

Gas and Electricity Markets Authority
10 South Colonnade
Canary Wharf
London
E14 4PU

27 October 2020

Dear Mr Brearley, Mr Cave & fellow GEMA Board Members

As stakeholders with diverse but aligned interests in the GB energy system, we believe that tackling climate change is of critical importance and that urgent action is needed to put the country on a pathway to net zero emissions.

Whilst most of the collective focus in reaching net zero emissions is on the delivery of low carbon energy sources, transport and heating; electricity and gas networks – the cables, wires and pipes that carry our energy – are a cornerstone of our future energy strategy. They have an essential and unrivalled role to play in the energy transition, providing the critical national infrastructure required to deliver net zero.

The forthcoming regulatory framework for energy networks (known as RIIO-2) due to be finalised in December 2020 for electricity transmission and gas networks, covering the period from April 2021 to March 2026, (electricity distribution to follow from April 2023 to March 2028), will be a critical enabler for reaching the UK's net zero targets.

For the country to reach its net zero obligations which are now enshrined in law¹ there has to be more than just an incremental shift in the delivery plan. At least 40GW of renewable energy must be connected efficiently in the next 10 years and millions of electric cars, vans and buses need to be able to plug in easily². The electricity and gas network infrastructure needed to support this seismic rollout has to be ready to transport the increasing volumes of low carbon electricity and hydrogen which will fuel a zero-carbon economy. The opportunity presented is vast, both economically and environmentally. This is why we believe that net

¹ <https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law>

² <https://www.nationalgrideso.com/future-energy/future-energy-scenarios/fes-2020-documents>

zero should be baked into the RIIO-2 package from the start, not as a subsequent “uncertainty”.

Without a significant increase in renewables along with the expansion of flexibility (such as storage, demand response and interconnection) and the enabling infrastructure, decarbonising heat, transport, and other key sectors of the economy will not be possible.

The RIIO-2 framework must at least be in step with, and ideally ahead of, government ambition. It must empower, not delay, investments in Electric Vehicle (EV) charging infrastructure as well as the grid connections and reinforcements needed to transport growing volumes of renewable energy. It must also have the agility and flexibility to adapt to keep pace with a pathway to net zero.

Regulation does not exist separate to policy. If the Government’s preference is to increase the deployment of cost-effective renewables and flexibility as a key element of achieving the net zero target, regulatory processes and the upcoming network price control must not constrain this. By making the right decisions now we can ensure that RIIO-2 facilitates the journey to meet net zero while delivering long-term value for money for energy consumers and stimulate a green economic recovery.

In the run up to COP26 in 2021, climate leadership is more important than ever. Starting with action at home, we as experienced energy stakeholders urge Ofgem to ensure that the Final Determinations for this imminent electricity transmission and gas networks price control and the regulatory framework for the next electricity distribution price control unlocks the ambition required to deliver, not delay, net zero.

Time is of the essence; the country needs to use the next five years wisely in its quest to tackle the climate emergency and make sure we do everything we can to set us on the right pathway to net zero. There is not a minute to waste.

Yours in anticipation,



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