



Making a positive difference
for energy consumers

National Grid Gas Plc; and all
interested parties

Phone: 020 7901 3105

Email:

Gas.TransmissionResponse@ofgem.gov.uk

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Dear Colleague,

Modification of Special Condition 5.5 of the Gas Transporter Licence held by National Grid Gas Plc (NGG)

We¹ have decided to modify Part C of Special Condition 5.5 (Entry Capacity and Exit Capacity Constraint Management (CM_t)) of NGG's Gas Transporter Licence ("the Licence").² This modification was proposed in our statutory consultation published on 25 August 2021, to which we invited responses by 24 September 2021.³ The modification decision is published on our website alongside this letter. This decision to modify Special Condition 5.5 will have effect not less than 56 days from the publication of the decision to proceed with the making of modifications however, once the modification has been implemented, those changes will have effect as if they had been in effect from the 1 April 2021.

The modification

The modification will 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. Special Condition 5.5 calculates NGG's Constraint Management allowed revenue (CM_t), which includes incentive revenue from the Capacity Constraint Management (CCM) incentive.

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 The link to this Statutory Consultation is here: <https://www.ofgem.gov.uk/publications/statutory-consultation-proposed-changes-part-c-special-condition-55-national-grid-gas-plc-ngg-gas-transporter-licence>

Following the implementation of UNC678A 'Amendments to Gas Transmission Charging Regime (Postage Stamp)'⁴ on 1 October 2020, there has been a significant increase in the price of certain capacity products, leading to significantly higher revenues for NGG from its RIIO-GT2 CCM incentive. It has therefore been necessary to make changes to the revenues that feed through the CCM incentive (via the CMO_{PPM} term), as we outlined in our letter 'Review of National Grid Gas Plc (NGG) Capacity Constraint Management incentive for RIIO-GT2' published alongside the Statutory Consultation.⁵

The modification 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.

Responses to our Statutory Consultation

We received one response to our statutory consultation from NGG ("the Licensee"), which has been published on our website.⁶ The Licensee stated that it agreed the need to amend the RIIO-GT2 CCM scheme, and supported the proposed changes. The Licensee suggested some minor textual changes to the proposed licence modification. Following this feedback, we have incorporated two changes to correct two small typographical errors in the Part C heading and paragraph numbering.

If you have any questions regarding this letter or the modification decision, 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

⁴ 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>

⁵ The link to the Statutory Consultation, and accompanying review letter, can be found here: <https://www.ofgem.gov.uk/publications/statutory-consultation-proposed-changes-part-c-special-condition-55-national-grid-gas-plc-ngg-gas-transporter-licence>

⁶ The one non-confidential response can be found at the link here: <https://www.ofgem.gov.uk/publications/statutory-consultation-proposed-changes-part-c-special-condition-55-national-grid-gas-plc-ngg-gas-transporter-licence>