

To: National Gas Transmission plc

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

**Modification of the special conditions of the gas transporter licence held by
National Gas Transmission plc**

1. National Gas Transmission is the holder of a gas transport licence ('the Licence') granted or treated as granted under s.6(1)(b) of the Gas Act 1986 ('the Act').
2. Under section 23(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 12 December 2023 ('the Notice')² that we propose to modify Special Condition 3.18.4 of the Licence. We stated that any representations to the modification proposal must be made on or before 21 January 2024.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 23(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received one response to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. The single response agreed with our proposal.
5. We are making this licence change because we have identified an inconsistency in the scope of the opex escalator term between the Licensee and other licenced network transmission operators. This inconsistency currently has no impact, but future changes in totex allowances could potentially lead to discrepancies in how the term is calculated for the Licensee compared to other licenced network transmission operators. To rectify this and ensure that indirect costs are calculated consistently across transmission network operators on Re-opener mechanisms, the Authority is amending Special Condition 3.18 to align the scope of the opex escalator with other licensees.
6. The effect of the modification will mean that we will assess the indirect costs of proposals submitted under the three Re-opener mechanisms (Physical Security Upgrade Programme, Net Zero, and Non-operational IT Capex), rather than the costs being calculated automatically via a formula. We expect that the effect of this modification on NGT's allowances will be relatively small.
7. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 23B of the Act, Rule 5.6 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 "the Authority", "we" and "us" are used interchangeably in this document.

² [Aligning the calculation of National Gas Transmission's indirect costs - draft direction | Ofgem](#)

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

Under the powers set out in section section 23(1)(a) of the Act, we hereby modify Special Condition 3.18.4 of the gas transporter licence of National Gas Transmission plc in the manner specified in attached Schedule 1. This decision will take effect from 23 March 2024.

This document is notice of the reasons for the decision to modify the gas transporter licence held by National Gas Transmission plc as required by section 38A of the Act.

Nathan Macwhinnie
Deputy Director Price Control Operations

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Nathan Macwhinnie
Duly authorised on behalf of the
Gas and Electricity Markets Authority

26 January 2024

Schedule 1

This modification will amend Special Condition 3.18.4 as follows:

3.18.4 The value of $UMTERM_t$ is derived in accordance with the following formula:

$$UMTERM_t = \cancel{PSUPRE_t} + \cancel{NZ_t} + \cancel{NOIT_t} + BTRE_t + CEPRE_t + KLSRE_t + FIOCRE_t + AH_t$$

where

$\cancel{PSUPRE_t}$ ~~has the meaning given in Part A of Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable);~~

$\cancel{NZ_t}$ ~~has the meaning given in Part A of Special Condition 3.6 (Net Zero Re-opener);~~

$\cancel{NOIT_t}$ ~~has the value zero unless directed otherwise in accordance with Special Condition 3.7 (Non-operational IT Capex Re-opener);~~

$BTRE_t$ has the meaning given in Part A of Special Condition 3.10 (Bacton terminal site development Re-opener and Price Control Deliverable);

$CEPRE_t$ has the meaning given in Part A of Special Condition 3.11 (Compressor emissions Re-opener and Price Control Deliverable);

$KLSRE_t$ has the meaning given in Part A of Special Condition 3.12 (King's Lynn subsidence Re-opener and Price Control Deliverable);

$FIOCRE_t$ has the meaning given in Part A of Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable); and

AH_t has the value zero unless directed otherwise in accordance with Special Condition 3.14 (Asset health Re-opener).