

To: National Grid Gas plc.

**Gas Act 1986
Section 23(2)**

**Notice of statutory consultation on a proposal to modify Special Condition 7E of
the gas transporter licence held by National Grid Gas plc.**

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify Special Condition 7E: Specification of Network Replacement Outputs ('SpC 7E') of the gas transporter licence held by National Grid Gas plc ('the Licensee') granted or treated as granted under Section 7 of the Gas Act 1986 by amending Table 1: Network Replacement Outputs.
2. We are proposing this modification in order to replace the Licensee's current volume-based Network Replacement Outputs with its rebased monetised risk targets, as proposed in our Gas Transmission Network Output Measures Rebasing Consultation.
3. The effect of this proposed modification will be to substitute in Table 1 in Part A of SpC 7E the Network Replacement Outputs the Licensee must deliver during the RIIO-1 price control period² with equivalent rebased monetised risk targets.
4. A copy of the proposed modification and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from foi@ofgem.gov.uk.
5. Any representations with respect to the proposed licence modification must be made on or before 3 April 2020 to: Thomas McLaren, Office of Gas and Electricity Markets, 32 Albion St, Glasgow G1 1LH or by email to Thomas.McLaren@ofgem.gov.uk
6. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We

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

² Schedule 1: Special Conditions to National Grid Gas Plc's (NTS) Gas Transporter Licence

prefer to receive responses in an electronic form so they can be placed easily on our website.

7. If we decide to make the proposed modification it will take effect not less than 56 days after the decision is published.

Min Zhu

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Deputy Director, Systems & Networks

Duly authorised on behalf of the

Gas and Electricity Markets Authority

06 March 2020

Schedule 1: Proposed modifications to Special Condition 7E of the gas transporter licence held by National Grid Gas plc

The proposed modification would replace the values and headings in Table 1 in Part A of Special Condition 7E (Specification of Network Replacement Outputs).

Part A: Obligation to deliver Network Replacement Outputs

Table 1: Network Replacement Outputs

Asset categories		Units <u>Monetised</u> <u>Risk</u>	Asset distribution based on Replacement Priority at 31 March 2021 <u>Asset distribution based on Replacement Priority of risk remaining on the network by 31 March 2021</u>			
			Replacement Priority (where RP1 is the highest risk category)			
			RP1	RP2	RP3	RP4
1	Entry	Units <u>R£</u>	122 <u>79,107</u>	864 <u>13,951</u>	1,291 <u>1,558</u>	508 <u>47,767</u>
2	Exit	Units <u>R£</u>	122 <u>320,147</u>	969 <u>6,790</u>	1,083 <u>1,651</u>	551 <u>7,041</u>
3	Compressor	Units <u>R£</u>	354 <u>378,086</u>	2,061 <u>152,390</u>	2,438 <u>65,754</u>	1,714 <u>121,401</u>
4	Pipeline	Units <u>R£</u>	2,028 <u>562,672</u>	21,224 <u>568,666</u>	5,943 <u>383,245</u>	6,765 <u>2,756,804</u>
5	Multijunction	Units <u>R£</u>	130 <u>317,128</u>	1,005 <u>5,795</u>	1,628 <u>34,610</u>	264 <u>13,082</u>

Legend:

Struck out text	current licence text
<u>Double underline text</u>	new proposed text