

Written Evidence Submitted by Ofgem (HNZ0102)

Firstly, thank you for inviting Ofgem to provide a witness for the House of Commons Science and Technology Committee's evidence session on the role of hydrogen in achieving Net Zero on 7 July. Following the questions put to me by members of the committee, I have outlined below some additional information and clarifications around our role within metering and hydrogen more generally.

Role of Ofgem

As energy regulator, our remit is to protect the interests of consumers today and in the future by regulating energy suppliers and the network companies to ensure a fair deal for consumers and to help deliver a Net Zero economy at lowest cost. We do not regulate all participants in the energy sector. The Government is responsible for setting the policy for the energy sector, and we operate, independently, within this framework, subject to our vires.

In the context of the rollout of smart gas and electricity meters to domestic and small business customers, the Department of Business, Energy and Industrial Strategy (BEIS) is responsible for the business case for the rollout and develops the policy and supporting regulatory framework to enable its delivery. Our role is to apply that regulatory framework in a way that achieves the best outcomes for customers. BEIS recently confirmed that energy suppliers would be subject to minimum annual smart meter installation targets under new rules that will apply from January 2022. We see the rollout of smart metering

as a critical enabler of pathways to net zero, as well as having the potential to transform the experience of being an energy customer. We will be holding suppliers to account against their targets.

With respect to the accuracy of gas and electricity meters, the Office for Product Safety and Standards within BEIS approves meters for use in the UK. Ofgem does not have a role.

Ofgem and Hydrogen

By 2030, the UK Government is aiming for 5GW of low carbon hydrogen production capacity – which may change the way we power our industries, fuel our heavy transport vehicles and heat our homes. These end uses, however, vary in their degrees of known feasibility – with heat especially being very uncertain. The Government is responsible for setting the policy direction in relation to hydrogen.

Government is preparing to make a policy decision on the role of hydrogen in heating buildings by the mid 2020s. One key part of the Government’s decision will be whether, and when, hydrogen will have a role in domestic premises, which would then determine next steps (if any) on domestic metering arrangements.

Ofgem plays an active role, where it is within our remit, to ensure that:

- The hydrogen economy can be developed cost effectively, and in consumers’ interests. This includes, but is not limited to, the potential role of hydrogen in domestic heating.
- Ensuring the regulatory regime is prepared for future govt decisions.

In particular this includes:

- Enabling innovation trials through our network price controls. This is part of our mechanisms to ensure that the regulated monopolies still engage in innovation to meet future challenges, and will enable the development and assessment of key requirements, such as hydrogen meters. These trials will also deliver significant elements of the evidence base Government need to make a policy decision.
- Enabling the trials to go ahead by identifying and seeking to remove unnecessary regulatory barriers around hydrogen.
- Protecting consumers participating in the trials.
- Providing expert advise on networks, markets and consumer related issues in the development of BEIS’ Hydrogen Strategy and Hydrogen Business Model Consultation Document.

- Independently assessing what enduring regulatory changes may be required within the various end uses for hydrogen and their potential impact on consumers.

Our previous network price control RIIO-1 has already funded around 60 different hydrogen projects through different innovation funding mechanisms, including large-scale demonstration projects like H100 Fife and Hydeploy. RIIO-2, our new network price control which began in April, will continue to fund trials, including the upcoming heating trials that are central to the Prime Minister's Ten Point Plan ambitions. We have also ensured that more money can be unlocked where Government makes policy decisions impacting directly on the future of the gas network and hydrogen. We will then enable network companies to make further funding requests during the course of the RIIO-2 price control period.

Once again, thank you for inviting us to give evidence. I hope that this further information was helpful in clarifying Ofgem's roles. If the Committee has further questions, please do not hesitate to get in touch.

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