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Cara Yates
Networks
Ofgem

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Dear Cara,

Citizens Advice response to the Consultation on Hydrogen Village Trial Detailed Design Studies

Citizens Advice welcomes the opportunity to comment on Ofgem's consultation on the Hydrogen Village Trial Detailed Design Studies as part of its statutory role to represent energy consumers in Great Britain. Our response is not confidential and may be freely published.

Question 1: Do you agree with our minded-to decision on the projects to fund?

Citizens Advice agrees that it is appropriate to take forward two projects to the detailed design study stage. These two projects should provide a wider evidence base on consumer acceptability in different geographical locations, as well as providing technical assessments for grey, blue and green hydrogen including potential production costs.

We consider that the minded-to decision not to fund the detailed design studies for the two SGN projects appears well justified. BEIS and Ofgem have expressed concerns regarding insufficient detail in key areas such as hydrogen production and resilience, and the strategy for consumer engagement. Ofgem also noted that they are not convinced that either of the SGN proposals represents strong value for money for consumers which we consider to be an important factor.

We do, however, have concerns that the proposal by NGN will put more costs on consumers than Cadent's proposal. While Cadent is proposing to put forward around 60% of the £8.29m total cost in private cash contributions and benefits-in-kind, NGN is committing to contribute only 10% of the £6.64m total cost. We also understand that NGN have also committed to an additional benefits-in-kind worth around £24k though through direct engagement we understand this may be as high as £24million. We also note that the proposed direction to NGN in Appendix 3 does not include either the £24k or £24million value of benefits-in-kind, while Cadent's does reflect theirs.

We therefore believe that much greater clarity needs to be provided on costs on the following questions:

- Why should consumers fund a higher percentage of one project than the other?
- What are the benefits-in-kind provided by each GDN and what confidence does Ofgem have in the value of these, noting that Cadent's appears to be a proportion of £4.93m while NGNs is potentially as much as £24m.

Question 2. Do you have any views on the proposed project deliverables for Cadent and NGN, and whether further deliverables are required?

Citizens Advice agrees with the proposal to require GDNs to partner with, or employ, an independent third party to monitor and evaluate the delivery of consumer research and engagement plans over Stage 2.

It is essential that research methodologies are robust and accurate ensuring that outputs provide a true reflection of consumers views and preferences, preventing any risks associated with research bias. We agree that GDNs should submit a plan for an independent third party to support and monitor the project and therefore believe that this should take place before any meaningful direct or indirect engagement takes place with consumers. While we support a report being produced by an independent third party evaluating the consumer research, we also believe it is important that interim reports are also presented. If any issues in methodology are identified this provides the opportunity to course correct. There is a risk that reporting only at the end of the project could put at risk the value of the research on which further decisions can be made by Ofgem and BEIS, including further stages of the hydrogen village trial.

Lastly, Ofgem have not indicated whether it is expected that each GDN would appoint the same independent third party or if GDNs would be able to appoint separately. We would recommend that a common independent third party is appointed by both GDNs to ensure consistency and comparability in how they are being supported, monitored and assessed. This would also allow

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Ofgem and BEIS to undertake their own comparative assessment of these findings. This approach is already common in the monitoring of network activities for GDNs and DNOs in price controls.

We note that Cadent has specified a clear project deliverable (reference 8) on producing:

1. Robust spending profile over full lifetime of project
2. Detailed implementation timetable for delivery of live trial

We agree that this is an important part of the next phase of the trials, however, we cannot clearly identify an equivalent deliverable in those proposed for NGN. It is important that the deliverables for both GDNs are similar and are established in the same level of detail for the purposes of Ofgem making its directions.

Question 3. Do you have any views on the proposed directions for the projects contained in Appendix 2 to 4?

As noted in response to Question 1, we believe that the proposed directions to Cadent and NGN should be amended following further clarification on costs. Ofgem should seek to achieve a more equitable and lower total cost to consumers across these two projects. We consider that Cadent's commitment to contribute 60% of the total costs, appears to deliver better value for money to GB consumers. Ofgem should seek to achieve a similar proportion of cash contribution from NGN.

The proposed directions to Cadent and NGN should also be amended to ensure consistency in how benefits-in-kind are presented as the benefits-in-kind values of £24k or £24m are not presented in NGN's direction.

We agree that it is appropriate to fund 100% of the project costs through a charge on all GB gas consumers via NGGT rather than costs being recovered in the licence area in which the projects will take place.

Yours sincerely

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