

To: National Grid Gas Plc (company number 02006000)

**Gas Act 1986
Section 23(1)(a)**

**Modification of Special Condition 7.14 of the Gas Transporter Licence held by
National Grid Gas Plc**

1. Under Section 23(2) of the Gas Act 1986 (“the Act”), the Gas and Electricity Markets Authority (“the Authority”)¹ gave notice on 18 June 2021 (“the Notice”) that we proposed to modify the Special Conditions of the Gas Transporter Licence (“the Licence”) held by National Grid Gas Plc (“the licensee”) granted or treated as granted under section 7 of the Act, by amending Part A of Special Condition 7.14 (Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue (LCMIR_t)).
2. We stated that any views or representations to the modification proposal must be made on or before 19 July 2021. In accordance with Section 23(4)(b) of the Act, a copy of the Notice was sent to the licensee as the relevant Licence holder; the Secretary of State; the Health and Safety Executive; Citizens Advice; and Citizens Advice Scotland.
3. We received one non-confidential response to the Notice, which we carefully considered and have published on our website.² We have commented on this response in our accompanying letter.
4. We are making this modification to amend the R1CMIR_t term in respect of Regulatory Year commencing 1 April 2022 only, changing the revenue received by the licensee for the Capacity Constraint Management (CCM) incentive for that year, as determined by the Authority and supported by the licensee.
5. The effect of this modification will be a change in value of the R1CMIR_t term for Regulatory Year commencing 1 April 2022, with the value of the CMOppM_{2020/21} term that feeds into its calculation being amended to £-(minus)2.629 (as shown in Appendix 1). This change to the R1CMIR_t term for Regulatory Year commencing 1 April 2022 will reflect the licensee’s performance in Regulatory Year commencing 1 April 2020.
6. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under Section 23(B) of the Act, Rule 5.7 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules³ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The attached Appendix 2 provides a list of the relevant licence holders in relation to this modification. Section 23(10) of the Act sets out the meaning of ‘relevant licence holder’.

¹ The terms “we”, “us” and “our” and “the Authority” are used to refer to the Gas and Electricity Markets Authority.

² The Notice and the one non-confidential response can be found at the link here:

<https://www.ofgem.gov.uk/publications/statutory-consultation-proposed-changes-part-special-condition-714-national-grid-gas-plc-nqq-gas-transporter-licence>

³ CMA70 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf

Under the powers set out in Section 23(1)(a) of the Act, we hereby modify the Special Conditions of the Gas Transporter Licence held by National Grid Gas Plc in the manner specified in Appendix 1 attached below. This decision will take effect from 30 September 2021.

This document is notice of the reasons for the decision to modify the Gas Transporter Licence held by National Grid Gas Plc as required by Section 38A of the Act.

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David O’Neill
Head of Gas Markets and Systems
Duly authorised on behalf of the
Gas and Electricity Markets Authority

5 August 2021

APPENDIX 1: Part A of Special Condition 7.14: Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue (LCMIR_t)

Proposed text added is shown as: double underscored

Part A: Formula for calculating the RIIO-GT1 Constraint Management incentive revenue close-out term (LCMIR_t)

7.14.3 For the Regulatory Years commencing on 1 April 2021 to 1 April 2022, the value of LCMIR_t is derived in accordance with the following formula:

$$LCMIR_t = R1CMIR_t \cdot RPIF_t$$

Where:

R1CMIR_t has, for Regulatory Year commencing on 1 April 2021, the value of CMIR_t derived in accordance with Part F Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) of this licence as in force on 31 March 2021.

For the Regulatory Year commencing on 1 April 2022 has the value of CMIR_t derived in accordance with Part F of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) of this licence as in force on 31 March 2021 reflecting a CMOppM_{t-2} value of £-(minus)2.629m.

RPIF_t has the value of RPIF_t as determined in accordance with Part D of Special Condition 3A (Restriction of NTS System Operation Revenue) of this licence as in force on 31 March 2021.

APPENDIX 2: Relevant Licence Holders⁴

National Grid Gas plc

⁴ Gas licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/list-all-gas-licensees-including-suppliers>