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*Promoting choice and
value for all customers*

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Date: 27 September 2012

Dear Mr Mistry,

Transmission Planning Code 2012

We have received a copy of the Transmission Planning Code (the Code) from National Grid Gas (NGG) with a request that we¹ approve the proposed revisions to it. This letter sets out the purpose of the Code, our views on NGG's proposed amendments and our reasons for granting approval for the proposed amendments.

Background

The Code informs parties wishing to connect to and use the National Transmission System (NTS) of the key technical factors affecting the planning and development of the system. It also includes a methodology to determine the physical capability of the NTS. The aim of the Code is to provide greater transparency and clarity about these factors for system users. In addition, it seeks to achieve better consistency across the network and to improve the flow of information available.

The Code is subject to review every two years and as part of this review NGG is required to consult interested parties liable to be materially affected by it. On 29 June 2012 NGG issued an industry consultation on the third edition of the Code and received one response.

On 30 August 2012 NGG submitted a report on the outcome of its review together with its proposed revisions to the Code to us for approval. We identified two issues that we asked NGG to consider. The first was whether the term "Whole Life Value" (in section 9.18 of the Code) could be consistently and uniformly interpreted by all parties. The second was whether there was scope for confusion between the terms Planning and Consents Agreement (PCA) (as set out in section 4.4.2 of the Code) and Pre-Capacity Arrangements (PCAs) (which was included as part of National Grid NTS's RIIO TI price control² submission). Section 4.4.2 of the Code also included a diagram showing a capacity

¹ The terms "Ofgem", "the Authority", "we" and "us" are used interchangeably in this document.

² RIIO-T1 is the first transmission price control review to reflect the new regulatory framework resulting from our RPI-X@20 review.

allocation two years prior to release, whereas the new commercial arrangements, including such timings, are still in development as part of the RIIO price control process.

On 26 September 2012, NGG submitted a revised Code which clarifies these issues. For the avoidance of doubt, we have asked NGG to publish a changed marked version of the Code together with the finalised Code.

Proposed amendments to the Code

NGG has informed us that its review of the Code had identified a number of proposed changes predominantly driven by legislation relating to the Planning Act 2008, the Industrial Emissions Directive and the European Third Package.

NGG is aware that ongoing developments relating to the RIIO-TI price control may also introduce the need for additional changes in the future. It has stated that the potential impact of these have been explicitly excluded from this review and will be considered in future reviews of the Code when there is certainty of the need to do so.

NGG has informed us that the one respondent to its consultation expressed concerns over what they considered to be excessive timescales associated with delivering projects under the Planning Act processes. They stated that the "one size fits all" approach was not their preferred approach given material differences in the projects. NGG felt it was appropriate to introduce a new paragraph under section 2.6.3 of the Code to help provide clarification on the key points raised by the respondent.

The new paragraph states that whilst the quoted seven year planning process timeline is generic, NGG considers it to be representative of the timeline for a typical major linear infrastructure project. However, this timeline is not fixed and will vary on a case by case basis according to each project's individual requirements. NGG also states that it will endeavour to improve upon these timescales wherever possible whilst maintaining the required quality of consultation and ensuring compliance with the Planning Act.

Our view

NGG has sought to improve the clarity of the way in which the network is planned and developed and the new Code articulates the changes required by legislation. NGG has also added flow diagrams to illustrate the approach that is taken to decisions between investing on the network and other solutions. We consider that this adds to the transparency of the Code.

We also note that the one respondent to the consultation on the Code raised general concerns about the RIIO-T1 capacity release model. These issues form part of the overall RIIO-T1 process but they cannot be considered within the scope of the Code at this stage, whilst the RIIO process is still in progress.

When the new arrangements for the release of incremental capacity have been agreed we would expect such changes to be reflected in a revised Code.

We have taken the view that changes which have been made in response to our concerns with respect to 'Whole Life Values' and the Planning and Consents Agreement are of a clarificatory nature. In the light of this, we consider that further consultation with industry is unnecessary.

The Authority's Decision

Following consideration of the documentation provided and having regard to its principal objective and statutory duties, and for the reasons set out above, the Authority has decided, pursuant to Special Condition C11, to approve the revised version of the Transmission Planning Code submitted by NGG on 26 September 2012.

A handwritten signature in blue ink that reads "Andy Burgess".

Andrew Burgess

Associate Partner, Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose.