RETAIL ENERGY CODE

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PAB SANDBOX REPORT – SGN

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FOR DECISION 	SGN, in partnership with industry, are conducting a trial to assess the viability of using the existing gas network for hydrogen. This involves providing a hydrogen connection for consumers, however, charging them as if they were consuming gas. SGN wish to provide metering services for these consumers, and therefore wish to trial a process whereby they remain the appointed Metering Equipment Manager (MEM), even if the consumer changes Supplier. This paper provides details of how this trial will work, sets out proposed reporting requirements on SGN, and asks PAB to **APPROVE** the trial. This trial is for three years, and SGN request the maximum period permitted in the Code (two years) and to come back to ask for a one-year extension.

1 PURPOSE

This paper sets out a report to the Performance Assurance Board (PAB) on a Sandbox trial application received on 14 February 2024 from SGN Commercial Services in its role of a REC MEM. This is the first paper shared with the PAB related to this Application, with the role of the PAB being to consider and approve Sandbox Applications, including agreeing any conditions.

2 BACKGROUND

The Application relates to the H100 Trial, which aims to measure the viability of developing a nationwide hydrogen network to domestic users of natural gas, using existing gas network

infrastructure. In acting as the MEM for the trial and participating customers, SGN Commercial Services are applying for a Sandbox to ensure it remains compliant with the REC whilst the trial activity takes place. Whilst Hydrogen is out of scope of the REC, existing gas connections will be converted to Hydrogen for the purpose of the trial.

The H100 trial is the world's first project to supply 100% hydrogen within a purpose-built hydrogen network to 300 volunteered domestic properties. The three-year trial aims to measure the viability of developing a nationwide hydrogen network to domestic users of natural gas, using existing gas network infrastructure within the national transmission system and Gas Distribution Networks.

The project is being funded and supported by Ofgem, Scottish Government, SGN, Cadent, Northern Gas Networks and Wales and West Utilities. For the purpose and duration of the trial and following consultation with the Health and Safety Executive (HSE), Department for Energy Security and Net Zero (DESNZ) and Ofgem, only SGN Scotland as the Approved Meter Installer (AMI) to SGN Commercial Services will install hydrogen, maintain and exchange the hydrogen meter. SGN Commercial Services will act as the MEM (specifically Meter Asset Manager (MAM) and Meter Asset Provider (MAP)).

A summary of the Sandbox trial and recommendations for the PAB to consider are set out in sections 3 and 4 below.

3 SANDBOX SUMMARY

The below information has been compiled by the Code Manager in relation to the Derogation application:

	SANDBOX TRIAL DETAILS
Summary of the Sandbox trial	SGN Commercial Services are applying for a Sandbox to enable them to remain compliant with the REC in their role of MEM as part of the H100 Trial.
Summary of the proposed Derogation to support the trial and impacted REC obligations	Schedule 14 – Consolidated Metering Code of Practice (CoMCoP): 2.1. Except for gas Metering Assets for which the Consumer is the Gas Act Owner, Registered Suppliers shall ensure that they Appoint a Metering Equipment Manager to act as their Supplier Agent in providing Metering Related Services for the entire period during which they remain the Registered Supplier for the RMP. 2.3. Where Energy Suppliers are required to Appoint a Metering Equipment Manager, they shall ensure that the Metering Equipment Manager is Qualified in

	accordance with the Qualification and Maintenance Schedule.
Related applications or Sandbox trials	N/A
Impacted REC Parties, Service Providers or REC processes	In respect of this application for services provided by SGN Commercial Services as a Gas MEM, the impacted parties for the H100 trial will be: • Gas Meter Asset Managers (MAMs) • Gas Approved Meter Installers (AMIs) • Suppliers In consultation with DESNZ, HSE and Ofgem, for the remit/period of the trial, all MAM and AMI related work will be undertaken by SGN Commercial Services and Scotland Gas Network. The H100 Fife Project have attended the REC Metering Expert Panel and the REC Technical Expert Panel to provide updates and seek feedback. The H100 Project participants have attended stakeholder working groups across the metering finance, metering operation, gas transportation and distribution as well as specific sessions with Energy UK. Suppliers have been notified via briefings by the H100 Project and industry bodies of the requirements and control measures to ensure SGN Commercial Services and SGN Scotland will act as the MEM and AMI for the duration of the trial. If a consumer transfers to a new a Supplier during the trial, the trial requires the incoming Supplier to only use SGN Commercial Services as the MEM. To monitor this, SGN has confirmed they will not be utilising any of REC systems and Xoserve will monitor Shipper & Supplier switching on H100 MPRNs and will issue a notification to the registered Shipper – this is in addition to the validations/rejections on change of MEM being done by SGNCS. Shippers & Suppliers will also be able to identify an H100 MPRN through the Gas Enquiry Service (GES) Online Portal. Xoserve will also monitor that a hydrogen meter is installed in Central Data Service Provider (CDSP) systems and will notify Shippers when the information has not been updated (this is not that the meter is physically installed on site, but that the meter, with its Multiplication Factor, has been updated in CDSP systems, which will ensure that Settlement is correct).
Impacts on Retail Risks	As part of the Clauses being Derogated, Risks 1.3 (MEM does not perform required metering works

	appropriately, leaving a consumer without supply) and 13.6 (Failure of a Supplier to appoint a Qualified MEM causes delays in metering working impacting consumers) would not apply to these meter points during the trial.
Legal or technical advice obtained in relation to the application	Regarding when a consumer changes Supplier during the trial, SGN Commercial services will remain the MEM and MAP for the hydrogen meter installation, the Technical IA advises that, with monitoring and enforcement of this being managed outside of the REC systems, then there is not anticipated to be any system impacts.
Length of the Sandbox trial and Derogation	The H100 trial is planned to run for three years to allow sufficient data to be gathered in the feasibility of using hydrogen as an alternative fuel source to natural gas. SGN is applying for the maximum (as per the REC) two-year Derogation duration, with intention to request (towards the end of the two-year period) an extension to cover the final year.
Conditions to any Sandbox	It is recommended for SGN to provide the following updates to the PAB throughout the Sandbox period: 1. Notification of when the trial officially commences. 2. A three-month update following trial commencement on how many Switches have taken place. 3. An extension request for the final year to be presented to the PAB towards the end of the two-year period. 4. A Lessons Learnt report from the project to be provided to the PAB following the end of three-year (if the extension year is approved) Sandbox considering whether there will or won't be widespread adoption of hydrogen across the market; learnings from metering experiences, including any recommendations that would influence potential future CoMCoP rules; and any other observations relevant to the REC. SGN should continue to provide guidance to Suppliers. This is already in place with Suppliers through the Hydrogen Information Sharing Group, which is overseen by the Project (two sessions have already taken place as of Application submission and are held on a monthly basis). SGN have provided copies of these presentations. They have also shared, via the Project, the deemed contract to Suppliers for comment.

	SGN's REC MEM audit should be conducted by Wilcocks prior to the start of the trial period.
Ofgem consent	It is not considered that Ofgem consent needs to be sought.

4 SANDBOX TRIAL REPORTING PLAN

The Application will provide the following reporting to the PAB throughout the duration of the Sandbox:

1. Notification of when the trial officially commences.
2. A three-month update following trial commencement on how many Switches have taken place.
3. An extension request for the final year of the trial, to be presented to the PAB towards the end of the two-year period.
4. A Lessons Learnt report from the project to be provided to the PAB following the end of three-year (if the extension year is approved) Sandbox considering whether there will or won't be widespread adoption of hydrogen across the market; learnings from metering experiences, including any recommendations that would influence potential future CoMCoP rules; and any other observations relevant to the REC.

5 PAB ACTIONS

PAB Members are invited to take the following actions:

- **APPROVE** the Sandbox trial and Derogation;
- **APPROVE** to the conditions proposed for the Derogation; and
- **APPROVE** the timescales for the Sandbox trial and Derogation.