



Alison Kay
Group Company Secretary
National Grid Company plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

*Promoting choice and value for
all gas and electricity customers*

Direction issued to National Grid Gas Plc (NGG) by the Gas and Electricity Markets Authority pursuant to paragraph 7 of Special Condition C28 and paragraph 6(b) of Special Condition C8F of NGG's Gas Transporter Licence.

1. Special Condition C28 of National Grid Gas Plc's Gas Transporter Licence places an obligation on National Grid Gas (NGG) to develop and undertake a Scheme of Work to facilitate the establishment of a long term external gas system operator incentive to reduce targeted greenhouse gases¹.
2. Paragraph 7 of Special Condition C28 allows for the Authority to direct the recovery of up to 60% of the non recoverable costs up to a maximum of £300,000 pursuant to GHGct as specified in Special Condition C8F (NTS System Operator external incentives, costs and revenues).
3. On 27 July 2012 NGG provided a statement of non recoverable costs incurred during the relevant formula year ending 31st March 2012 in relation to Special Condition C28 of its gas transporter licence. This statement set out that NGG had incurred costs of £23,925 up to 31 March 2012 which they deemed to be non recoverable as defined by Special Condition C28 and that these costs were efficiently incurred. NGG requested Ofgem to provide it with a Direction to recover 60% of these non recoverable costs pursuant to paragraph 6(b) of Special Condition C8F of its Gas Transporter Licence.
4. Having considered the statement submitted by NGG, the Authority has determined that the costs sought by NGG are non recoverable costs as defined in Special Condition C28 and were efficiently incurred.
5. **The Authority therefore directs that the value of GHGct in respect of formula year 2011/12 shall be £23,925 thereby permitting NGG to recover a total of £14,355 as provided for under paragraph 7 of Special Condition C28 and paragraph 6(b) of Special Condition C8F of the gas transporter licence.**

Dated: 21 February 2013

Emma Kelso

Associate Partner, Wholesale Markets

Duly authorised on behalf of the Gas and Electricity Markets Authority

¹ According to Paragraph 9 of Special Condition C28, the Scheme of Work should include: i) an approach, estimated costs and timetable, ii) the development of a methodology for the quantification of NGG's Greenhouse Gas Emissions, and iii) projects relating to alternatives to venting natural gas (see <http://www.ofgem.gov.uk/Markets/WhlMkts/EffSystemOps/SystOpIncent/Documents1/National%20Grid.pdf>)