

National Grid Gas plc, all those
with an interest in capacity on
the gas transmission system

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Dear colleague,

Decision on the proposed modification of National Grid Gas plc's gas transporter licence to: (a) allow new entry and exit points with zero baseline capacity to be maintained in tables outside the licence; and (b) make changes to the consultation process required by Article 18(4) of EU Gas Regulations for new zero baseline capacity points.

In August 2019 we¹ published a statutory consultation² on proposed modifications to National Grid Gas plc's (NGG) gas transporter licence ("the Licence")³. We requested views on proposed changes to the Licence in respect of the process for adding new NTS points with zero baseline capacity. We also invited views on our proposal that NGG should be responsible for conducting the consultation required under Article 18(4) of the EU Gas Regulations⁴ for all new zero baseline capacity points.

Following the closure of the statutory consultation, and having considered the proposed changes further, we have decided to implement the licence modifications as set out in the Schedule 1 of the decision notice published on our website alongside this letter. Our decision to make these licence changes will take effect from 10 December 2019.

The Modifications

The modifications will mean all new entry and exit points with zero baseline capacity will be added to the Zero Baseline Entry/Exit Capacity Tables contained in a document called the "Long Term Summary Report". This will remove the requirement to amend the licence for each new Entry/Exit point with Zero Baseline Capacity. National Grid Gas plc will maintain these tables and inform Ofgem and industry of new points. If a point requires baseline capacity, then the current processes will continue to apply. Furthermore, a subsequent

¹ The use of "we", "us" and "our" refers to the Authority. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

² Statutory consultation on proposed modifications to National Grid Gas plc's gas transporter licence: <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-proposed-modification-national-grid-gas-plc-s-gas-transporter-licence-treatment-new-entry-and-exit-points-zero-baseline-capacity>

³ National Grid Gas plc (NTS), Gas Transporter Licence, Special Conditions: https://epr.ofgem.gov.uk/Content/Documents/National%20Grid%20Gas%20Plc%20-%20Special%20Conditions%20Consolidated%20-%20Current%20Version.pdf?utm_source=ofgem&utm_medium=&utm_term=&utm_content=licencecondition&utm_campaign=epr

⁴ Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0036:0054:en:PDF>

changes of baseline capacity due to substitution or increased incremental capacity will require a full consultation on changes to the licence.

In addition to these changes, the proposed modifications will also require NGG to conduct the consultation process required under Article 18(4) of the EU Gas Regulations for new zero licence baseline entry and exit points. This consultation is required to determine whether new entry or exit points are relevant points for transparency requirements. Currently, the Authority carries out this consultation. Under the new arrangements, we will continue to make a decision on the outcome of this consultation following its conclusion.

Industry responses to our Statutory Consultation

We received one response to our statutory consultation. The response was not marked as confidential and has been published on our website.

The respondent was supportive of the proposed changes. They suggested that there was some slight repetition in the proposed licence text at Paragraphs 5F.30 and 5G.34. The respondent argued that the apparent repetition created uncertainty regarding whether NGG would be required to submit one or two reports to the Authority following the closure of the consultation required under Article 18(4) of the EU Gas Regulations.

Having reviewed the proposed licence text again, we have decided that it is sufficiently clear that only one report will be required to be submitted to the Authority by NGG following the conclusion of the consultation.

We have therefore decided to proceed with the licence text we proposed in the statutory consultation. We identified some paragraph numbering errors in the licence text which have now been amended. The relevant paragraphs have been highlighted in yellow in Schedule 1 of the decision notice published on our website alongside this letter. The text in these paragraphs has not been altered in any way from that which we consulted on in the statutory consultation.

Our Decision

Having considered the response that we received to our statutory consultation, we have decided to proceed with the proposed modifications to the gas transporter licence as set out in Schedule 1 of the decision notice published on our website alongside this letter.

Next Steps

We have published our decision notice on our website alongside this letter. The new licence conditions will come into effect on 10 December 2019.

Yours faithfully,

David O'Neill

David O'Neill, Head of Gas Systems

For and on behalf of the Gas and Electricity Markets Authority