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for energy consumers

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Dear Company Secretary

### **Gas Network Innovation Competition (NIC) - Funding Direction**

Under the requirements of Section B: Implementation Requirements, Chapter 7 (Funding Direction) of the Gas NIC Governance Document<sup>1</sup> and Part B of Special Condition 2F.7 and 2F.8. (The NIC Funding Mechanism) of the National Grid Gas plc National Transmission System (NTS) Licence, we issue a direction (the "Funding Direction") every year. This direction details how much money National Grid Gas Transmission (NG GT), in its role as NTS System Operator can recover from customers to cover the costs of the Gas NIC and specifies the net amounts to be apportioned between and transferred to the Network Licensees.

The value that NG GT can recover includes any funding for Gas NIC projects funded in the 2013 competition.

On 9 August 2013, Network Licensees submitted to us 6 projects to be considered for funding through the Gas NIC.<sup>2</sup> In this year's decision<sup>3</sup> we selected 4 of these projects for funding. These projects are described in table 1.

**Table 1 – projects awarded funding**

<b>Project</b>	<b>Network Licensee</b>	<b>Funding awarded</b>
BioSNG Demonstration Plant	National Grid Gas Distribution	£1,875,150.96
Low Carbon Gas Preheating	Northern Gas Networks	£4,842,760.60
Robotics	Southern Gas Networks	£6,531,699.54
Opening up the Gas Market	Scotland Gas Networks	£1,865,809.76

As the potential learning from these projects would provide benefits to all Network Licensees, they are funded by all customers through transmission use of system charges. Therefore we are amending the allowed revenue of the NTS System Operator for the

<sup>1</sup> [Gas](#) NIC Governance Document

<sup>2</sup> Information on these projects is available here: <https://www.ofgem.gov.uk/network-regulation-%E2%80%93-rnio-model/network-innovation/gas-network-innovation-competition>

<sup>3</sup> This year's decision document is available here: <https://www.ofgem.gov.uk/publications-and-updates/decision-first-year-gas-network-innovation-competition>

regulatory year 2014/15 and set here how much the NTS System Operator needs to transfer to the Network Licensees listed in Table 1 of the schedule to this direction.

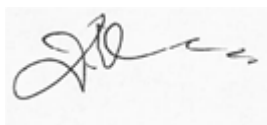
To implement these amendments to the NTS System Operator's allowed revenues, in accordance with the Gas NIC Governance Document, this direction:

- sets the total amount that can be recovered from or returned to GB customers through NTS Charges to cover Gas NIC Funding in each year, termed (NICF term) in the NIC Licence Condition;
- identifies the net amounts that must be apportioned by and transferred from the NTS System Operator to the successful Network Licensees; and
- identifies the manner in which and the timescale over which the net amounts will be transferred.

The schedule to this Funding Direction includes the above information for the regulatory year 2014/15.

In accordance with Special Condition 2F of the National Grid Gas plc NTS Transporter Licence and Special Condition 1I of the Gas Transporter and the Gas NIC Governance Document, the Authority hereby requires all Network Licensees to comply with the conditions in the Schedule to this Funding Direction.

This Funding Direction constitutes notice pursuant to section 38A (Reasons for decisions) of the Gas Act 1986.



**Dora Guzeleva**  
**Head of Networks Policy: Local Grids**  
**For and on behalf of the Authority**

## Schedule to Funding Direction

### 1. The value that the NTS System Operator can recover from customers to cover NIC and Discretionary Funding in 2014/15

Table 1 contains the amount that the NTS System Operator must recover in Regulatory Year commencing 1 April 2014. The amount that the NTS System Operator must recover is based on the total Approved Amounts<sup>4</sup> for Regulatory Year 2014/15. The amount that the NTS System Operator must recover, less any Funding Return constitutes the value for the NIC term.

### 2. The net amounts that must be transferred between Network Licensees

Table 2 contains the net amounts that must be transferred by the NTS System Operator to the other Network Licensees over the Regulatory Year commencing 1 April 2014. For the avoidance of doubt no adjustments for inflation should be made to these numbers.

### 3. The manner in which and the timescale over which the net amounts will be transferred

The transfers must be made on an equal monthly basis, for the entirety of the Regulatory Year commencing 1 April 2014 such that the total amount transferred over the Regulatory Year commencing 1 April 2014 equals the net amount set out in Table 2.

The Network Licensees that will be receiving funding from the NTS System Operator must provide their bank account details to the NTS System Operator which will be transferring funding by 1 March 2014. The NTS System Operator will make transfers to the specified bank accounts on the day of the month agreed by the NTS System Operator.

**Table 1**

<b>Network Licensee</b>	<b>NIC Term</b>
National Grid Gas Transmission	£15,115,420.86

**Table 2**

<b>Network Licensee</b>	National Grid Gas Distribution £	Northern Gas Networks £	Southern Gas Networks £	Scotland Gas Networks £
National Grid Gas Transmission	1,875,150.96	4,842,760.60	6,531,699.54	1,865,809.76

<sup>4</sup> Approved Amount has the meaning given in the Gas NIC Governance document.