

To: National Grid Gas Plc (company number 02006000)

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

**Modification of Special Condition 5.5 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 25 August 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 C of Special Condition 5.5 (Entry Capacity and Exit Capacity Constraint Management (CM_t)).
2. We stated that any views or representations to the modification proposal must be made on or before 24 September 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 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 be removed.
5. The effect of this modification will be a change in the revenues that feed into the CCM incentive (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.
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 Schedule 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-c-special-condition-55-national-grid-gas-plc-ngq-gas-transporter-licence>.

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

In accordance with the powers contained in section 23(1)(a) of the Act, the Authority hereby modifies the gas transporter licence of National Grid Gas Plc in the manner specified in attached Schedule 1.

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.

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.

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

12 October 2021

Schedule 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~~

Alterations from consultation responses shown as: **yellow highlight**

Part C: The Constraint Management **operational performance measure** (CMOpPM_t)

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

$$\begin{aligned} CMOpPM_t = & CMOpC_t - ExBBCNLRA_t - \cancel{RODEC_t} - \cancel{RIEC_t} + \cancel{RFIEC_t} \\ & - ((RNOEC_t \times 0.14) - RAREnCA_t) - RLOC_t - \cancel{ROPExC_t} + \cancel{RFOPExC_t} \\ & - (RNOExC_t \times 0.14) - \cancel{RODExC_t} - RADD_t \end{aligned}$$

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 associated with the NTS Entry Capacity reserve price 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 associated with the NTS Exit Capacity reserve price 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 CMOPM_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.

Schedule 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>