

## **Industry update from Ofgem – up to date as of 2 December 2019**

### **Summary of recent modifications to the GT1 Price Control Financial Model 2019**

On 6 November 2019 we published an up-to-date schedule of modifications made to the GT1 Price Control Financial Model (PCFM). The page below lists all modifications between the publication of the 2018 Annual Iteration Process (AIP) on 30 November 2018 and the publication of the PCFM for use in AIP 2019.

URL: <https://www.ofgem.gov.uk/publications-and-updates/summary-recent-modifications-gt1-price-control-financial-model-2019>

### **Targeted Charging Review: Decision and Impact Assessment**

On 21 November 2019 we published our final decision on TCR. We have decided that:

- Residual charges will be levied in the form of fixed charges for all households and businesses.
- We will be removing liability for the Transmission Generation Residual from Generators and making changes to one of the 'Embedded Benefits' received by Smaller Distributed Generators in relation to balancing services charges.

URL: <https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-decision-and-impact-assessment>

### **St Fergus and Hatton Needs Case Decision**

On 26 November 2019 we published our decision on the need for investment in new compressor units at St Fergus and Hatton. In 2015 and 2018, NGGT put forward reopener submissions which included compressor works at its St Fergus and Hatton sites to make them compliant with the relevant emissions legislation (we rejected these two applications for funding). In June 2019 NGGT submitted an updated needs case for investment at its St Fergus and Hatton sites. Our assessment of this submission is based on the assessment approach we set out in our reopener 2018 decision, with consideration given to our RIIO-2 objective of ensuring that networks are prepared for the future and reflect the needs of the existing and future consumers.

URL: <https://www.ofgem.gov.uk/publications-and-updates/st-fergus-and-hatton-needs-case-decision>

### **Decision on the Stakeholder Engagement Incentive 2018-19: Transmission and Gas Distribution**

On 27 November 2019 we published our decision on the gas and electricity Transmission Operators and Gas Distribution Network Operators Stakeholder Engagement Incentive for 2018-19, which includes the Panel scores and financial rewards for the network companies. The Stakeholder Engagement Incentive drives network companies to engage effectively with stakeholders to inform how they plan and run their businesses.

URL: <https://www.ofgem.gov.uk/publications-and-updates/decision-stakeholder-engagement-incentive-2018-19-transmission-and-gas-distribution>

## **Network Innovation Competition 2019 Funding Decisions**

On 29 November 2019 we decided to award £21.2 million across one gas and two electricity projects. Our decision is informed by the recommendations of independent Expert Panels. The gas project we have decided to offer funding to is the H21 Phase 2 project (Northern Gas Networks, £6.8m), subject to conditions. The aim of this project is to demonstrate that the gas distribution network can safely transport 100% hydrogen.

URL:

[https://www.ofgem.gov.uk/system/files/docs/2019/11/2019\\_nic\\_decision\\_document\\_for\\_publication.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/11/2019_nic_decision_document_for_publication.pdf)

## **Ofgem publishes 2019 Annual Iteration Process for network price controls**

On 29 November 2019 we published the results of the 2019 Annual Iteration Process (AIP) for energy network companies under its network price controls. This year's AIP has reduced the allowed revenue that network companies will collect relative to the assumptions made at the start of the price controls by around £965 million (2018/19 Prices), saving consumers money on their bills. This reduction is driven by lower Cost of Debt due to lower interest rates (see Cost of Debt Indexation files [here](#)) and by the reduced Allowed Expenditure (overall, network companies are spending less than assumed at the start of the price control).

URL: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-publishes-2019-annual-iteration-process-network-price-controls>

On the same day (29 November 2019) we published RIIO-GT1 Directions for the Annual Iteration Process. The Gas and Electricity Markets Authority is to direct the revised PCFM Variable Values used in the Annual Iteration Process and the value of the term MOD, produced as a result of that process, by 30 November. A separate [financial model](#) containing the full set of calculations has been published alongside these Directions and is available from the related links section.

URL: <https://authors.ofgem.gov.uk/publications-and-updates/riio-gt1-directions-annual-iteration-process-november-2019>