



YOUR NGN NEWS UPDATE

AUGUST 2021

NGN welcomes release of the Hydrogen Strategy



Earlier this week we welcomed the release of the **Government's first Hydrogen Strategy**.

The strategy aims to create a world-leading hydrogen economy in the UK, supporting over 9,000 jobs and unlocking £4 billion investment by 2030, potentially rising to 100,000 jobs and a hydrogen economy worth up to £13 billion by 2050. The Government also launched a public consultation on a preferred business model which, built on a similar premise to the offshore wind contracts for difference (CfDs), is designed to overcome the cost gap between low carbon hydrogen and fossil fuels, helping the cost of low carbon alternatives to fall quickly, as hydrogen comes to play an increasing role in our lives.

The Government is also consulting on the £240 million Net Zero Hydrogen Fund, which aims to support the commercial deployment of new low carbon hydrogen production plants across the UK. The strategy's release follows Boris Johnson's 10 Point Plan For a Green Industrial Revolution which was published last autumn and committed to 5GW of low carbon hydrogen production capacity by 2030, which is enough to power 3 million UK homes as well as some heavy industry and transport. Commenting on the publication of the Hydrogen Strategy, our Chief Executive Officer Mark Horsley said : "We welcome the Government's Hydrogen Strategy which provides further clarity on the vital role that hydrogen can play in helping achieve the target of net zero by 2050, while stimulating job creation and green growth, but even more must be done.

"Our pioneering hydrogen demonstration projects are proving that hydrogen can help to decarbonise heat. Today customers near Gateshead are heating their homes with blended hydrogen and our hydrogen homes are showcasing 100% hydrogen appliances to demonstrate how it could be part of people's daily lives.

"There are around 8-12 million homes in the UK that could be heated by clean-burning hydrogen and we must be ambitious and stimulate the production of hydrogen beyond the 5GW government target. This is essential in order to bring an affordable, low disruption clean energy transition to the communities we serve."

[FIND OUT MORE](#)

RIIO-2 Business Plan update

Over the few months we've kept you up to date with the latest developments on our business plan for regulatory period RIIO-2. We have already begun delivering our RIIO-2 plan commitments from April 2021 however, as a network with a leading and proven track record of delivering long term value for our customers, we were disappointed this was not reflected in Ofgem's Final Determination back in December 2020. After careful consideration and extensive analysis of the Final Determination, we decided to appeal its outcome to the Competition and Markets Authority (CMA).

The appeal focused on four main areas, including the allowed return on investment and the way Ofgem have calculated the costs we will spend on maintaining and investing in our network over the next five years. We have now received the provisional findings from the CMA on our grounds of appeal:

- Ofgem’s approach to calculating the Cost of Equity - **the CMA has provisionally found the Ofgem Board has not made an error in setting the Cost of Equity.** It determined that appellants had not provided the necessary evidence to demonstrate that Ofgem was wrong or its decision was outside of its scope to apply regulatory discretion.
- The inclusion of an Outperformance Wedge - **the CMA has provisionally found the Ofgem Board has made errors in its approach.** It determined that the Outperformance Wedge is a poorly targeted way of addressing concerns over outperformance and may undermine broader regulatory certainty and increase costs to consumers over time.
- Ongoing Efficiency - **the CMA has provisionally found the Ofgem Board has made an error in relation to the level set for the innovation uplift** and found some errors in the evidence that Ofgem considered to set the base level of ongoing efficiency, however the remainder of the data supported Ofgem’s core assumptions and such they concluded **Ofgem did not make an error in setting the core efficiency challenge.**
- The level of incentive offered to the Frontier company - **the Ofgem Board accepted it had made an error calculating our reward at the time of the Final Determination, and the CMA have determined Ofgem was indeed incorrect in its calculation.**

The CMA has not defined what the appropriate remedy will be for those areas it has ruled in NGN’s favour. This will be negotiated with GEMA and Appellants over the coming months.

We will be reviewing the detail of the [CMA’s provisional findings](#) of NGN’s appeal on key aspects of Ofgem’s RII0-GD2 Final Determination over the coming weeks and have until the 3rd September to submit our response to these provisional findings. We will continue to work closely with the CMA, GEMA and other appellants by following the formal regulatory process as this investigation progresses in order to seek a resolution and satisfactory outcome on the errors to ensure that we can invest in the most efficient way possible for our customers. We expect the final decision from the CMA in

October 2021 and will keep you, as our valued stakeholders, updated throughout the process.

GET INVOLVED

Join us at our next online **Customers in Vulnerable Situations Workshop** on **Tuesday 14 September**. Our upcoming workshop will focus on:

- You said, we did – we'll feedback what we've been working on since we last met in June 2021 and how your feedback is shaping our plans and direction
- Partner spotlight session – with Simon Kilshaw at Groundwork
- Fuel Poverty – we'll discuss the challenges around being off both the gas and electric grid and identifying & covering the gaps in support services available when not qualifying for certain grants such as ECO

We'd be delighted if you could join us at this Customers in Vulnerable Situations Workshop, which will be held via Zoom. There will be plenty of opportunities to contribute to these areas of discussion, and for you to continue to shape our plans.

SIGN UP NOW

Get in touch...

If you have any feedback about this e-bulletin or any questions about our work, we'd love to hear from you.

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