



Making a positive difference
for energy consumers

National Grid Gas Plc

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Dear Colleague,

Statutory Consultation on a proposal to modify Special Condition 5.5 of the Gas Transporter Licence held by National Grid Gas Plc (NGG)

Today, we¹ published a Statutory Consultation on a proposal to modify Part C of Special Condition 5.5 (Entry Capacity and Exit Capacity Constraint Management (CM_t)) of NGG's Gas Transporter Licence.²

The purpose of Special Condition 5.5 is to calculate NGG's Constraint Management allowed revenue (CM_t), which comprises incentive revenue from the Capacity Constraint Management (CCM) incentive scheme. The CCM scheme encourages the licensee to minimise its Constraint Management costs net of revenues, and this modification will seek to amend the calculation of the revenues that feed into this CCM incentive.

Proposed change to NGG's Gas Transporter Licence

The Authority is proposing this modification to amend the calculation of the Constraint Management operational performance measure (CMOpPM_t) in Special Condition 5.5, by removing six revenue terms and amending two other revenue terms that feed into its calculation. Following the implementation of UNC678A 'Amendments to Gas Transmission Charging Regime (Postage Stamp)'³ on 1 October 2020, there has been a significant

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

² National Grid Gas Plc, Gas Transporter Licence, Special Conditions.

<https://epr.ofgem.gov.uk/Content/Documents/National%20Grid%20Gas%20Plc%20-%20Special%20Conditions%20Consolidated%20-%20Current%20Version.pdf>

³ Amendments to Gas Transmission Charging Regime: Decision and Final Impact Assessment (UNC678/A/B/C/D/E/F/G/H/I/J) (28 May 2020) <https://www.ofgem.gov.uk/publications-and-updates/amendments-gastransmission-charging-regime-decision-and-final-impact-assessment-unc678abcdefghijkl>.

increase in the price of certain capacity products, leading to significantly higher revenues for NGG from its RIIO-GT2 CCM incentive. It is therefore necessary to make changes to the revenues that feed through the CCM incentive (via the $CMOpPM_t$ term), as we have outlined in our letter 'Review of National Grid Gas Plc (NGG) Capacity Constraint Management incentive for RIIO-GT2' published alongside our Statutory Consultation.

The proposed solution will remove revenue associated with the sale of on-the-day obligated and interruptible/off-peak capacities from the CCM incentive, and introduce a 14% scaling for the non-obligated capacity revenues. These changes also mean Parts D and E of Special Condition 5.5 will also consequently be removed, as they are no longer applicable due to the removal of interruptible/off-peak revenue streams.

Consultation

Please send any views on the issues raised in this letter and the accompanying statutory consultation on or before 23 September 2021 to: Max Lambert by email to Gas.TransmissionResponse@ofgem.gov.uk.

Any responses to the consultation will be published on our website unless marked as confidential. You can ask for your response to be kept confidential and we will respect this subject to any obligations to disclose information, for example under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

If you would like your responses to be kept confidential, clearly mark your documentation to that effect and include the reasons for confidentiality.

If you have any questions regarding this letter or the statutory consultation, please contact Max Lambert at Gas.TransmissionResponse@ofgem.gov.uk or telephone 0207 901 3105.

Yours sincerely,

David O'Neill

Head of Gas Markets and Systems

For and on behalf of the Gas and Electricity Markets Authority