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Welcome to the first of our newsletters summarising the latest news in gas decarbonisation, focusing on practical next steps and industry collaboration.

## 01 Policy milestone update

This month saw the publication of the Government's much-awaited Energy Security Strategy, providing new and welcome target milestones for UK gas decarbonisation. These are summarised below, along with other key Government policy/regulatory milestones.

- **2022** - Decision on [rebalancing policy costs](#) between electricity and gas
- **Autumn 2022** - Indicative assessment on the value-for-money case for [blending hydrogen](#) in the existing network
- **2023** - Final policy decision on [hydrogen blending](#)

- **Q4 2022** - [Business model](#) for hydrogen support finalised
- **2025** - New business models for hydrogen transport and storage infrastructure designed
- **2025** - Hydrogen certification scheme introduced
- **2023** - First [hydrogen support contracts](#) allocated



- **2022** - Final investment decisions on two ['Track 1' Carbon Capture & Storage \(CCS\) clusters](#)
- **2023** - Hydrogen heating trials to commence in [local neighbourhood](#)
- **2023** - Decision on hydrogen village location
- **2025** - Hydrogen village trials to commence
- **2025** - Target for reaching 1GW electrolytic hydrogen production capacity and price competitive annual allocation rounds
- **2030** - New target for creating up to 10GW low carbon hydrogen production
- **2030** - Hydrogen town trial to commence

## 02 Notable projects & developments

### Hydrogen village trials

Ofgem recently consulted on its minded-to position for Hydrogen Village Trials, which are due to go live in 2025. The consultation closed on 11th April and we're awaiting publication of their findings, which we'll share in this newsletter once they're available. Meanwhile, those networks that submitted project bids are developing more detailed plans, drawing on some of the learnings shared during Xoserve's decarbonisation stakeholder workshops.

It's too late to respond to the consultation, but you can still [read the full document here](#).



### New Future System Operator confirmed

As the energy landscape changes, decentralises and becomes more technologically varied, the remit of the system operator has changed too. The system operator is responsible for managing, balancing and planning for the UK's long-term energy infrastructure requirements, including gas.

Government consulted with industry in 2021 and published an [outcome](#) on 6th April this year containing its plans for the Future System Operator (FSO). These plans address energy resilience, security and a focus on holistic energy system management across all fuels.

Alongside this, it published its consultation response on [Energy Code Reform](#), which looks at the best way to manage code on an integrated, whole system basis. Industry codes provide rules and guidance to support safe and effective industry controls. Decarbonisation is at the heart of the reform. Ofgem is empowered with new strategic functions to manage industry codes, including publication of an annual strategic direction, the ability to make changes to code, and the creation and regulation of code managers.

## 02 Notable projects & developments

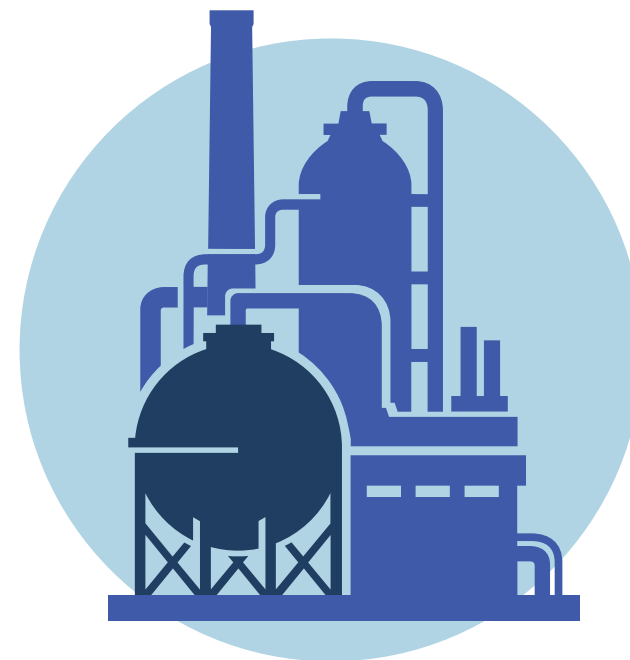
### Energy Security Strategy

The Government published its [Energy Security Strategy](#) this month which included, among other things, a commitment to double hydrogen production to up to 10GW by 2030, with at least half of that coming from electrolytic (green) hydrogen.



Long-term signals were identified to support this ambition, including:

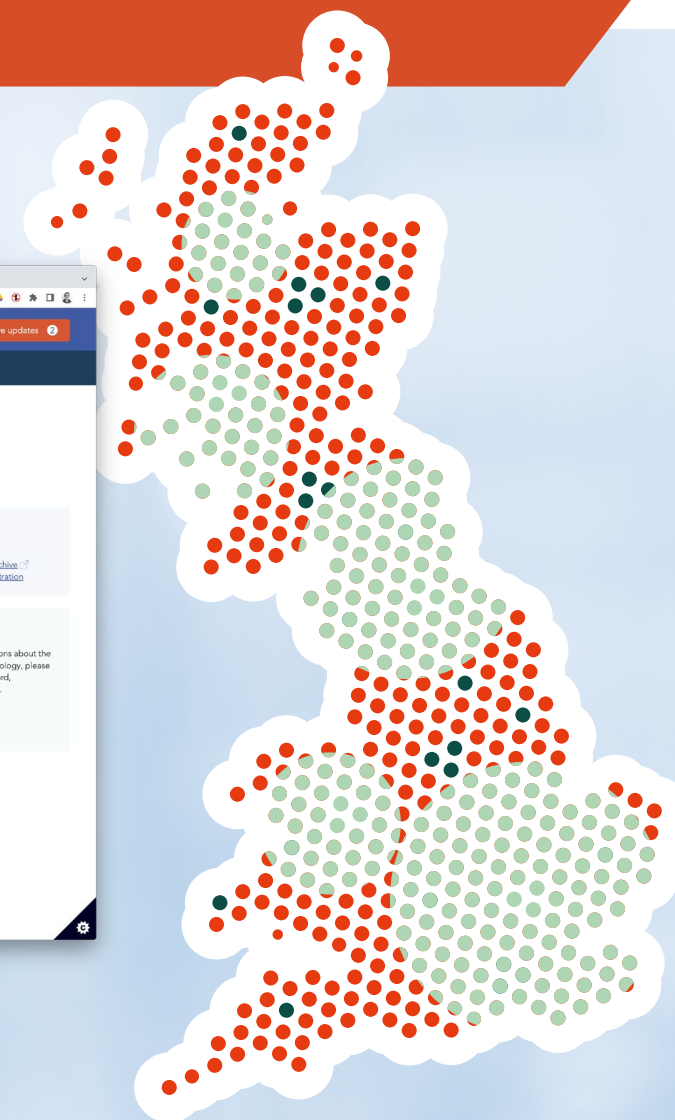
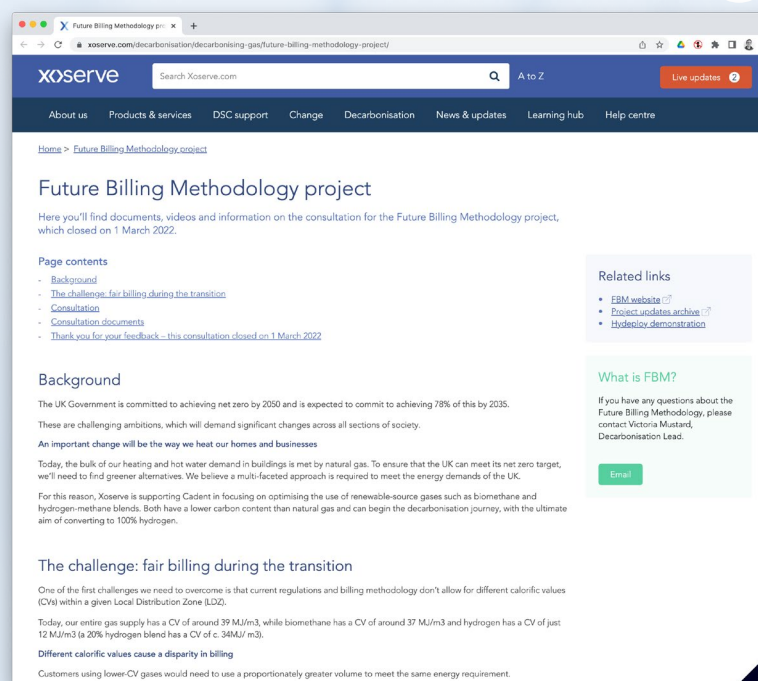
- aiming to run annual allocation rounds for electrolytic hydrogen and moving to price competitive allocation by 2025
- designing new business models for hydrogen transport and storage infrastructure by 2025, intended to bolster the hydrogen economy
- establishing a quality-focused hydrogen certification scheme by 2025.



## 03 Spotlight on... Future Billing Methodology

February saw Cadent and partners consult on five options for Future Billing Methodology. Consultation workshops were well attended and detailed responses received, so a big thank you to all who participated.

The consultation closed on 1st March 2022, with recommendations submitted to Ofgem on 31st March. All materials are available on the [Future Billing Methodology hub](#) on the Xoserve site, and the consultation recommendations document will be available there very soon.



## 04 Dates for the diary

We began decarbonisation stakeholder engagement sessions in November 2021 and they continue to be well attended. We've received great feedback from participants, so if you'd like to join us, please come along!

To join a session, please email [victoria.mustard@xoserve.com](mailto:victoria.mustard@xoserve.com)

### May sessions are:

**16.05.2022 12.00** Networks

**25.05.2022 13.00** Metering & IGT

**31.05.2022 13.00** Shippers



### Coming soon

We are excited to announce that we will soon be launching a Decarbonisation Hub for all of our customers.

This will be a centralised repository for up-to-date decarbonisation resources and information, relevant to your sector. It will be going live in May 2022 and each Xoserve contract manager will receive an invite to access the hub via email within the next few weeks.

Should you wish to have other colleagues within your organisation access this hub please contact [victoria.mustard@xoserve.com](mailto:victoria.mustard@xoserve.com) and she will arrange access for them.