

# **Gas Distribution Network Company Licence**

**Proposed modifications to Special Condition 1.1 (Interpretation and definitions) and Special Condition 3.9 (Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZP<sub>t</sub>))**

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# Chapter 1: Interpretation and definitions

## Special Condition 1.1 Interpretation and definitions

### Part B: Definitions

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Small Net Zero Projects means a project that: ~~would be within the scope of the Re-opener provided by~~ (a) is within the scope of paragraphs 3.6.6.(a) to (d) of Special Condition 3.6 (Net zero Re-opener and Price Control Deliverable) ~~but for failing to meet the Materiality Threshold;~~ and (b) the cost of which is less than £100m.

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## Special Condition 3.9 Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZPt)

### Introduction

3.9.1 The purpose of this condition is to ~~calculate the term NZPt (the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener term). This contributes to the calculation of the Totex Allowance.~~ **establish a Re-opener triggered by the Authority where pre-construction work or other projects have been identified that will enable the achievement of Net Zero Carbon Targets.**

~~3.9.2 The effect of this condition is to:~~

- ~~(a) establish a Re-opener for the Authority to trigger amendments to the value of NZPt; and~~
- ~~(b) require the licensee to comply with the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document.~~

3.9.2 **The work or projects may be funded via the NZPt term (the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener term) in this licence or, where appropriate, for funding via all gas consumers, via a pass-through term in the NTS Operator's licence (NZPSt). The NZPt term contributes to the calculation of the Totex Allowance.**

3.9.3 This condition also:

- (a) requires the licensee to comply with funding conditions and directions to return unspent funding to the NTS Operator;**
- (b) requires the licensee to comply with the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document; and**
- (c) explains the process the Authority will follow when:**
  - i. directing any changes as a result of the Re-opener; and**
  - ii. issuing or amending the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document.**

### **Part A: What is the scope of this Re-opener? The Net Zero Pre-construction Work and Small Net Zero Projects Re-opener**

3.9.4 ~~The Authority will consider directing an adjustment to the value of the NZPt term and the value of the NZPSt term in the NTS Operator's licence where in its view~~ **may use this Re-opener where:**

- (a) there is Net Zero Pre-construction Work or Small Net Zero Projects needed that will enable the achievement of Net Zero Carbon Targets;**
- (b) the Net Zero Pre-construction Work or Small Net Zero Project has caused or is expected to cause the cost of the licensee's Licensed Activity to increase during the Price Control Period; and**

- (c) the effect, or estimated effect, of the Net Zero Pre-construction Work or Small Net Zero Project on the cost of Licensed Activity exceeds the materiality threshold of £1m.
- 3.9.5 The Authority may issue a direction setting out the following, where the conditions in paragraph 3.9.4 are satisfied:
- (a) the amount of funding for each Net Zero Pre-construction Work or Small Net Zero Project being provided under this Re-opener;
  - (b) whether that funding is to be provided via the NZPt term in this licence or via the pass-through term NZPSt in the NTS Operator's licence or a combination of the two;
  - (c) the Regulatory Years in which the funding is to be provided; and
  - (d) any conditions that have to be met by the licensee.
- 3.9.6 The licensee must comply with any conditions set under paragraph 3.9.5(d).
- 3.9.7 If the licensee does not spend funding provided under this Re-opener or does not comply with any conditions set under paragraph 3.9.5(d) the Authority may direct as appropriate:
- (a) a reduction to the NZPt term; and/or
  - (b) that the licensee return, within a time period specified in the Authority's direction, funding paid to it by the NTS Operator in accordance with a direction under Part F of Special Condition 6.1 (Transportation owner pass-through items) of the NTS Operator's licence.
- 3.9.8 If the licensee does not spend funding provided via the pass-through term NZPSt in the NTS Operator's licence on Net Zero Pre-construction Work or Small Net Zero Projects as set out in a direction made under paragraph 3.9.5, the Authority may direct that the licensee returns that funding to the NTS Operator.
- 3.9.9 The licensee must comply with a direction under paragraph 3.9.7(b) and 3.9.8 to return funding to the NTS Operator.

#### **Part B: Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document**

- 3.9.10 The licensee must comply with the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document in relation to any Net Zero Pre-construction Work and Small Net Zero Projects funded by this Re-opener.
- 3.9.11 The Authority will issue and amend the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document by direction.
- 3.9.12 The Authority will publish the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document on the Authority's Website.

- 3.9.13 Before issuing the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document;
  - (b) the date on which the Authority intends the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document to come into effect; and
  - (c) a period during which representations may be made on the content of the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document, which will not be less than 28 days.
- 3.9.14 Before amending the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document by direction, the Authority will publish on the Authority's Website:
- (a) the text of the amended Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document;
  - (b) the date on which the Authority intends the amended Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document to come into effect;
  - (c) the reasons for the amendments to the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document; and
  - (d) a period during which representations may be made on the amendments to the Net Zero Pre-construction Work and Small Net Zero Projects Re-opener Governance Document, which will not be less than 28 days.

**Part C: What process will the Authority follow in making a direction?**

- 3.9.15 Before making a direction under paragraphs ~~3.9.4~~ 3.9.5, 3.9.7 or 3.9.8 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
  - (b) the reasons for the proposed direction; and
  - (c) a period during which representations may be made on the proposed direction.
- ~~3.9.16 The direction will set out:~~
- ~~(a) any adjustment to the value of the NZP<sub>t</sub> term and the Regulatory Years to which that adjustment relates;~~
  - ~~(b) any conditions that have to be met by the licensee; and~~
  - ~~(c) where appropriate, any adjustment that is also being made to the value of the NZPS<sub>t</sub> term in accordance with Special Condition 6.1 (Transportation owner pass-through items) of the NTS Operator's licence and the Regulatory Years to which that adjustment relates.~~

~~3.9.17—If the licensee fails to comply with a condition imposed under paragraph 3.9.11(b), the Authority will make any reduction to the NZP<sub>t</sub> term, and where relevant the NZPS<sub>t</sub> term of the NTS Operator’s licence, under section 23 of the Act.~~

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