

Consultation



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Schedule 2: Proposed Direction to NGGT

To:

National Grid Gas Transmission plc ('NGGT' or 'the Licensee')

Direction under Part F (Adjustment for the Distribution Networks' Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZPSt) of Special Condition 6.1. (Transportation owner pass-through items (PTt))

General

1. NGGT is the holder of a licence granted or treated as granted under section 7 of the Gas Act ('the Act').
2. On 31 October 2021, SGN submitted a Re-opener application¹ in respect of the needs case, option selection and forecast costs of a project to demonstrate whether the Local Transmission System (LTS) can be repurposed to carry hydrogen (LTS Futures, or the 'Project'). On 5 January 2022 we consulted on the needs case and efficient costs for this project². Having considered the consultation responses, on 10 March 2022, we published our decision, where we approved £29.94m in funding for the Project. Further details on the funding value are set out in our decision published on 10 March 2022³.
3. This direction is issued pursuant to Part F (Adjustment for the Distribution Networks' Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZPSt) of Special Condition 6.1 (Transportation owner pass-through items (PTt)) of NGGT's licence. It sets out the adjustments to the value of NZPSt. In particular, it provides for the payments to be made by the Licensee to SGN for the Project, as a result of the application made under Special Condition 3.9 of its licence. It is issued alongside a direction to SGN setting out the conditions to be met by them in relation to the Project.
4. The Gas and Electricity Markets Authority ("the Authority") published on its website the text of the proposed direction and stated that representations must be made on or before 24 March 2022.
5. We received [number] responses and have placed all non-confidential responses on our website. Having considered those responses, we have decided to proceed with making this direction.

¹ <https://www.ofgem.gov.uk/sites/default/files/2022-01/Annex%20-%20SGN%20NZASP%20Application%20-%20Redacted.pdf>

² Available at <https://www.ofgem.gov.uk/publications/sgn-local-transmission-system-lts-futures-project>

³ [link to decision document]

6. [Address responses or refer to where that detail can be found. Explain any changes we have made to the proposed direction as a result of the responses.]

Payments to SGN under the Net Zero Pre-construction Work and Small Net Zero Projects

7. Of the approved amount of £29.94m for the Project, SGN will contribute £2.99m in cash and benefits in kind. The remaining £26.94, equating to £23.77m in 18-19 values, will be recovered by NGGT, through NTS Transportation Owner Charges⁴, and transferred to SGN. Annex 1 sets out the amounts to be recovered in each Regulatory Year.
8. The timing of the revenue transfer between NGGT and the SGN must occur in accordance with Special Condition 6.1.13 of NGGT's Licence. SGN is responsible for notifying NGGT of the bank account details to which transfers must be made.

NOW THEREFORE,

9. The Authority, pursuant to the provisions of Special Condition 6.1, issues this Direction to NGGT. Furthermore, the Authority directs that Appendix 2 of Special Condition 6.1 Part F is amended as set out in Annex 1.

10. This Direction constitutes notice of reasons for the Authority's decision pursuant to section 38A (Reasons for decisions) of the Gas Act 1986.

[Signature]

Duly authorised on behalf of the Gas and Electricity Markets Authority

[date]

⁴ As defined in Special Condition 1.1.15 of National Grid Gas' Gas Transporter Licence

Annex 1: Funding value

This annex sets out the amendments to be made to NGGT’s licence. The figures below are expressed in 18/19 values.

Special Condition 6.1 Part F Appendix 2

Payments to Distribution Networks for Net Zero Pre-construction Work and Small Net Zero Projects (£m)

Distribution Network/Regulatory Year	2021/22	2022/23	2023/24	2024/25	2025/26	Total
SGN plc	0.00	13.36	7.92	2.50	0.00	23.77