

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

Email: james.santos-mansur@ofgem.co.uk

Date: 28 April 2020

Direction under paragraph 8 of Standard Special Condition A40 (Regulatory Instructions and Guidance) of the Gas Transporter Licence granted to the Licensee under section 7 of the Gas Act 1986

Whereas –

1. The Licensee has been granted a Gas Transporter Licence (“the Licence”) under section 7 of the Gas Act 1986 (“the Act”) and is subject to the conditions contained in the Licence.
2. The RIIO-GT1 Gas Transmission Price Control - Regulatory Instructions and Guidance (“RIGs”) are the primary means by which the Gas and Electricity Markets Authority (“the Authority”) directs the Licensee to provide information required by the Authority to administer the conditions of the Licence and, where not referenced in the Licence, the RIIO-T1 Final Proposals¹.
3. In accordance with paragraph 10(a) of Standard Special Condition A40 of the Licence the Authority gave Notice² on 09 March 2020 that it proposed to modify the RIGs.
4. The Notice requested that any representations on the proposed modifications to the RIGs were made on or before 06 April 2020. The Authority received one representation. In accordance with paragraph 10(b) of SSC A40, the Authority has considered the representation and made a small number of changes to modifications to the RIGs proposed in the Notice.
5. We are making the modifications to the RIGs set out in Appendices 1 and 2 to this Direction. The version number for the RIGs and associated documents have been updated to reflect the modifications. The modifications to the RIGs Reporting Pack Template are also noted in the “changes log” tab of the pack.
6. The modifications apply to information for the reporting year 01 April 2019 to 31 March 2020 required to be submitted in accordance with:
 - the RIIO-T1 Gas Transmission Price Control – Regulatory Instructions and Guidance: Version 7.2
 - the RIIO-T1 Gas Transmission Reporting Template: Version 7.2
 - the RIIO-T1 Gas Transmission Reporting Return Pack: Version 7.2

¹ <https://www.ofgem.gov.uk/publications-and-updates/riio-t1-final-proposals-national-grid-electricity-transmission-and-national-grid-gas---overview>

² <https://www.ofgem.gov.uk/publications-and-updates/notice-proposing-modifications-regulatory-instructions-and-guidance-rigs-riio-gt1-version-71>

7. That information is required to be submitted to the Authority no later than 31 July 2020³.

Now therefore –

8. Pursuant to paragraph 8 of SSC A40 of the Licence, the Authority hereby modifies the RIGs in the manner specified in the attached Schedule.

9. This document constitutes notice of the Authority's reasons for the Direction as required by section 38A of the Act.

Extension of the deadline for submission of information

10. The Authority may extend the deadline by which the Licensee must provide the information required in terms of the RIGs⁴. The deadline for the reporting year 01 April 2019 to 31 March 2020 is 31 July 2020.

11. We have published information for energy licensees on our response to Covid-19⁵. We want the energy industry to prioritise and protect consumers' interests throughout the pandemic. As part of our response we have engaged in discussions with the Licensees around how we can assist them to do that.

12. We consider that extending the deadline for submission of the RIGs information will provide the Licensee with the additional flexibility required to manage their resources in the way that best protects and prioritises consumers' interests at this time. For that reason, we have decided to extend the deadline to 31 August 2020.

13. For the avoidance of doubt, the Authority's decision to extend the deadline only applies to information required to be submitted by the Licensee in terms of SSC A40 (Regulatory Instructions and Guidance). It does not extend the deadline of 31 July 2020 that applies to information required to be submitted by the Licensee in accordance with any other condition of the Licence.

14. This decision does not preclude the ability of a Licensee to submit information to the Authority in advance of the revised deadline.

Covid-19

15. Covid-19 is a national emergency. The Authority's over-arching objective at this time is protecting consumers, particularly those that are vulnerable, and maintaining Britain's electricity and gas supply. We are working closely with the government, licensees, consumer organisations and wider stakeholders to ensure that the energy industry responds effectively.

16. We will continue to work closely with those parties and review our regulatory response to Covid-19 in collaboration with them. If appropriate, we may make further changes to the reporting obligations for network companies.

³ paragraph 1.17 of the RIGs

⁴ Paragraph 1.17 of the RIGs

⁵ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-information-energy-licensees-coronavirus-covid-19-response>

17. We will continue to publish information on our response to Covid-19, including any changes to our regulatory approach, online⁶.

.....
Steven McMahon
Deputy Director, Network Price Controls, Systems & Networks
Duly authorised on behalf of the Authority
28 April 2020

⁶ <https://www.ofgem.gov.uk/coronavirus-covid-19>

Schedule to the Authority's Direction dated 28 April 2020

RIO-T1 Gas Transmission Price Control – Regulatory Instructions and Guidance are available on the Authority's website at:

<https://www.ofgem.gov.uk/publications-and-updates/direction-modify-regulatory-instructions-and-guidance-rigs-rio-gt1-version-72>

Appendix 1 to the Authority's Direction dated 28 April 2020

Modifications to RIIO-T1 Gas Transmission Price Control – Regulatory Instructions and Guidance

Guidance version No.	Full details of the changes made since the last version	Paragraph, page or section reference
7.1	<p><u>Chapter 2</u></p> <p>Two new paragraphs added under Accounting Policies to reflect changes to the International Financial Reporting Standards relating to the treatment of lease assets, liabilities, and costs.</p> <p><u>Text added:</u></p> <p>2.6. A new International Financial Reporting Standard (IFRS), IFRS16, was issued in January 2016 and is effective for all periods beginning on or after 01 January 2019. IFRS 16 requires all leases to be reported on the balance sheet as liabilities, along with an asset reflecting the right to use the asset over the lease term. The income statement is now only required to report the associated depreciation and interest expenses. Previously, some leases would have been reported as operating leases with “in year” lease costs (eg rent and service charges) recognised in the income statement, with no impact on the balance sheet.</p> <p>2.7. To avoid issues with restatement and asset recognition, all lease costs should continue to be reported in the RIGs as they were prior to the introduction of IFRS16. This means that lease charges incurred during the regulatory year (previously reported as operating leases) will be reported as operating costs in the RRP. Any element of interest cost in lease payments reported on a statutory basis under IFRS 16 (rather than on a regulatory basis under the RIGs) should be excluded from interest reported in the RFPR. Any difference between the lease costs calculated in the statutory accounts and those calculated under the RIGs will be reported as a reconciling item within table R3 in the RFPR ('Reconciliation to Totex').</p>	2.6 2.7

Appendix 2 to the Authority's Direction dated 28 April 2020

Modifications to RIIO-T1 Gas Transmission Price Control – Regulatory Reporting Template

Reporting Pack Version Number	Full details of the changes made since the last version	Specific Tables Changed
7.1	Added value for 2019-20 RPI Index	Universal data
7.1	Added values for 2019 Annual Iteration Process (Additional Directed Funding)	Allowances
7.1	<ul style="list-style-type: none"> · Added values for 2019 Reported Actuals and Forecasts · Added row 37 for SO 'Closely Associated Indirect Costs' which was introduced last year · Added SO 'Closely Associated Indirect Costs' to Years 2019, 2020, and 2021 to capture this for the remaining RIIO-1 years 	Previous years
7.1	Changed year from 2018-19 to 2019-20 for 'Reported in RFPR, not required for 2019-20 reporting'	1.4
7.1	Changed year from 2018-19 to 2019-20 for 'Reported in RFPR, not required for 2019-20 reporting'	1.5
7.1	<ul style="list-style-type: none"> · Updated formula in cells I25, J25, I47, J47, and H69-J69 for this reporting year's figures · Added row 82 for SO 'Closely Associated Indirect Costs' which was introduced last year and updated relevant cell formulas 	2.2
7.1	Deleted row 105 for SO 'Closely Associated Indirect Costs' as not required in this tab	2.4
7.1	<ul style="list-style-type: none"> · Changed cells G70-G127 to yellow to signify NGGT input required · Updated formula in cells G71 and G125-G127 as they were incorrect 	3.2
7.1	Changed columns M and N (cells: 23-24, 31-32, 39-40, 47-48, 55-56, 63-64, 71-72) from yellow to grey as NGGT does not have ED or GD businesses and therefore no NGGT input required	3.4
7.1	Changed cells P10-P19 from yellow to grey to signify no NGGT input required	4.2a
7.1	Changed cells D8-K8 date range to 2020-2027 so that the year starts with this year's reporting year	5.8
7.1	Changed cells K10 and K13 from grey to yellow to signify NGGT input required	6.1
7.1	Changed cells I39-J41 from grey to yellow to signify NGGT input required	6.2
7.1	Changed cells M10-M289 from grey to yellow to signify NGGT input required	6.5
7.1	Changed year to 2020 in 'Total population at 31 March 2020' for all 5 tabs (two locations per tab)	6.6 (x5)
7.1	Changed cell C11 to 07/04/2019 so date range ends on Sunday (i.e. start Monday; end Sunday)	7.3
7.2	Changed row 25 formulae to include row 19 for columns E to L	Previous years
7.2	Added new SO uncertain costs section (uncertainty capex, uncertainty opex, and total uncertain costs) for the current reporting year as well as financial years 2018 through to 2021	Previous years

7.2	<ul style="list-style-type: none"> · Added rows 86-88 for new SO uncertain costs (i.e. uncertainty capex, uncertainty opex, and total uncertain costs) · Updated relevant cells to make total sum values reconcile correctly given the SO addition above 	2.2
7.2	Added row 62 for new GT Unlicensed Capex category under Memo Information. Line added is titled 'Costs of Excluded, Consented, and De Minimis Services'	4.1