

To: National Grid Gas plc (company number 02006000) (the “licensee”)

**Gas Act 1986
Section 23(1)(a)**

**Modification of Special Conditions 1A, 5F and 5G of the gas transporter licence
held by National Grid Gas plc**

1. National Grid Gas plc is the holder of a gas transporter licence (‘the Licence’) granted or treated as granted under Section 7 of the Gas Act 1986 (‘the Act’).
2. Under section 23(2) of the Act the Gas and Electricity Markets Authority (‘the Authority’)¹ gave notice on 9 August 2019 (‘the Notice’) that we propose to modify Special Conditions 1A, 5F and 5G of the Licence. We stated that any representations to the modification proposal must be made on or before 6 September 2019.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 23(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received one response to the Notice, which we carefully considered. We have placed this non-confidential response on our website. Our response to these comments is set out in the accompanying letter.
5. We have 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 this decision notice. The text in these paragraphs has not been altered in any way from that which we consulted on in the statutory consultation.
6. We are making these licence changes following the conclusion of National Grid Gas plc’s project, Customer Low Cost Connections (CLoCC), which aims to simplify the process and reduce the timescale for small new entry and exit connections. The current process for adding new points to be included in the licence is lengthy and not consistent with the aims of a shorter and simplified connections process. The purpose of these licence modifications is to simplify and shorten this process.
7. New entry and exits points with zero baseline capacity will no longer be listed in the licence itself.
8. The effect of these modifications will be that 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 change of baseline due to substitution or increased incremental capacity would require a full consultation on changes to the licence.
9. In addition to these change, the modifications will also require National Grid Gas plc to conduct the consultation process required under Article 18(4) of the EU Gas

¹ The terms “the Authority”, “we” and “us” are used interchangeably in this document.

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.

10. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 23B of the Act, Rule 5.7 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules² requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification. Section 23(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 23(1)(a) of the Act, we hereby modify the Special Conditions of the gas transporter licence of National Grid Gas plc in the manner specified in attached Schedule 1. This decision will take effect from 10 December 2019.

This document is notice of the reasons for the decision to modify the gas transporter licence held by National Grid Gas plc as required by section 38A of the Act.

**The Official Seal of the Gas and Electricity Markets Authority
here affixed is authenticated by the signature of**

David O'Neill

**David O'Neill
Head of Gas Systems, Energy Systems Transition
Duly authorised on behalf of the
Gas and Electricity Markets Authority**



14 October 2019

² CMA70 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf

Schedule 1 – Licence drafting

Deletions are shown in strike through and new text is double underlined. Changes made following the statutory consultation have been highlighted in yellow, and reasons for these changes has been set out in the decision notice, and in the decision letter published on our website alongside this notice.

Schedule 1.1 – Amendments to Chapter 5 headings in the table of Contents, and at the beginning of Chapter 5, Special Condition 5F and Special Condition 5G:

CHAPTER 5: ANNUAL ITERATION PROCESS – ADJUSTMENTS TO THE NTS TRANSPORTATION OWNER REVENUE RESTRICTION AND THE CREATION OF ZERO BASELINE CAPACITY ENTRY AND EXIT POINTS

Special Condition 5F. Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply and the creation of Zero Licence Baseline Capacity Entry Points

Special Condition 5G. Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply and the creation of Zero Licence Baseline Capacity Exit Points

Schedule 1.2 – Amendments to Special Condition 1A.4 by adding the following new definitions:

Definitions in alphabetical order

1A.4 In the Special Conditions, unless the context otherwise requires:

<u>Zero Licence Baseline Capacity Entry Point</u>	<u>means an NTS Entry Point at which there is zero Licence Baseline Entry Capacity and which, as a result, does not give rise to any funding allowance, or revenue driver.</u>
<u>Zero Licence Baseline Capacity Exit Point</u>	<u>means an NTS Exit Point at which there is zero Licence Baseline Exit Capacity and which, as a result, does not give rise to any funding allowance, or revenue driver.</u>
<u>Zero Licence Baseline Entry Capacity Table</u>	<u>means a table called the “Zero Licence Baseline Entry Capacity Table” contained in a document called the “Long Term Summary Report” which is published by the Licensee on its website.</u>
<u>Zero Licence Baseline Exit Capacity Table</u>	<u>means a table called the “Zero Licence Baseline Exit Capacity Table” contained in a document called the “Long Term Summary Report” which is published by the Licensee on its website.</u>

Schedule 1.3 – Amendments to Special Condition 5F.1

5F.1 The purpose of this condition is to set out:

- (a) the process by which the Licensee can propose, and the Authority can approve the volume of Incremental Obligated Entry Capacity;
- (b) the treatment of Incremental Obligated Entry Capacity for the purposes of the Special Conditions, including the appropriate funding allowance for that Incremental Obligated Entry Capacity; ~~and~~
- (c) the obligations on the Licensee to calculate revenue drivers for NTS Entry Points where required (as set out in this condition) in a timely manner;~~;~~
- (d) the means by which Zero Licence Baseline Capacity Entry Points may be created for Days from 10 December 2019; and
- (e) the Licensee’s obligation to consult in relation to Zero Licence Baseline Capacity Entry Points.

Schedule 1.4 – Amendments to Special Condition 5F.27

~~5F.27 Licence Baseline Entry Capacity is set out in Tables 4A and 4B. For Gas Days prior to 1 November 2015 (or such other date as the Authority may direct in writing), Table 4A shall apply. For Gas Days from 1 November 2015 (or such other date as the Authority may direct in writing), Table 4B shall apply.~~

5F.27

(A)

- (a) Table 4A below sets out Licence Baseline Entry Capacity and zero Licence Baseline Entry Capacity for Days prior to 1 November 2015.
- (b) Table 4B below sets out Licence Baseline Entry Capacity for Days from 1 November 2015 and, zero Licence Baseline Entry Capacity for Days from 1 November 2015 until 10 December 2019.
- (c) The Zero Licence Baseline Entry Capacity Table sets out a list of any Zero Licence Baseline Capacity Entry Points created for Days from 10 December 2019.

(B) A new Zero Licence Baseline Capacity Entry Point shall be created when the Licensee records the existence of the new Zero Licence Baseline Capacity Entry Point in the Zero Licence Baseline Entry Capacity Table.

(C) The Licensee shall promptly inform the Authority of the creation of any new Zero Licence Baseline Capacity Entry Point.

(D) The following shall apply in relation to the tables in (A) above:

- (a) Any new Zero Licence Baseline Capacity Entry Point shall not be recorded in Table 4B below.

- (b) A Zero Licence Baseline Capacity Entry Point shall be removed from the Zero Licence Baseline Entry Capacity Table if Licence Baseline Entry Capacity is created at the NTS Entry Point by virtue of an amendment to this licence.
- (c) Any NTS Entry Point at which there is zero Licence Baseline Entry Capacity listed in Table 4A or Table 4B below before 10 December 2019, shall continue to exist in Table 4A or Table 4B below, and shall not be transferred to the Zero Licence Baseline Entry Capacity Table because of the creation of the Zero Licence Baseline Entry Capacity Table.

Schedule 1.5 – Addition of Special Condition 5F.30

5F.30 The Licensee shall, unless otherwise directed by the Authority, conduct the consultation required by Article 18.4 of Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 in relation to any Zero Licence Baseline Capacity Entry Point and inform the Authority of the responses to this consultation. Within 14 days of the close of its consultation, the Licensee shall submit to the Authority:

- (a) a report on the outcome of the consultation; and
- (b) any written representations that were received from interested parties during the consultation process and have not been withdrawn.

Schedule 1.6 – Amendments to Special Condition 5G.1

5G.1 The purpose of this condition is to set out:

- (a) the process by which the Licensee can propose, and the Authority can approve the volume of Incremental Obligated Exit Capacity;
- (b) the treatment of Incremental Obligated Exit Capacity for the purposes of the Special Conditions, including the appropriate funding allowance for that Incremental Obligated Exit Capacity; and
- (c) the obligations on the Licensee to calculate revenue drivers for NTS Exit Points where required (as set out in this condition) in a timely manner;
- (d) the means by which Zero Licence Baseline Capacity Exit Points may be created for Days from 10 December 2019; and
- (e) the Licensee’s obligation to consult in relation to Zero Licence Baseline Capacity Exit Points.

Schedule 1.7 – Amendments to Special Condition 5G.31

~~5G.31 Licence Baseline Exit Capacity is set out in Table 8.~~

5G.31

(A)

- (a) Table 8 below sets out Licence Baseline Exit Capacity and zero Licence Baseline Exit Capacity for Days until 10 December 2019,
- (b) The Zero Licence Baseline Exit Capacity Table sets out a list of any Zero Licence Baseline Capacity Exit Points created for Days from 10 December 2019.
- (B) A new Zero Licence Baseline Capacity Exit Point shall be created when the Licensee records the existence of the new Zero Licence Baseline Capacity Exit Point in the Zero Licence Baseline Exit Capacity Table.
- (C) The Licensee shall promptly inform the Authority of the creation of any new Zero Licence Baseline Capacity Exit Point.
- (D) The following shall apply in relation to the tables in (A) above:

 - (a) Any new Zero Licence Baseline Capacity Exit Point shall not be recorded in Table 8 below,
 - (b) A Zero Licence Baseline Capacity Exit Point shall be removed from the Zero Licence Baseline Exit Capacity Table if Licence Baseline Exit Capacity is created at the NTS Exit Point by an amendment to this licence,
 - (c) Any NTS Exit Point at which there is zero Licence Baseline Exit Capacity listed in Table 8 below before 10 December 2019, shall continue to exist in Table 8 below, and shall not be transferred to the Zero Licence Baseline Exit Capacity Table because of the creation of the Zero Licence Baseline Exit Capacity Table.

Schedule 1.8 – Addition of Special Condition 5G.34

5G.34 The Licensee shall, unless otherwise directed by the Authority, conduct the consultation required by Article 18.4 of Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 in relation to any Zero Licence Baseline Capacity Exit Point and inform the Authority of the responses to this consultation. Within 14 days of the close of its consultation, the Licensee shall submit to the Authority:

- (a) a report on the outcome of the consultation; and
- (b) any written representations that were received from interested parties during the consultation process and have not been withdrawn.

Schedule 2 – Relevant Licence Holders

National Grid Gas plc