

To: National Grid Gas Plc (company number 02006000)

**Gas Act 1986
Section 23(2)**

Notice of Statutory Consultation on a proposal to modify the Special Conditions of the Gas Transporter Licence held by National Grid Gas Plc

1. In accordance with Section 23(1), the Gas and Electricity Markets Authority ("the Authority")¹ proposes to modify the Special Conditions of the Gas Transporter Licence held by National Grid Gas Plc (the "licensee") granted or treated as granted under section 7 of the Gas Act 1986 by amending Part C of Special Condition 5.5 (Entry Capacity and Exit Capacity Constraint Management (CM_t)).
2. We are proposing this modification to amend the calculation of the CMOpPM_t term within Special Condition 5.5, by removing six terms that feed into CMOpPM_t, and amending the definitions of the RNOEC_t and RNOExC_t terms that will continue to feed into this calculation. These changes consequently mean Parts D and E of Special Condition 5.5 will also need to be removed.
3. The reason for this proposed modification is to recalibrate the licensee's Capacity Constraint Management (CCM) incentive following the implementation of Uniform Network Code (UNC) modification 678A 'Amendments to Gas Transmission Charging Regime (Postage Stamp)'² on 1 October 2020, which has led to significantly higher revenues for the licensee from this incentive. Both the licensee and the Authority have recognised the need to amend the calculation of the CCM incentive from 1 April 2021.
4. The effect of this proposed modification will be a change in the revenues that feed into the CCM incentive (via CMOpPM_t), removing revenue streams associated with the sale of on-the-day obligated and interruptible/off-peak capacities. The change to the definitions of RNOEC_t and RNOExC_t will have the effect of retaining 14% of the revenue from non-obligated capacity sales in the CCM incentive. These amendments will be effective from 1 April 2021.
5. A copy of the proposed modification and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from foi@ofgem.gov.uk.
6. Any representations with respect to the proposed licence modification must be made on or before 23 September 2021 to: Max Lambert by email to Gas.TransmissionResponse@ofgem.gov.uk.
7. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive response in an electronic form so they can be placed easily on our website.

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

² 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-unc678abcdefghij>

8. If we decide to make the proposed modification it will take effect not less than 56 days after the decision is published.

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

25 August 2021

APPENDIX 1: Special Condition 5.5: Entry Capacity and Exit Capacity Constraint Management (CM_t)

Proposed text added is shown as: double underscored

Deletions are shown as: ~~strike through~~

Part C: The Constraint Management incentive revenue (CMOpPM_t)

5.5.4 The value of CMOpPM_t is derived in accordance with the following formula:

$$\begin{aligned} \text{CMOpPM}_t = & \text{CMOpC}_t - \text{ExBBCNLRA}_t - \text{RODEC}_t - \text{RIEC}_t + \text{RFIEC}_t \\ & - ((\text{RNOEC}_t \times 0.14) - \text{RAREnCA}_t) - \text{RLOC}_t - \text{ROPExC}_t + \text{RFOPExC}_t \\ & - (\text{RNOExC}_t \times 0.14) - \text{RODExC}_t - \text{RADD}_t \end{aligned}$$

where:

- CMOpC_t* is derived in accordance with paragraph 5.5.8;
- ExBBCNLRA_t* has the meaning set out in paragraph 5.5.3;
- RODEC_t* ~~is the revenue derived by the licensee from on the Day sales of Obligated Entry Capacity;~~
- RIEC_t* ~~is the revenue derived by the licensee from the sale of Interruptible Entry Capacity;~~
- RFIEC_t* ~~is derived in accordance with paragraph 5.5.6;~~
- RNOEC_t* is the revenue derived by the licensee from sales of Non-Obligated Entry Capacity;
- RAREnCA_t* has the meaning set out in paragraph 5.5.3;
- RLOC_t* is the revenue derived by the licensee from Locational Sell Actions and Physical Renomination Incentive Charges;
- ROPExC_t* ~~is the revenue derived by the licensee from the sale of Off-Peak Exit Capacity;~~
- RFOPExC_t* ~~is derived in accordance with paragraph 5.5.7;~~
- RNOExC_t* is the revenue derived by the licensee from the sale of Non-Obligated Exit Capacity;
- RODExC_t* ~~is the revenue derived by the licensee from on the Day sales of Obligated Exit Capacity; and~~
- RADD_t* is any further revenues derived by the licensee that the Authority has directed the licensee to include in the Constraint Management operational performance measure CMOpPM_t.

Part D: ~~NOT USED~~ Part D: Revenue from curtailed Interruptible Entry Capacity (RFIEC_t)

5.5.6 ~~NOT USED~~ The value of RFIEC_t is derived in accordance with the following formula:

$$RFIEC_t = RIEC_t \times \left(1 - \left(\frac{RSIEC_t}{SIEC_t} \right) \right)$$

_____ where:

~~RSIEC_t~~ is the remaining sold quantity of Interruptible Entry Capacity (kWh) after curtailment derived by the licensee; and

~~SIEC_t~~ is the sold quantity of Interruptible Entry Capacity (kWh) derived by the licensee.

Part E: ~~NOT USED~~ Part E: Revenue from sale of curtailed Off-Peak Exit Capacity (RFOPExC_t)

5.5.7 ~~NOT USED~~ The value of RFOPExC_t is derived in accordance with the following formula:

$$RFOPExC_t = ROPExC_t \times \left(1 - \left(\frac{RSOPExC_t}{SOPExC_t} \right) \right)$$

_____ where:

~~RSOPExC_t~~ is the remaining sold quantity of Off-Peak Exit Capacity (kWh) after curtailment derived by the licensee; and

~~SOPExC_t~~ is the sold quantity of Off-Peak Exit Capacity (kWh) derived by the licensee.

APPENDIX 2: Relevant Licence Holders³

National Grid Gas plc

³ Gas licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/list-all-gas-licensees-including-suppliers>