

# I want you to facilitate the whole system of the future, whilst innovating to meet the challenges ahead



£17m per year  
3% totex

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		Markets	Decarbonisation of the gas transmission system	Innovation	Systems	
Engagement	Stakeholder priority and context	This is about how we can lead the gas industry through the energy transition in a way that delivers benefits to consumers. It looks at how the industry can decarbonise heat to contribute to Great Britain's pathway towards meeting its 2050 targets, and it explores our role within that process. In particular it looks at how we can innovate and drive the decarbonisation of the energy system.				
	Topics	Markets	Decarbonisation of the gas transmission system	Innovation	Systems	
	Obligations	Ensuring GB market compliance with legislation	Developing options to enable decarbonisation of heat using whole systems approaches	Embedding innovation with the organisation	Providing an interface to allow shippers to book capacity, allowing us to balance the NTS safely	
	Stakeholders	Interest Groups, Regulators, Consumer Bodies, Network Companies, Supply Chain, Academics, Innovators, Government policy groups, European TSOs				
	Approach	Inform, collaborate, consult.			Inform, involve, consult.	
	What we've heard	There will be a significant amount of industry change as we move through the RIIO-2 period. We should continue to lead the facilitation of industry change within the gas sector.	Decarbonisation of heat is an area of particular challenge and we should support it. Stakeholders would be interested in us playing a stronger role in driving the debate over the future of the UK system.	Networks should provide information to policy-makers through innovation projects or horizon-scanning. Decarbonisation of heat is an area we should be supporting.	Do the basics well, make it easier for stakeholders through greater automation and increased reporting functionality whilst minimising the impact of change	
	Key trade-offs and how engagement influenced our plan	We have engaged extensively with stakeholders to inform the development of the gas markets framework. This has led to the formation of an independent steering group of stakeholders that will drive the outputs of the Gas Markets Plan (GMaP)	Understood and tested what we should be leading, collaborating on during RIIO-2 with stakeholders and provided more information as requested.	Worked with stakeholders on 'how' we innovate and this information is feeding into our RIIO-2 strategy and our innovation culture.	We have worked with stakeholders to understand their requirements to help us determine if what was most economical for consumers, is either replacement or re-platforming.	
Outputs	Measure	Type: Commitment We will continue to comply with our obligation to provide code administration for the gas market subject to the outcome of the Energy Code Review. We will continue to lead the formation of the gas markets framework, including a steering group to prioritise a programme of works.	Type: Commitment We will lead on developing the options for gas transmission in relation to the decarbonisation of heat. We will collaborate with GDNs, BEIS and others on an agreed hydrogen workplan.	Type: Commitment Our proposal is to invest in BAU innovation. We also feel it is appropriate to have a Innovation Incentive allowance, in particular focussed on energy transition projects.	Type: Commitment We will invest in our Gemini system as it needs to be refreshed due to lifespan ensuring it continues to function and also deliver the enhancements our stakeholders want.	
	Comparison to RIIO-1 outputs	Ensuring GB market compliance with legislation.	No specific RIIO-1 output for this activity.	Two allowances; NIA-Network innovation allowance, NIC-Network Innovation Competition	Ex-ante allowance for replacement of Gemini. Regulatory change timelines resulted in re-platformed rather than replace.	
	How we will deliver	Efficiency	Focus on being flexible to change and delivery of programmes in an efficient manner. Use the Gas Markets Plan (GMaP) to drive delivery.	Efficient delivery of whole systems solutions.	Working with suppliers to ensure the best value for money is achieved.	EJP & CBA ensure costs are robust including assessment of RIIO-1 expenditure.
		Innovation	Delivering regulatory change solutions, we will look for innovative ways of doing this.	Use innovation to drive understand and deliver the solutions for decarbonising heat and industry.	Invest in BAU innovation as well as work with third parties to drive forward energy transition projects. We will further embed a culture of innovation across the business.	Innovative solutions will be investigated for delivery of this
		Whole system	Whole system collaboration will be at the heart of driving benefits for consumers.	Whole system collaboration will be at the heart of driving benefits for consumers.	Project will focus on energy transition.	The system will be adaptable to future change, working with customers.
		Competition	Maintaining future optionality for efficient functioning of the GB gas market, competitive procurement processes	Maintaining future optionality for GB gas market, competitive procurement processes.	GT/GDN competitive solutions will be implemented	Use competitive procurement process for delivery of solution.
		Uncertainty	Use GmaP to drive what needs to be delivered. It will be a live plan that so will account for changes in direction of travel	We are proposing a reopener relating to net zero to respond to policy.	Any changes in external environment will be considered through governance for our innovation strategy.	The system will be adaptable to future change. We will review periodically if requirements change.
		De-carbonisation	Implement market and regulatory change that are required for a decarbonised market to function.	We are looking at the options for decarbonising the gas network.	Invest in projects that will look at the options of decarbonisation.	Supporting the energy transition through delivering regulatory change.
	Totex	Costs at RIIO-1 (annual forecast)	£6.9m	No baseline funding Pass through cost, NIA:£5.3m	£6.3m	
		Work needed	Lead the development of options associated with gas transmission to facilitate the decarbonisation of heat, industry and transport, specifically hydrogen, supported by an uncertainty mechanism. Lead the development of the gas markets framework by collaborating with others to enable the pathway to net zero. Collaborate across the industry on a hydrogen workplan and on innovative solutions	Collaborate across the industry to lead innovation and deliver solutions for whole energy and net zero.	Invest in skilled people and IT systems so we can lead regulatory change, anticipate future regulatory developments and understand how these might affect stakeholders and our network.	
Cost at RIIO-2 (annual)		£7.4m	No baseline funding Pass through cost, NIA: £6.2m	£10m		
Approach to uncertainty		We are proposing a reopener relating to net zero to ensure we are able to respond quickly to work towards net zero goals. This would be triggered at end of year 2. Additionally we will work with Ofgem on designing the whole system 're-opener.	Use NIA and the new strategic energy funding pot to deliver energy transition projects.	N/A		
Consumer benefit		Supporting and delivering market changes and solutions will continue to deliver the future energy system	Taking a leading role in decarbonisation of heat for gas transmission could provide a consumer value proposition of £2.2m.	Delivering innovative solutions to deliver the energy transition, will minimise consumer bills	Investing in the digital systems so the gas market and industry is able to continue providing energy to consumers	