

Graham Craig
Senior Manager
Price Control Operations
Ofgem
Commonwealth House
32 Albion Street
Glasgow, G1 1LH

12 April 2024

RE: Statutory consultation to modify Special Condition 3.14 Asset health Re-opener of National Gas Transmission Plc's gas transporter licence

Dear Graham,

We welcome the opportunity to respond to the above statutory consultation on behalf of National Gas Transmission (NGT), which can be published on Ofgem's website.

We agree with Ofgem's proposal to align Special Condition 3.14 to Ofgem's RIIO-2 Final Determinations (03 February 2021). As detailed in the consultation this includes updates to the definition of Valves SpC 1.1 Interpretation and definitions and SpC 3.14 Asset health Re-opener (Aht) of the Licence granted to NGT. The proposed modifications will permit the alignment of the re-openers submitted to Ofgem for consideration in January 2023 and June 2023. As part of those submissions, we have submitted two applications¹ requesting additional funding for asset health interventions on Valves.

Question 1: Do respondents agree with our proposed modifications to Special Conditions 1.1 and 3.14 of NGT's gas transporter license?

We agree with Ofgem's proposed modifications to resolve the unintended disconnect between the policy decision set out in the RIIO-2 Final Determinations to give effect to that decision which inadvertently did not include reference to Valves. Moreover, we agree with the proposed definition which will cover funding requested through the January 2023 and June 2023 re-opener windows.

We also agree that the proposed modification will align with the intention of the RIIO-2 Final Determinations to true-up costs for the years Asset Health Baseline allowances were received for relating to Valves, Compressor Cabs and Plant and Equipment for the financial years 2021/22, 2022/23 and 2023/24 (year 1, 2 and 3) with a re-opener to fund year 4 and 5 investments (financial years 2024/25 and 2025/26). In paragraph 1.11. Ofgem state the proposal to modify the Licence to correct this inconsistency and to enable them to true-up

¹ [Our RIIO-2 re-opener applications \(2021-2026\) | National Gas](#) – St Fergus - Actuator EJP and St Fergus - Priority Valves (Phase 1) EJP

allowances for the first three years of the RIIO-T2 price control for works done at St Fergus, in line with actual efficient costs and work volumes. It should be noted here that this applies to all Asset Health re-opener submissions and not exclusively to the St Fergus themed investments.

Question 2: Do respondents propose any changes to the proposed licence modification?

We have noticed that Appendix 2 of the consultation does not reflect the Direction under Special Condition 3.14.5 to amend the dates for applying for certain directions from 1 August 2022². As part of this publication Ofgem directed that, in addition to the existing re-opener window, the Licensee may apply to the Authority for a direction under paragraph 3.14.4 of Special Condition 3.14 between 24 June 2023 and 30 June 2023, between 25 January 2024 and 31 January 2024 or during such later periods as the Authority may direct. This means Part B, 3.14.5 needs to be updated accordingly in Appendix 2, which currently reads:

Part B: When to make an application

3.14.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.14.4 Between 25 January 2023 and 31 January 2023, or during such later periods as the Authority may direct.

It requires to be updated to read:

Part B: When to make an application

3.14.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.14.4 between 25 January 2023 and 31 January 2023, 24 June 2023 and 30 June 2023, between 25 January 2024 and 31 January 2024 or during such later periods as the Authority may direct.

Following Ofgem's proposed changes and in-line with the RIIO-2 Final Determinations the financial years subject to true-up where Baseline allowances have been received are financial years 2021/22, 2022/23 and 2023/24, whereas the re-opener will fund financial years 2024/25 and 2025/26. We think this needs to be reflected in paragraph 3.14.2 (a):

(a) establish a Re-opener triggered by either the licensee or the Authority to adjust allowances for Valves, Compressor Cabs and Plant And Equipment for Regulatory Years commencing on 1 April 2024 to 1 April 2025; and

In paragraph 3.14.4:

where it is seeking allowances for work relating to Valves, Compressor Cabs or Plant And Equipment in Regulatory Years commencing on 1 April 2024 to 1 April 2025.

And in paragraph 3.14.8:

without an application being made under paragraph 3.14.4, in relation to costs incurred or expected to be incurred relating to Valves, Compressor Cabs or Plant And Equipment Between 1 April 2024 and 31 March 2026 that exceed the Materiality Threshold.

² [AD Direction Letter Re-opener Guidance and Application Requirements document \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/ad-direction-letter-re-opener-guidance-and-application-requirements)

We hope you find this response helpful. If you would like to discuss any of our response further, please do not hesitate to contact myself (neil.rowley@nationalgas.com, 07785 381424).

Yours sincerely,

Neil Rowley – By Email

Head of Regulatory Performance, Commercial – On behalf of NGT