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Dear Company Secretary

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

The Authority<sup>1</sup> issues a direction (Funding Direction<sup>2</sup>) every year under the requirements of Section B: Implementation Requirements, Chapter 7 (Funding Direction) of the Gas NIC Governance Document<sup>3</sup> and Part D of Special Condition 2F paragraphs 2F.16 (Determination of the amount of the NIC Funding term) of the National Grid Gas plc (NGG) NTS Transporter Licence. This Funding Direction details the amount of authorised NIC Funding in any Formula Year NGG can recover from customers to cover the costs of the Gas NIC.

On 25 July 2014, eligible Network Licensees submitted two projects to us to be considered for funding through the NIC.<sup>4</sup> In this year's decision we selected one of these projects for funding.<sup>5</sup> This project is listed in Table 1.

**Table 1 – project awarded funding**

<b>Project</b>	<b>Network Licensee</b>	<b>Funding awarded (£m)</b>
In Line Robotic Inspection of High Pressure Installations	National Grid Gas Transmission	£5,674,505.03

As the potential learning from this project would provide benefits to all Network Licensees, this project is to be funded by means of revenues collected by NGG through its NTS Transportation Owner Charges.

Therefore we are incorporating the NIC Funding term (NICF term) into the Maximum NTS Transportation Owner Revenue in accordance with Special Condition 2A of the NGG NTS Transporter Licence for the Formula Year 2015/16 and here set the amount NGG needs to transfer to the bank account<sup>6</sup> for the project listed in Table 1 of the schedule to this Funding Direction.

<sup>1</sup> The terms "the Authority", "we" and "us" are used interchangeably in this document. The Authority is the Gas and Electricity Markets Authority. Ofgem is the Office of the Authority.

<sup>2</sup> All capitalised terms not otherwise defined in this Funding Direction have the meaning given to them in Appendix 1 of the Gas NIC Governance Document and in the NGG NTS Transporter Licence.

<sup>3</sup> [Gas NIC Governance Document](#).

<sup>4</sup> Information on these projects is available: <https://www.ofgem.gov.uk/network-regulation-%E2%80%93-riio-model/network-innovation/gas-network-innovation-competition>.

<sup>5</sup> This year's decision document is available: <https://www.ofgem.gov.uk/publications-and-updates/decision-second-year-gas-network-innovation-competition>.

<sup>6</sup> The project bank account is defined in paragraphs 8.2-8.9 of the Gas NIC Governance Document.

This Funding Direction:

- sets the value that NGG can recover from GB customers to cover Gas NIC Funding for the Formula Year 2015/16 (NICF term);
- identifies the net amount that is to be transferred by NGG in to the project bank account for In Line Robotic Inspection of High Pressure Installations in order to ensure that NGG receives an amount equal to the NIC Funding for that Formula Year that is attributable to its Eligible NIC Project; and
- identifies the manner in which and the timescale over which the net amount will be transferred.

The schedule to this Funding Direction includes the above information for Formula Year 2015/16.

In accordance with paragraph 2F.16 of Special Condition 2F of the NGG NTS Transporter Licence and Chapter 7 of the Gas NIC Governance Document, the Authority hereby requires NGG 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.

Yours faithfully,



**Andy Burgess**  
**Associate Partner, Transmission and Distribution Policy**  
**For and or behalf of the Authority**

## Schedule to Funding Direction

### 1. The value that NGG can recover from customers to cover NIC and Discretionary Funding in 2015/16

Table 1, below, contains the amount that NGG must recover in Formula Year commencing 1 April 2015.

The amount NGG must recover is based on the total Approved Amounts for Formula Year 2015/16.<sup>7</sup> The amount that NGG must recover, less any Funding Return, constitutes the value for the NICF term.

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

The Table below contains the net amount that must be transferred by NGG to the project bank account of In Line Robotic Inspection of High Pressure Installations in the Formula Year commencing 1 April 2015. 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 Formula Year commencing 1 April 2015 such that the total amount transferred over the Formula Year commencing 1 April 2015 equals the net amount set out in Table 1.

The Network Licensee that will be receiving funding from NGG must provide its bank account details to NGG by 1 March 2015. The transfers to the specified bank account will be made on the day of the month agreed by NGG.

**Table 1**

<b>Network Licensee</b>	<b>NICF Term</b>
National Grid Gas Transmission	£5,674,505.03

<sup>7</sup> Approved Amount has the meaning given in the Gas NIC Governance document.