

Hydrogen Energy Association

**108 Lexden Road
West Bergholt
Colchester
Essex
CO6 3BW**

Tel: 0044 (0) 1206 241360

Mob: 0044 (0) 7788 780317

Date: Thursday, 3rd March 2024

Email: c.greaves@ukhea.co.uk

Dear Colleague,

The Hydrogen Energy Association's response to 'Proposed amendments to Contracts for Difference for Allocation Round 7 and future rounds (DESNZ)'

I am writing on behalf of the Hydrogen Energy Association (Formerly the UK Hydrogen and Fuel Cell Association) and in response to your current consultation on the proposed amendments Contracts for Difference for Allocation Round 7 and future rounds. The Hydrogen Energy Association (HEA) is the leading pan-UK trade body in the hydrogen energy sector, with a Mission to support the growth of our members and the sector, and to ensure that the right policy framework is in place. Our 110 plus member companies represent over 200,000 employees globally, with combined revenues over £400 billion, and cover the entire value chain from raw material sourcing, to supply chain and components, financing, professional services, B2B and consumer facing solutions.

With over 15 years of experience, the HEA is a leader in advocating for and accelerating the transition to Net Zero in the UK through the deployment of hydrogen & fuel cell solutions. We promote and represent our members' interests across the hydrogen space, and campaign for the best policy outcomes for the industry across the full range of applications and opportunities.

Hydrogen will play a substantial role in all aspects of energy, and electrolytic hydrogen is closely linked to low carbon electricity generation. Thus, the evolution of the Contracts for Difference Scheme has potential implications for the achievement of our target of 5GW minimum electrolytic hydrogen production by 2030.

In this Consultation, Question 18 is of direct relevance to our members and their objectives and, so, this forms the focus of our response.

Q18. Specifically, to what extent could hybrid metering remove barriers to the deployment of low-carbon hydrogen?

The HEA supports the proposed hybrid metering system as a potential amendment to the CfD Allocation Round 7 and future rounds. One of the fundamental advantages of electrolytic hydrogen production is the ability of generators to be located in dispersed areas where they can provide strategic benefits to regional supply chains or the energy system as a whole. This is achieved via the co-location of electrolyser facilities with CfD funded renewable energy producers. Currently, CfD metering for

different generator sources on a private wire is very complicated as each generator behind the metering point requires individual Balancing Mechanism Units (BMU).

Uncoupling the CfD from the Balancing and Settlement Code (BSC) at certain points would increase the viability of co-locating electrolytic hydrogen assets with solar and wind facilities. This will reduce the complexity of metering all CfD outputs at the BSC level and better accommodate the optimisation of grid connections beyond this point. Deploying a hybrid system that permits CfD generators to measure their Metered Output at a sub-BMU level would allow electrolytic hydrogen facilities the flexibility they require to operate in a way that maximises system benefits to the grid and, crucially, prevent high amounts of energy curtailment.

The HEA considers that this is a particularly valuable proposition for resolving metering issues prior to the potential for co-locating hydrogen production units with offshore wind sites. Currently, if a hydrogen production unit is to co-locate with an offshore wind generator, the output has to pass through the offshore transmission owner (OFTO) prior to onshore metering. As a result, any private wire benefits will be lost. If a hybrid metering system is measured at the point and time of generation, not at the BMU boundary point, this could allow for ‘behind the meter’ benefits from the CfD in an offshore co-located situation, improving the viability of the offshore hydrogen production business case. It is worth noting that, in order for hybrid metering benefits to be fully realised by co-located offshore hydrogen production, the broader challenge of establishing a network through which the hydrogen can be transported, stored and traded must be addressed. Currently there has been little published evidence to suggest this will be facilitated through the existing gas network.

Ultimately, the HEA supports the proposed hybrid metering system as it would increase the viability and flexibility of co-located electrolytic hydrogen generators.

We would welcome the opportunity to discuss our recommendations further.

Kind Regards,

A handwritten signature in black ink, appearing to read 'Celia Greaves', written over a light blue horizontal line.

Celia Greaves
CEO