

Hydrogen Blending: Commercial framework review and amendments UNC Review Group Request

Distribution Workgroup

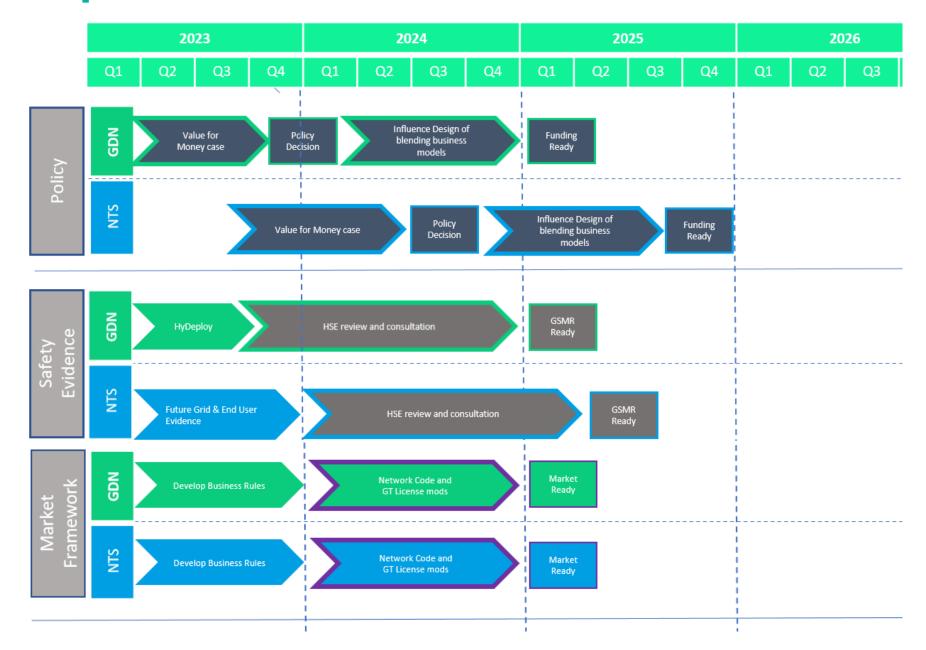
27th April 2023



Purpose

- DESNZ are set to make a decision in principle on hydrogen blending into the distribution networks in 2023, with a decision for transmission likely to follow.
- Current assumptions are that blending hydrogen into the networks will provide an interim role to reduce carbon emissions as we transition to 100% Hydrogen, therefore the application of blending needs to be compatible with existing market arrangements, with minimal amendments to implement.
- Purpose of review group, to identify and develop the necessary commercial framework changes required to enable hydrogen blending into the distribution and transmission network

Expected Timelines



Key Assumptions and Parameters

Key assumptions:

- GS(M)R will be updated following a HSE safety evidence review in order to accept volumes of up to 20% hydrogen into the networks.
- We believe required amendments will not impact Primary and Secondary Legislation, such as the Gas Act and GCoTER.
- We intend for Initial hydrogen blend percentage volumes to not exceed C.5% in order to minimise risk of CV capping.

Proposal & recommended next steps

The ENA GGG working group have been involved in a number of workshops to develop an initial thought piece on existing commercial framework compatibility and the required amendments necessary.

Recommendation to issue to a review group for a period of 6 months for development, with objective to agree commercial framework changes required with wider industry and raise suitable enabling modifications.

Primary Legislation

The main laws passed by the UK Parliament and subject to Parliamentary review. This pillar pertains to any laws that impact the gas industry and would subsequently require a full Parliamentary change process (e.g. the Gas Act 1986)



Regulations

This market pillar is focused on secondary parliamentary legislation, like statutory instruments. These types of legislation can be altered without Parliament having to pass a new Act.

(e.g. GS(M)R and the Calculation of Thermal Energy

Regulations)



Licence

Ofgem regulates the UK gas industry by granting licences to parties to undertake specific activities. This market pillar explores changes required to update these industry-wide licences. (e.g. transporter) (includes methodology statements)



Code

The Uniform

rights and

users of gas

transportation

users have equal

Network Code

(UNC) defines the

responsibilities for

systems, ensuring all

access. Compliance

with the UNC is a

licence condition.

Agreement

Agreements, such as network entry agreements, are legally binding contracts outlining the agreed provisions and limitations between the service provider and the network user.

(e.g. NEA, NEXA)















Capacity



Charging



Connections