should be transparent that their understanding / definition of it might change.
- However, there was the expectation from stakeholders that the gas networks should aim for a collective agreement of what, for the purposes of their business planning, they understand by whole systems. And to be consistent in how they talk about it.

“ There's no answer to what is a whole systems approach...Whatever approach you take, the answer is just detailing out at the beginning of the document...at least you've given them the information to say look, whole systems in this definition just for this particular piece means this and then it sort of takes away this need to try and find a broader agreement in terms of what a whole system actually is, because it's very difficult perhaps to get agreement as to what it actually means as a definition. ” (Group 3)

“ It'd be nice to think that the networks themselves could agree on something, but not perhaps you know right the way across - lots of other different stakeholder groups might have different views on that... the other thing is it might well change over time. So, even having a definition right now this year, 2019, in two years time it might well have all changed. ” (Group 3)

While some call for better articulation of network roles to facilitate a whole system approach

“ The question that occurs to me about the whole systems approach is whose responsibility is it to devise and deliver it by which I don’t mean who are the organisations who will be involved but I mean who are the people at what level in the organisations who will do that? Who will bring them together and make it happen and what are the incentives for the individual organisations to deliver that outcome?...I can see everybody thinking this is a good idea; what I’m not sure is who it is who’s supposed to do it. ” (Group 1)

4

What should the priorities be for the Gas Network Business plans?

Stakeholders want 'low regret' investment to provide a future-proofed system in the short-term

- Stakeholders felt that actions now, and across the RII0-2 period, should be setting the groundwork for achieving delivery across RII0-3 and up to 2050. Inherent in this is the need to ensure that actions taken now are supporting and not impeding the path to a decarbonised energy system in 2050.
- Stakeholders wanted to see the gas networks working in a way that does not close off opportunities for the future by under-investing, but equally not over-investing and being left with a stranded asset based on a flawed technology or one that becomes redundant in the longer-term.

“ Are you developing a project which are low regret, no regret, that could be utilised in a number of different scenarios in the future or are you expanding your networks and in a particular scenario, that requirement is to expand into that particular village, they might all have electric heat in 15 years' time and the consumers will continue to pay for those assets for 40-50 years that they're in the ground. It's building some really key questions into your governance framework...when you're signing off on a project, have you thought about what the future might look like for those assets?” (Group 4)

“ Within this price control period, we shouldn't be looking to answer the full 2050 question; we have to set ourselves on a pathway which allows us to see around the corner, takes a little bit further down the route and hopefully with some sensible decisions that sets us on the right trajectory going forward. And there are some really obvious 'no regret' options that need to be taken into account within that price control period and they should be the ones that are supported with a meaningful understanding of what the next stage might bring along when we have a better understanding of the technology.” (Group 2)

But low regrets alongside urgency

- Stakeholders agreed that the end 2050-target should drive thinking and the route map should be focused in that direction.
- However, stakeholders also recognised the tension that exists between a ‘low regrets’ approach and the need to take action now to avoid the delivery timescale becoming unnecessarily tight.
- Some stakeholders expressed a fear that insufficient action might be taken now to decarbonise the system because the focus is too much on the longer-term.

“ I’m just hesitating a bit about this low regret mentality. I completely understand it and it’s being thrown around all the time when we talk to BEIS and Ofgem. It’s low regret options now and then we’ll find out later in the future and high regret options we have to choose something but if you just keep putting it off then it’s a non-starter....At least do some of the investments now to prove that you can actually do it at a lower cost.” (Group 4)

“ There has to be some anticipatory investment. If you don’t, simply what happens is you just lock out some technologies and lock in others. It’s that simple.” (Group 1)

“ If you don’t take the right steps now, about things that have got to be done in a sequence before you can ever implement the hydrogen future so things like testing the blending and testing the 100% ...So I think that RIIO-2 needs to recognise that these are short term investments that have got to be done; they’re not urgent in themselves but if you don’t do them now, you’ll never do them. It’s going to just kick the can further down the road.”
(Group 2)

A critical element is putting in place the stepping stones to facilitate the move to a low carbon gas network

- The call for urgency was particularly evident for learning from and implementing low carbon gas solutions. Stakeholders called for a continuation of options testing to provide the evidence on which subsequent network decisions will be taken.
- Examples included building a stronger evidence base for the benefits of 100% hydrogen vs blended options.

“ The next 5 years it is about maximising the amount of low carbon gas that you can get onto the network and...I think you need to be learning and preparing for the future so that’s testing things that might be further ahead on hydrogen or whatever to help inform the big policy decisions.” (Group 1)

“ Things like the RGRP 3 is a bit of a no-brainer, you’re doing it for safety reasons anyway so if at the same time you say well, we make it hydrogen compatible then why wouldn’t you do that?” (Group 2)

“ If the gas grid companies actually took a stronger look at the inability to inject biomethane into the grids at summer months in certain networks; if they could look at that and the solution is fairly straightforward, it’s not technically demanding. There are numerous projects where we would have invested in a significant AD plant but that inability to inject in those 3 months makes the economics of the project not work...it’s a solution that’s been long in coming but is relatively technically very simple.” (Group 2)

While the future billing methodology is seen as important to achieving this

“ One particular example that I would like to see accelerated is the future billing methodology work...So, as soon as people have proved the concept the next thing should be the big study that in theory you could go from there to actually rolling it out properly because this might take 10 years to do, but it needs not to take 25 years to do.” (Group 3)

“ Just generally reducing the barriers to injection of gases in to the distribution system so the billing methodology is part of that, but also gas entry costs managing gas once in the distribution networks and at the moment it's going to be limited by you know summer time demand .” (Group 3)

4a Delivering for consumers

Stakeholders see the need for a national conversation about the future of heat

- Stakeholders saw consumers as being - currently - relatively passive parties in the transition to a decarbonised energy system, but highlighted that this needs to change. Consumer awareness of the need for a decarbonised energy system, and the implications that different options might have on consumers – including different types of consumer - was widely perceived to be low.
- Many stakeholders therefore called for the profile of this issue to be raised so that consumers can begin to understand the need for change. This includes several facets; continuing to explain the need for energy efficiency, ensuring consumer needs are built into planning and also raising the prospect that future options will have different implications in terms of cost, disruption and consumer interaction with heat.

“ At the moment, millions of people in the country are paying a little bit more for a green tariff. That discussion needs to be had, saying ‘Yes, there’s going to be loads of hydrogen, biomethane, bio SNG into the gas grid. There’s a cost associated with it. These are the costs, these are the benefits. What do the public say.’” (Group 2)

*“ What about how the public consumer engages with their heating system, what kind of heating system they expect to have, what they expect that to be able to do when they expect it to be able to do it in a way that they are used to? ...How do we address that? ”
(Group 3)*

And the gas networks are considered to be an important part of that conversation

- Stakeholders agreed that gas networks will need to be an important part of this conversation. Views differed on whether the gas networks should lead this debate, but all stakeholders agreed that they will need to be a prominent voice within it.
- The gas networks are considered authoritative and expert voices on the subject, but some question whether they would be best placed to lead the debate on which approaches are optimal.

“ It's not a network issue to lead the conversation with the general public. To say 'there a number of options at play in terms of future scenarios, these have some advantages these have some disadvantages' and to just start the debate around how many people in the wider public know that in 20 or 30 years' time that the way that the systems we have of delivering heat at the moment are likely to change significantly.”

(Group 3)

“ Who is well placed to maybe even start the discussion with the wider public and I don't see it as the networks job to do that...it's really difficult one imagines for government to be involved in that discussion or lead that discussion because it's not a vote winner perhaps and therefore you know we look at ourselves as academia should, can we get involved and maybe help in terms of that discussion, I don't know.” (Group 3)

“ If we all believe that energy efficiency is absolutely key to decarbonisation, which I think most people believe it is, then absolutely yes it should be part of the decarbonisation conversation and networks are part of that conversation so they need to be part of it.” (Group 3)

The gas networks also have a role to help consumers understand the value and benefits of current vs future options

- What is clear, is that stakeholders expect the gas networks to help consumers understand what the options might be for decarbonising heat and, importantly, what the costs and benefits are of each might be to consumers.
- This was seen to include:
 - Setting out the value of existing services;
 - Explaining the different options for decarbonising heat;
 - Illustrating the implications for consumers of different options (disruption, safety etc); and
 - The potential costs (up-front and lifetime) and benefits of these investments, including how that compares to the status quo
- Consumer education requires a multi-faceted approach, including partnership with consumer groups and case studies to illustrate existing applications (e.g. existing use of bio-methane and showhomes).

“ I think people need to understand the value of what they're paying for...and I'm surprised how many people don't understand green energy...even when you try and explain like the waste food going into biogas into their gas line, they think you're having a joke and it's like 'This can't be true'. So I think the general public don't really understand that we talk about now the government are going to force waste food collections. Well again that's going to have implications because you're going to have more collections which is more cost and that's got to go to the consumer at the end of the day. Well if they understand what's coming back in terms of the benefits for the environment and value in the future, again it depends how you interpret that value doesn't it? ” (Group 1)

“ Some of this is about education as well for end consumers so what are the benefits for them? Because ultimately, I think end consumers aren't as engaged in this country as they are in other European countries so that's an issue that needs to be addressed. How I really don't know but I think if you can tackle the issue around engagement and understanding what the benefit is to me, my home, my property, the supply that I'm going to get, that will surely put you in a better position to then say 'Right. Okay, in order for you to ultimately have the benefit from this, it's going to cost you this amount. ” (Group 1)

While it is important to be mindful of the needs of the full range of gas customers

- Stakeholders highlighted the importance of the gas networks being aware of, and catering to, the different needs of their customer base, for example:

Taking account of the range of needs of C&I customers

- Understanding if there are issues around compatibility of green gas with industrial processes
- Allowing industrial customers to understand options and timescales

While also considering domestic consumers needs

- e.g. helping them to understand how, and when, they can make the best decisions regarding heating/gas

“ You need to separately think about industrial consumers who work on a completely different timescale. When we’re talking about industrial consumers, if there is a switch to hydrogen away from natural gas, between now and 2050, two times that investments are going to be made in that and that’s the only two times that the industry has an option to switch to equipment and that’s even on the assumption that they can. ” (Group 4)

“ Do you ensure that all consumers are doing the same, that there aren’t just some people where you can’t just say ‘Okay, now we switch,’ because they might just 3 years past had invested in something in some asset that they intended to use for the next 15 years and they’re not going to switch? ” (Group 4)



Supporting customers in vulnerable situations

Stakeholders emphasise the importance of continuing to support customers in vulnerable situations

- There was widespread stakeholder support for the gas networks to continue to deliver support to customers in fuel poverty and those who may experience particular vulnerabilities. Some felt that more could be done to harmonise eligibility definitions.
- While some stakeholders raised the issue that suppliers have a more direct relationship with customers, and therefore might be better placed to reach them, it was considered important for these customers to be supported by their gas network. Partnership working – with retailers and with other agencies - was also highlighted as an important, perhaps primary, approach.

“ Continuing to help the most vulnerable customers...for me not just a continuation, but expanding on it to help homes to not just get a connection but also free energy efficiency. ” (Group 3)

“ Continuing to connect fuel poor customers to the network is important because it can have a huge impact on energy costs especially when they've previously been using oil to heat their homes. I think that some of the work that has been done on carbon monoxide awareness has been really important as well and for that to carry on and be more focused on vulnerable customers as well will be really important. ” (Group 3)

“ It's all about identifying who the customers are and the suppliers say this is a very, very difficult feat and traditionally government has actually told suppliers who they are, they're given a list of people on benefits etc. Networks can't find out economically who are actually on the network. It's much better to be told by a trusted authority such as the government that these are the people you need to look after. ” (Group 1)

And protecting these customers is considered particularly important within the transition to a decarbonised energy system

- Some stakeholders raised the concern that a decarbonised energy system had the potential to have a disproportionately negative impact on customers on low incomes or those living in vulnerable situations.
- Some also highlighted that during the transition to a low carbon heat system, the wider range of uses of the networks could lead to a more disparate set of impacts on customers in vulnerable situations. In this context, the nature of support required will need to be increasingly tailored and not follow a one-size-fits-all approach.

“ If you were looking at a complete decarbonisation of heat then that would be a significant amount on customer bills and that’s clearly exceptionally excessive and you’d have a lot of negative consequences in terms of vulnerable customers. ” (Group 1)

“ There’s a danger to lump this all into one thing in terms of price. Whereas I think if you were just putting more green gas into the gas network then maybe it’s a question of affordability; if you’re talking about actually changing over to hydrogen or I don’t know, changing technologies in the home, then it may be a case of engagement and capital cost which is a completely different question about how do you engage and pay for that? So I think we just need to be careful not to think of it as one problem; it’s a series of problems or challenges maybe and depending a bit upon what you’re talking about or what transition you’re talking about, it will have very different ways of coming out. ” (Group 1)



How the gas networks can work collaboratively

Stakeholders call for continued and increased collaboration between gas networks

- Stakeholders recognise the benefit of collaborative working between the gas network companies. This is particularly the case for innovation and the large-scale decarbonisation challenges the sector faces. It is also seen to be important given the potentially wide reach of a whole systems approach and large number of decision makers this would require coordination across.
- Stakeholders referred to several existing examples of positive collaboration (such as the National Grid FES), but saw there being an increasing need for cross-company working to effectively answer the fundamental questions of how to decarbonise the gas system.
- This was seen as requiring a truly collaborative approach, avoiding pursuing individual agendas at the expense of the bigger picture, while allowing for regional variation where necessary.

“ You need to be very coordinated in how you approach RII0-2. So individually as networks, you’re doing great stuff and this might be a question for Ofgem in some ways of breaking down the competition barriers and allowing you guys to go and work together and still benefit from that; in some ways that’s the innovation pot and sharing that knowledge but it’s tackling the big problems that we’ve got. So pooling your resources to go with the hydrogen stuff and really come up with answers that mean that when we do need to press the button, you’re all ready and you’ve already got the answers. ” (Group 4)

“ Another problem is it's fragmentation in terms of people's effort and what they're focusing on so if we look at a lot of the things that were good that happened from 2008 they were the result of a high level of coalition building and consensus around ‘this is what we've got and this is what we need to do’. I've no reason to suggest that the energy networks are struggling amongst themselves in terms of co-ordination, if they are I don't see it. ” (Group 3)

“ I'd probably argue against trying to come up with a single national view because the challenges are different in different regions; the ambitions of the Scottish Government are very different from Westminster. You've got surplus of solar power in the south west and masses of wind farms, they've all got different challenges so actually I think having a clearer regional picture is where you're going to end up in terms of the future of gas. ” (Group 1)

Some stakeholders argue for an incentivised approach to joint working

- While collaboration was widely seen as beneficial, stakeholders acknowledged the tension between aiming for greater collaboration while also encouraging competition between networks.
- Some suggested a stronger incentive mechanism is required to allow networks to work together to achieve shared goals more effectively.

“ One of the tensions that brings out is where should there be drives towards more competition and where should there be drives for more collaboration because a lot of what we’ve heard so far has been about actually can you guys not collaborate a bit more and communicate better about what you’re doing collectively. ” (Group 4)

“ I feel like I would much prefer there to be a proper cold cash incentive for you to be doing it and none of this softy softy, we’ll talk to the SO. I would prefer there to be a very clear way in which if you’re reducing costs somewhere else in the system, you get that back. ” (Group 4)

Stakeholders also want to see greater external promotion of gas network activity

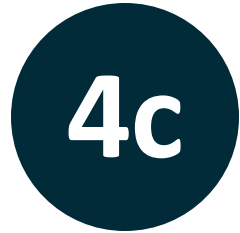
- Gas Network stakeholders are interested in knowing more about what the networks are doing, and in particular want to hear more about initiatives, but also the benefits of those, how they are progressing, and the outcomes.
- The feeling was that this communication needs to be proactive and more active than passive—trying harder to reach stakeholders than just publishing reports on a website.

“ I understand why you were doing the innovation projects around hydrogen, that’s clear to me; what is not clear is the outcomes of those innovation projects.. ”

(Group 4)

“ Someone put it really well in a meeting yesterday I was at. They said ‘We publish loads of stuff but we probably don’t communicate it well. Loads of stuff on our website about it. You can go and read it.’ I’m not going to go and search on your website. ”

(Group 4)



Funding decarbonisation

Innovation needs to be funded beyond the RIIO cycle

- Some stakeholders reflected that there is a potential disconnect between the short-term RIIO-2 timeframes and long-term decarbonisation targets. While a regulatory period is required to ensure focus on short-term delivery, with innovation being tied in to the RIIO-2 timescales, some saw the 5-year price control period potentially stifling innovation.

“ Innovation is tied into the timescales. It's innovation for a five year period, innovation for another five year period... we know where we want to get to and we know where we're starting from, but this issue about how to get there...is that best served by having five or six steps of five years for funding for innovation or is there the potential to think about it might be better served to have a longer period of time in certain cases to allow some types of innovation to benefit from that slightly extended period...there's a definite need for a timeframe and that happens to be five years for the RIIO-2 period...it certainly serves some aspects, but does it serve let's say maybe a longer term approach to innovation.” (Group 3)

- There was also some concern that pressure on network company costs may prevent innovation.

“ I'm concerned that the focus on cost ...will tend to reduce the amount of things that are spent on innovation...there's obviously a lot of pressure on them to show to keep a lid on costs and so innovation projects particularly where this might be the pathway to a particular thing, but I can't easily justify through exactly how much the benefit will be. That sort of thing will tend to get closed down.” (Group 3)

While the right things need to be funded for the right reasons

- Some questioned whether innovation funding is the best model to achieve the highest-potential options. They suggested that innovation driven – at least in part – by internal company finances would be a better approach.

“ The reason the incentives for innovation were made so high at the last price control review, and they were increasing the price before that as well, was because companies weren't innovating enough. Now there's nothing to stop companies putting their own profits in to innovation if it's that much of a challenge or that much of an issue companies do that as standard. So, I think there's got to be some sort of sharing mechanism in this price control where it's not just consumer cash put in, but it is a mix of cash that goes in to these things because that means that it will be more economically directed to what gives the best returns and what's got the most potential, rather than some of the desk-based studies that have been funded via the NIA, which have been used as lobbying tools quite simply. Then there's stuff that shouldn't have been funded that have been paid for by consumers and that cannot continue in to the next price control. ” (Group 3)

Some see potential for ‘TOTEX trading’

- Some called for regulatory policy that allows for TOTEX trading, as a way to encourage greater collaboration (cross sector as well as cross-network) and delivery of whole system approaches.

“ At the moment, there isn’t a very easy way for that cash to flow between networks, is there? And you couldn’t necessarily fund another network to do some work for you directly based on what your outputs were. It would have to be across sectors as well. In theory the electricity transmission network might find a solution in the DNO network and the DNO might find the solution in the GDN network and so it has to be fully across the sector to work. ” (Group 4)

5

What are other potential barriers to achieving stakeholders' priorities?

A policy cliff edge and lack of clear direction in heat policy are seen as the most significant barriers

- The most significant, and consistently cited, barrier to the gas networks successfully working towards a decarbonised heat system through RII0-2, was the perceived lack of a clear heat policy and absence of schemes to deliver low carbon heating post FITs / RHI.
- Stakeholders called for public heat policy to help the networks strive towards a common goal. Without this, stakeholders feared that network activity is driven by price controls that may result in piecemeal approaches.
- Some stakeholders felt that, in the absence of stronger policy direction, a change in network mindset will be required to achieve the decarbonisation goals.

“ We’ve got a tariff. It’s basically, the sad thing is that the industry here in the UK and in terms of widespread biogas generation was off the tarmac and taking off and the government’s new rules has just put the plane back on the tarmac. That’s what happened from an investment point of view and there’s no way forward on investments. Whether a tariff is right or wrong, there’s no way forward without them. ” (Group 1)

“ My concern on the priorities for the next 5 years, looking at it from a biomethane gas into the grid is RHI, that is coming to its end in terms of government funding...if there is no son or daughter of RHI, the danger is again we’ve got this enormous asset where the ability to take waste and create green gas is invaluable but we’re not going to exploit it and I feel there’s a danger we now see hydrogen and these other solutions which are not here yet, and again the appliances to run on it within a network, these challenges are in the future. Today, we’re not going to be able to maximise I think our potential and the government needs to meet its carbon commitments. ” (Group 1)

While stakeholders are concerned about a possible industry skills gap

- Some stakeholders were concerned that experience and knowledge, developed through the delivery of RHI schemes, should not be lost.
- They feared that much of the retiring workforce will not be replaced as project delivery ends over the next 2-3 years.
- The gas networks should continue to focus on attracting, training and retaining the workforce required to meet the challenges of decarbonisation.

“ We've spent seven or eight years getting whatever it is 80 plants up around the UK having starting with zero that's a lot of you know mistakes and learning you want to keep the people who can learn from those mistakes not just come back two or three years later and start again...given that there is an acknowledged force of gap in this area and government's slightly crossing its fingers and hoping it can come back in the mid-20s and pick it all up again anything this kind of process can do to nudge something even if essentially it's a holding pattern so that we don't lose what we've got would be a good thing.” (Group 3)

“ Something that we deal with in the gas industry; a lot of people are quite close to retirement age, so those guys when their jobs disappear will go well that's probably about time to hang up my hat isn't it there aren't quite so many new people coming through. ” (Group 3)

6 Appendices

List of organisations represented

ORGANISATION	Group
Greenlane Biogas	1
Iona Capital	1
ESP Utilities Group	1
Grid Edge	1
ARUP	1
Sustainable Energy Connections Ltd	1
Gas Safe Charity	1
Energetics-UK	1
Energetics-UK	1
Xoserve	1
Imperial College London	1
Ofgem	1
Green Gas Certification Scheme (GGCS) & Renewable Energy Assurance Ltd (REAL)	2
Energy and Utilities Alliance (EUA)	2
Xergy	2
Delta-EE	2
ADBA	2
IGEM	2
Energy & Utilities Alliance (EUA)	2
BEIS	2
BUUK Infrastructure	2
Ofgem	2

ORGANISATION	Group
Imperial College London	3
NEA	3
Ofgem	3
Green Frog Gas Utilities	3
Siemens	3
Energy Policy Group, University of Exeter	3
Qila Energy	3
Element Energy	3
University of Birmingham	3
Imperial College London	3
EEF, the manufacturers' organisation	4
The Association for Decentralised Energy	4
HSE's Health and Safety Laboratory	4
Citizens Advice	4
Imperial College London	4

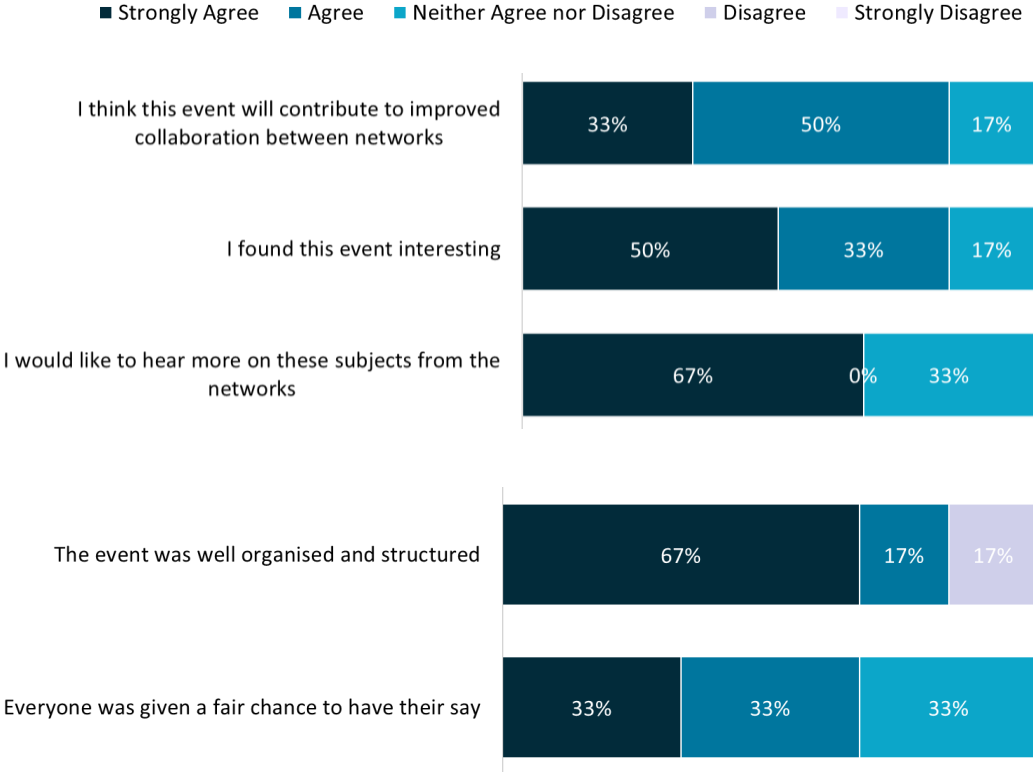
Representation of stakeholder groups

- As noted in slide 4, this workshop followed a survey of the gas networks' stakeholders in 2018. The original sample frame for that survey, which provided the initial sample for the workshop, was developed by the gas networks and supplemented with a desk review by Accent.
- The table below indicates the types of stakeholder groups attending the workshop and how this compares to their representation in the original sample frame. The workshop attendance is broadly representative of the overall profile of national stakeholders

Stakeholder Category	Number attending	% of total	Representation in original sample frame
Consumer & fuel poverty groups	2	5%	3%
Government & regulatory	4	11%	12%
National trade associations/ utility industry peers	9	24%	31%
Private/ Commercial	15	41%	40%
Think tanks, academics & innovation	7	19%	11%
Other	N/A	N/A	3%
Total	37	100%	100%

Post event questionnaire responses

- Following the event, all stakeholders were emailed a short questionnaire to collect feedback on the event and to provide any further comments.
- 6 completed questionnaires were returned. Questionnaire responses are presented to the right and open text responses on the following slide.



Post event feedback

■ Please tell us in a few words why you gave these scores.

“ Ultimately, I found it a very interesting day and I thought it was well run and structured. Very much looking forward to the report output. ”

“ The breaking up in groups gave a very good debate and everybody had a chance to give input. ”

“ Although we are not part of the industry that can affect or be directly affected by the outcome for a few years, it is interesting to keep an eye on the future developments. ”

“ A good event; perhaps a little rushed - and it was a shame the interactive element of the day was not used more. I have attended workshops where that element has really enriched the discussion. ”

“ The event started well but the discussions were not focused and felt a bit rambling. It also felt like there was a clear steer behind some of the issues and wasn't clear why questions were being asked. Overall, for all the money at stake under RIIO it felt like more should have been on offer for stakeholders. ”

■ Do you have any other feedback about how we could improve these types of sessions in the future?

“ 1. Have an independent event steering committee.
2. Do more lecture style interaction allowing everyone to have views in the same forum rather than three separate rooms 3. Start with specific and clear questions. ”

“ There should have been time for each group to give a short feed-back in plenum by the end of the workshop. ”

“ The government's future decarbonisation of gas/heat policies remain a huge uncertainty. Would be helpful to have a BEIS speaker indicate their decision-making timeline. The direction of travel with regard to future carbon budgets is a key aspect to this - so having a view from CCC also helpful. ”

Post event feedback: other reflections

- Do you have any other questions you would like to ask, or points you would like to raise, with the gas networks?

“ I understand that future decarbonisation pathways are being studied by each of the GNDOs as part of the RIIO process. It would be helpful if a joint GDNO workshop on their 'thinking' to date/work commissioned/findings could be organised. ”

Workshop agenda

Registration		12:30 – 13:00
Welcome and introductory plenary session		13:00-13:30
PLENARY	Aim: Introduction to the workshop focus and setting scene. Clarification of any fundamental questions from stakeholders.	
	<ul style="list-style-type: none"> Welcome to the event Welcome and introductory presentation Presentation: RIIO2 context; latest position; gas network RIIO-2 response; delivering stakeholder outcomes Explanation of workshop format 	
Breakout 1: Understanding stakeholder priorities		13:30-14:20
Breakout groups	Aim: Clear understanding, in the context of working toward an integrated energy system/decarbonised future, of what stakeholders feel are priority areas for the gas networks.	
	<ul style="list-style-type: none"> Definition of a whole system approach Areas that the gas networks should be prioritising in their planning for 2021-2026 What are the challenges or blockages to achieving these aims 	
Break 14:20-14:35		
Breakout 2: Achieving stakeholder priorities		14:35-15:25
Breakout groups	Aim: How do stakeholders feel the networks can deliver the priorities identified? What are the enablers to facilitate collective working to achieve them?	
	<ul style="list-style-type: none"> How the networks can achieve the priorities stakeholders have identified How networks can work collaboratively to achieve these goals Funding of decarbonisation 	
Plenary		15:25-15:55
PLENARY	Aim: All participants to get a sense of conversations from other breakout sessions. Summary of main priorities and themes on how they can be achieved. Thank all for participation.	
	Summary of discussions held in each breakout session	
Close		16:00



Gas Network RIIO-2 Stakeholder Engagement

Workshop Report



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