



Making a positive difference
for energy consumers

To:
National Gas Transmission plc
And any interested parties

Gas Act 1986 Section 23(2)

Notice of statutory consultation on a proposal to modify National Gas Transmission plc's Gas Transporter Licence, Special Conditions (System operator pass-through items) and Price Control Financial Instruments

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the Special Conditions of the Gas Transporter licence held by National Gas Transmission plc ('the licensee') granted or treated as granted under section 7 of the Gas Act 1986, as well as the RIIIO-GT3 Price Control Financial Instruments (PCFIs).
2. We are proposing these modifications to introduce a new pass-through mechanism for costs associated with Import Capacity Availability Agreements.
3. Specifically, as set out in Annex 1, we propose to:
 - a. Amend Special Condition 1.1 (Interpretation and Definitions) to introduce new definitions associated with the pass-through mechanism;
 - b. Amend Special Condition 6.3 (System Operator Pass-Through Items (SOPT_t)) to introduce a new pass-through term, ICAASO_t, within the existing System Operator pass-through framework; and
 - c. Introduce a new Special Condition 6.5 (Import Capacity Availability Agreements).
4. We are also proposing to introduce the ICAASO_t into the Price Control Financial Instruments, as set out in the GT3 Price Control Financial Model and GT3 Price Control Financial Handbook, published alongside this notice.
5. The reasons and effects of the proposed modifications are published together with this notice in the associated consultation document.
6. Any representations with respect to the proposed licence modifications must be made on or before 20 November 2026 to: Dr Adrian Richardson, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to energy.securityofsupply@ofgem.gov.uk.
7. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our

¹ The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day-to-day work.

website.

8. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.

Dated: 22 October 2026

Jack Presley Abbott
Interim Director - Energy Systems Management & Security

Duly authorised for and on behalf of the Gas and Electricity Markets Authority

Annex 1 – Proposed changes to National Gas Transmission plc’s Gas Transporter Licence, Special Conditions

Special Condition 1.1 Interpretation and Definitions

We are proposing to insert the following definitions into Special Condition 1.1 (Interpretation and Definitions) according to alphabetical order:

<u>Import Capacity Availability Agreement</u>	<u>means an agreement signed between the licensee and respective Interconnector Operator for the provision of a capacity availability service, as set out in Special Condition 6.5.</u>
<u>Interconnector Operator</u>	<u>for the purposes of Special Condition 6.5 (Import Capacity Availability Agreements) only, means the holder of a licence granted or treated as granted under section 7ZA of the Gas Act 1986 in relation to one or more gas interconnectors.</u>
<u>Reconciliation Methodology</u>	<u>means the document of that name approved by the Authority in accordance with Part E of Special Condition 6.5 (Import Capacity Availability Agreements).</u>

Special Condition 6.3 System operator pass-through items (SOPT_t)

Introduction

- 6.3.1 The purpose of this condition is to calculate the term SOPT_t (the system operator allowed pass-through term). This feeds into SO Calculated Revenue in Special Condition 2.3 (System operator revenue restriction).
- 6.3.2 The effect of this condition is to ensure that the licensee’s SO Allowed Revenue reflects that certain costs can be passed through to customers.

Part A: Formula for calculating the system operator allowed pass-through term (SOPT_t)

- 6.3.3 The SOPT_t term is derived in accordance with the following formula:

$$SOPT_t = CDSP_t + SOEDE_t + ARGSP_t + \underline{ICAASO_t}$$

where:

$CDSP_t$	means CDSP Costs, excluding costs incurred in relation to UK Link Gemini;
$SOEDE_t$	means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year that relate to NTS System Operation Activity, as set in the triennial review of Pension Scheme Established Deficit provided for in the GT3 Price Control Financial Handbook; ~~and~~

ARGSP_t means the ISOP's gas revenue provision term and is derived in accordance with Special Condition 6.4; and

ICAASO_t means the amount derived in accordance with Special Condition 6.5.

Special Condition 6.5 Import Capacity Availability Agreements

Introduction

- 6.5.1 The purpose of this condition is to calculate the ICAASO_t term (the Import Capacity Availability Agreements term) and:
- (a) establish arrangements for the licensee to recover the payments due to each Interconnector Operator pursuant to the relevant Import Capacity Availability Agreement for each Regulatory Year;
 - (b) establish arrangements for the licensee to recover its own costs, incurred in connection with each Import Capacity Availability Agreement for each Regulatory Year; and
 - (c) establish the provisions for the calculation of the reconciliation term ICAASOAR_t in line with the Reconciliation Methodology described in Part E of this Condition.
- 6.5.2 This condition also sets out the process the Authority will follow when making any changes to the amounts in Appendix 2.

Part A: Formula for calculating the Import Capacity Availability Agreements term (ICAASO_t)

- 6.5.3 The value of ICAASO_t is derived in accordance with the following formula:

$$\underline{ICAASO_t = ICAASOA_t + ICAASOAR_t}$$

where:

ICAASOA_t means the sum of the values in Appendix 1 and Appendix 2; and

ICAASOAR_t means the reconciliation amount which has the value as calculated in accordance with the Reconciliation Methodology, and reported in accordance with Part D.

Part B: The Import Capacity Availability Agreements term (ICAASOA_t)

- 6.5.4 The Authority may direct an amendment to the values of ICAASOA_t in Appendix 2 (only) by direction, after consulting with the licensee and the relevant Interconnector Operator, where relevant, if it considers that the amendments to the values are required.

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

- 6.5.5 Before making a direction under paragraph 6.5.4, 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, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part D: Reporting requirements for the reconciliation term ICAASOAR_t

- 6.5.6 The licensee must by 31 July in each Regulatory Year submit to the Authority a statement in respect of the previous Regulatory Year that sets out:
- a) the value of ICAASOAR_{t-1} allowance in respect of each Import Capacity Availability Agreement;
 - b) each of the payments made by the licensee to each Interconnector Operator pursuant to the relevant Import Capacity Availability Agreement, and the month in which the relevant payment occurred;
 - c) any adjustment to the amounts payable to each Interconnector Operator pursuant to the relevant Import Capacity Availability Agreement, including the month or months in respect of which such adjustment was made;
 - d) costs incurred by the licensee, the scope of which is defined in Appendix 3, in connection with each Import Capacity Availability Agreement including the cost category and details of the relevant costs, and the month in which the relevant cost was incurred;
 - e) the value of ICAASOAR_{t-1} in respect of each Import Capacity Availability Agreement calculated in accordance with Reconciliation Methodology described in Part E; and
 - f) the sum total of all such amounts for the relevant Regulatory Year.
- 6.5.7 The statement sent under paragraph 6.5.6 must provide such detail, as the Authority may reasonably request in writing.

Part E: Reconciliation Methodology to calculate the reconciliation term ICAASOAR_t

- 6.5.8 The licensee must have in place a Reconciliation Methodology to calculate the reconciliation term ICAASOAR_t. The Reconciliation Methodology must, as a minimum, set out:
- a) the cost categories for the purpose of calculating the ICAASOAR_t, by reference to Appendix 3;
 - b) the manner in which ICAASOAR_t will be calculated by the licensee for each Regulatory Year; and
 - c) any other information as the Authority may reasonably request in writing.
- 6.5.9 The licensee must submit the Reconciliation Methodology to the Authority for its approval in sufficient time to enable it to come into effect from 1 April 2027. The Authority will approve the Reconciliation Methodology by direction.
- 6.5.10 Before directing that the Reconciliation Methodology comes into effect, the Authority will share with the licensee:
- a) the text of the proposed Reconciliation Methodology, based on the document submitted by the licensee under paragraph 6.5.9;
 - b) the date on which the Authority intends the Reconciliation Methodology to come into effect; and
 - c) a period during which representations may be made by the licensee on the content of the Reconciliation Methodology, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 6.5.11 The value of ICAASOAR_t must be calculated annually in accordance with the Reconciliation Methodology as approved by the Authority in accordance with paragraph 6.5.10 or as amended in accordance with paragraphs 6.5.13 and 6.5.14, and may be either a positive or negative figure.

6.5.12 The Reconciliation Methodology may be amended from time to time following a request, in writing, by the licensee; or as requested by the Authority following a consultation process as set out in 6.5.14.

6.5.13 If the Authority approves these requested amendments, the Authority will make such amendments by direction.

6.5.14 Before directing an amendment to the Reconciliation Methodology, the Authority will share with the licensee:

- a) the text of the proposed amendments to the Reconciliation Methodology;
- b) the date on which the Authority intends the amended Reconciliation Methodology to come into effect;
- c) the reasons for the amendments to the Reconciliation Methodology; and
- d) a period during which representations by the licensee may be made on the amendments to the Reconciliation Methodology, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part F: Other obligations

6.5.15 The licensee must notify the Authority of any material breach by either the licensee or the relevant Interconnector Operator of, or termination right arising under, the relevant Import Capacity Availability Agreement, promptly and in any event within 5 working days of it becoming aware of such material breach or termination right. To the extent within the licensee's reasonable knowledge and control, the notice must describe:

- a) the material breach, its actual or anticipated impact, and the steps the parties are taking or propose to take to address it; or
- b) the relevant termination right and the circumstances giving rise to that termination right.

Appendix 1

Allowances for the delivery of the Import Capacity Availability Agreement (ICAASOA), by Regulatory Year, in £m nominal

<u>Interconnector Operator</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>2031/32</u>
<u>Interconnector Ltd</u>	<u>As set out in the Redacted Information Document, SpC 6.5</u>	<u>As set out in the Redacted Information Document, SpC 6.5</u>	<u>As set out in the Redacted Information Document, SpC 6.5</u>	<u>As set out in the Redacted Information Document, SpC 6.5</u>	<u>As set out in the Redacted Information Document, SpC 6.5</u>	<u>As set out in the Redacted Information Document, SpC 6.5</u>

Appendix 2

Allowances for the delivery of the Import Capacity Availability Agreement (ICAASOA), by Regulatory Year, in £m nominal

<u>Interconnector Operator</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>2031/32</u>
<u>BBL</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

Appendix 3

Scope of the licensee's own costs incurred in managing the Import Capacity Availability Agreement with Interconnector Ltd covered by this condition

As set out in the Redacted Information Document, SpC 6.5.