



Making a positive difference  
for energy consumers

To: National Grid Gas plc (with respect to its gas transmission network), Network operators, interested stakeholders

Email: [kiran.turner@ofgem.gov.uk](mailto:kiran.turner@ofgem.gov.uk)

Date: 13 March 2019

Dear Company Secretary and stakeholders,

**Proposal to make modifications to the RIIO-T1 Gas Transmission Price Control - Regulatory Instructions and Guidance**

We propose to make changes to the RIIO-T1 Gas Transmission Price Control - Regulatory Instructions and Guidance ("RIGs"), and together with this letter enclose a Notice, issued pursuant to paragraph 10(a) of Part C of Standard Special Condition A40 (Regulatory Instructions and Guidance) ("SSC A40") of the Gas Transporter Licence.

These modifications are proposed for two main reasons. First, they would clarify the existing reporting requirements.

Second, as set out in our 'RIIO Accounts way forward and alternative approach' letter<sup>1</sup> in August 2018, we propose modifications to the RIGs to include the Regulatory Financial Performance Reporting (RFPR) requirement, which we consider would provide more targeted detailed financial information on licensees' RIIO performance. The RFPR is proposed as an additional annex in the RIGs.

We welcome comments on our proposed modifications, and the details for responding are contained in the enclosed Notice.

We propose that if we implement these changes, they will take effect in April 2019. For the avoidance of doubt, this means that the data submitted in July 2019 (in respect of the 2018/19 reporting year) would use the RIGs as modified.

Yours faithfully,

**Steven McMahon**  
**Deputy Director, Network Price Controls**  
**13 March 2019**

---

<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2018/08/open\\_letter\\_riio\\_accounts\\_way\\_forward.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/08/open_letter_riio_accounts_way_forward.pdf)

To: **National Grid Gas plc (the "Licensee") (with respect to its gas transmission network)** (Company Number: 02006000)

**Notice under paragraph 10(a) of Standard Special Condition A40 (Regulatory Instructions and Guidance) ("SSC A40") of the Gas Transporter Licence**

The Gas and Electricity Markets Authority (the "Authority"<sup>2</sup>) hereby gives notice in accordance with paragraph 10(a) of SSC A40 as follows:

***Proposal to modify the Regulatory Instructions and Guidance***

1. The Licensee is the holder of a Gas Transporter Licence (the "Licence") granted or treated as granted under section 7 of the Gas Act 1986.
2. The Authority proposes to modify the Regulatory Instructions and Guidance (the "RIGs") further to SSC A40 of the Licence. The RIGs are the primary means by which the Authority directs the Licensee to collect and provide information to the Authority, to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-GT1 Final Proposals<sup>3</sup>.
3. SSC A40 sets out the process for issuing and modifying the RIGs. In accordance with paragraph 10(a) of SSC A40, the Authority hereby gives notice to the Licensee that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed via the hyperlink in Appendix 1 to this Notice.
4. The proposed modifications to the RIGs, as set out below, consist of revisions to existing tables and updates to the RIGs guidance document. The proposed modifications are aimed at requiring the Licensee to provide more accurate, consistent and complete information to the Authority, so as to enhance the quality and accuracy of the information available to the Authority.
5. The proposed modifications refer specifically to information that is required to be submitted to the Authority on or before 31 July 2019. These modifications are to the following documents:
  - the RIIO-T1 Gas Transmission Price Control – Regulatory Instructions and Guidance: Version 6.1
  - the RIIO-T1 Gas Transmission Reporting template: Version 6.1
  - the RIIO-T1 Gas Transmission Reporting Return Pack: Version 6.1
  - the RIIO Regulatory Financial Performance Reporting – Regulatory Instructions and Guidance
  - the RIIO Regulatory Financial Performance Reporting - Template
6. The main proposed modifications are summarised below:
  - A. Clarification to the definition relating to the term "Opex/IT Telecoms" and its application to the legally separate electricity transmission system operator (SO) business within National Grid (to be established by 1 April 2019). This is intended to remove ambiguity in relation to the treatment of Information Technology (IT) costs between the Closely Associated Indirects (CAI) category and Business Support (BS) category within the annual reporting pack. Changes are proposed to the definition of 'Operational IT and Telecoms' and 'IT & Telecoms', specifically removing the reference to "real time" management of

---

<sup>2</sup> 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.

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/riio-t1-final-proposals-national-grid-electricity-transmission-and-national-grid-gas-%E2%80%93-overview>

- network assets in the RIGs and allowing the restatement of costs in worksheets 3.1, 3.4 and 3.6 of the 2018/19 Reporting template.
- B. Change to the basis of reporting Aggregated System Entry Point (ASEP) flows from using average Calorific Value to fixed Calorific Value of 39.0 MJ/M<sup>3</sup>. This change is to ensure consistency of reporting with the Transmission Planning Code. Table 6.5 of the Reporting template has been updated to allow NGGT to restate historic flows in line with this change.
  - C. Introduction of Regulatory Financial Performance Reporting to provide more targeted detailed financial information on licensees' RIIO performance. The RFPR is proposed as an additional annex in the RIGs and a separate reporting template.

### **Further information**

- 7. Appendix 1 to this Notice provides a link to the following documents, which show the full set of proposed modifications:
  - (a) the RIIO-T1 Gas Transmission Price Control – Regulatory Instructions and Guidance: Version 6.1
  - (b) the RIIO-T1 Gas Transmission Reporting template: Version 6.1
  - (c) the RIIO-T1 Gas Transmission Reporting Return Pack: Version 6.1
  - (d) the RIIO Regulatory Financial Performance Reporting – Regulatory Instructions and Guidance: Version 1.0
  - (e) the RIIO Regulatory Financial Performance Reporting – Template: Version 1.0
- 8. Copies of this Notice and other documents referred to in it are available on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
- 9. We invite any representations on the proposed modifications by no later than 11 April 2019 to Kiran Turner, Ofgem, Systems & Networks, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to [kiran.turner@ofgem.gov.uk](mailto:kiran.turner@ofgem.gov.uk). We propose that if we implement these changes, they will take effect in April 2019.
- 10. All responses will normally be published on our website. However, if you do not wish your response to be made public then you should clearly mark your response as not for publication. We prefer to receive responses in an electronic form so that they can be published easily on our website.

**Steven McMahon,**  
**Deputy Director, Network Price Controls**  
**Duly authorised on behalf of the Authority**  
**13 March 2019**

## **Appendix 1: Regulatory Instructions and Guidance incorporating proposed modifications**

A copy of the proposed the RIIO-T1 Gas Transmission Price Control – Regulatory Instructions and Guidance: Version 6.1, the proposed RIIO-T1 Gas Transmission Reporting template: Version 6.1 and the proposed RIIO-T1 Gas Transmission Reporting Return Pack: Version 6.1 can be found on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/notice-proposing-modifications-regulatory-instructions-and-guidance-rigs-riio-gt1-version-61>