



Ofgem consultation on RIIO-2 Draft Determinations - Gas Distribution Annex

Joint REA & GGCS Consultation Response

September 2020

The Association for Renewable Energy & Clean Technology (REA), in conjunction with the Green Gas Certification Scheme, is pleased to submit this response to the above consultation.

The REA represents a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are over 500 corporate members of the REA, making it the largest renewable energy trade association in the UK. The REA Biogas member forum has been the voice of the biogas industry in the UK since 2004, and currently has over 200 member companies including several involved in the development, operation of biomethane plants and green gas injection. We also represent other green gases such as Bio-SNG and renewable hydrogen.

Green Gas Certification Scheme (GGCS) issues Renewable Gas Guarantees of Origin (RGGOs) for units of biomethane injected into the grid and securely tracks them through to gas consumers who are provided with a Green Gas Certificate that can be used as evidence of their biomethane use. The GGCS is the UK's largest biomethane registry both by sales and production capacity of its members.

The REA & GGCS's response is focussed on question GDQ13 of the RIIO-2 Draft Determinations - Gas Distribution Annex, however, we also provide here some comments and concerns in relation to the absence of stronger consideration around the production of biomethane by Ofgem in either the Gas Distribution Annex or Ofgem's individual determination documents of each GDNO. We have also provided a short answer to question GDQ46.

GDQ13 Do you agree with our consultation position to include progress on biomethane in GDN's AERs, alongside standard connections data?

We welcome the introduction of the requirement on GDNOs to provide annual environment reports. This is a positive step forward and provides an opportunity for closer scrutiny of GDNOs work in relation to core environmental issues and their longer strategic plans in this area. We also support Ofgem's proposal for a requirement to include in the AER progress on the GDNO's work around biomethane engagement and biomethane connections framework improvements.

However, we wish to raise the following concerns:

Despite Ofgem's strong commitment to achieving Net Zero within the RIIO framework, as set out in the *RIIO2 – Draft Determinations Core Document*, which states "Since publishing our

SSMD, we have taken into account changes in the wider market context and feedback from stakeholders... In particular, we have sought to better reflect the critical role of RIIO-2 in enabling the achievement of Net Zero targets in decarbonising the economy [p11]" we do not see this level of commitment in supporting GDNOs in their efforts to both encourage the number of connection of biomethane sites within their GDNO regions, or to increase the level of volume of biomethane production from these plants over the year by ensuring they have maximum ability to inject biomethane into the gas grid.

We are concerned on the number of Output Delivery Incentive (ODIs) proposals supporting biomethane production that have been rejected by Ofgem. This is most prevalent in SGN's Draft Determination document where all but one of the five of the ODIs supporting the biomethane sector has been rejected. REA are surprised by such decisions as it appeared that Ofgem had moved from its December 2018 RIIO2 Sector methodology consultation, where decarbonisation played a relatively minor role, and instead set out a much more robust emphasis in the May 2019 conclusions document, with the *RIIO-2 Sector Specific Methodology Decision – Gas Distribution annex* stating: *"We want the companies to work with stakeholders to identify opportunities to improve connections procedures and the proactive provision of information to potential and existing biomethane producers."* It appears that GDNOs responded to such a call from Ofgem to bring forward biomethane decarbonisation projects, only to have their proposals now rejected in the final outcome.

Earlier this year Ofgem responded to the Government's revision to the Climate Change Act by publishing its first Decarbonisation Action Plan. However, its focus is wholly on the 2050 Net Zero target and gives no consideration to the statutory five-year carbon budget targets that set the trajectory to achieve the 2050 goal. These targets should be an input into Ofgem's determination of network goals as there is a clear relationship between these budgets periods and the RIIO five-year investment periods.

This focus on 2050 has also led to Ofgem placing an over-emphasis on long-term solutions in the Draft Determinations rather than maximising opportunities for decarbonisation within the RIIO-GD2 period. The *RIIO-2 Draft Determinations - Core Document* states that Ofgem recognises *"that significant support for research and development and innovation-led trial for technologies such as hydrogen may be needed"* and that there *"...is considerable need for research and trials to support the development of an evidence base around the safety and viability of Hydrogen"*. There remains a failure to recognise the significant opportunities to increase the production of biomethane over GD2 – potentially quadrupling the current volume of around 5TWh. BEIS recently announced the Green Gas Support Scheme, signalling the importance of biomethane in the energy mix and the Committee on Climate Change's (CCC) recent 2020 progress report in fact stated in relation to anaerobic digestion that: *"priority should be given to injection of biomethane into the gas grid, in line with BEIS recent 'Future Support for Low Carbon Heat' proposals"*. For Ofgem to fully play its role in achieving the UK's Net Zero goal and interim carbon budgets, it's main role should be to prioritise support for solutions that deliver decarbonisation now, as well as supporting longer term opportunities through R&D in areas such as green hydrogen production.

The extent that Ofgem has taken into consideration consumer views on the willingness-to-pay to support decarbonisation remains unclear. BEIS's Public Attitudes Tracker consistently shows overwhelmingly strong support for the growth of renewable energy, and the push to act on reducing emissions has only increased over the past year in response to public calls to act on



the Climate Emergency. This can be seen by over 250 local authorities committing to developing local climate action plans. This degree of public support to see industry and government act to tackle climate change is not reflected in Ofgem's determination document for the networks.

GDQ46. What are your views on our consultation position to address bespoke decarbonisation of heat re-openers through our proposed innovation stimulus, Net Zero and Heat Policy re-opener mechanisms?

In general, we welcome the introduction of the Net Zero and Heat re-openers. If designed early enough, these mechanisms should be key to manage uncertainty around future policy on green gases and ensure the networks can allocate sufficient funding to support tests and trials to decarbonise the grid. However, there seems to be little detail set out by Ofgem on how these mechanisms are intended to work ie what events will trigger a re-opener. **Ofgem should seek to provide more detail as soon as possible on the exact mechanisms and how they are intended to work to ensure they can deliver the intended objectives.**

REA & GGCS, 03/09/2020