

To transmission companies,
distribution companies,
generators, suppliers, shippers,
offshore transmission owners,
customer groups and other
interested parties

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Version 3.1 of the Gas Network Innovation Competition (NIC) Governance Document

On 26 October 2020 we¹ published a consultation² on proposed amendments to version 3.0³ of the Gas NIC Governance Document. We provided the proposed revised text and our reasons for the proposed changes.

The Governance Document explains the regulation, governance, and administration of the Gas NIC. The amendments proposed were to allow an increase to the annual funding available through the Gas NIC. We asked for consultation responses to the proposed amendments to the Gas NIC Governance Document to be made on or before 23 November 2020.

Consultation responses

We received six responses to the consultation, from Cadent, SGN, Wales and West Utilities (WWU), the Energy Networks Association (ENA), DNV GL and Interconnector (UK). We have considered these responses in arriving at our decision.

In summary, all respondents supported our proposal to lift the annual Gas NIC funding cap to £28 million for the 2020 award year and the proposed amendments to the text of the Gas NIC Governance document.

All respondents supported the removal of the £20 million annual limit. Respondents agreed that increasing the level of funding made available to gas networks in the final year of the

¹The terms “we”, “us” and “the Authority” are used to refer to the Gas and Electricity Markets Authority.

² 26 October consultation: <https://www.ofgem.gov.uk/publications-and-updates/consultation-changes-gas-network-innovation-competition-governance-document-version-30>

³ Version 3.0 NIC Governance: <https://www.ofgem.gov.uk/publications-and-updates/version-30-network-innovation-competition-governance-documents>

Gas NIC would be justifiable, particularly given the strategic importance towards of innovation in supporting decarbonisation and progress towards Net Zero across the energy networks.

Several respondents noted the role of innovation funding in supporting a green economic recovery from the Covid-19 pandemic, and the potential benefits to consumers from supporting innovation.

Some respondents also expressed support specific to the hydrogen projects submitted through this year's Gas NIC, noting their potential in developing the hydrogen economy and understanding the capability of the gas networks for 100% hydrogen conversion.

Version 3.1 of the Gas NIC Governance

In light of the strong support expressed by respondents and for the reasons set out in our consultation, we have decided to proceed with the proposed amendments to the Gas NIC Governance document.

Version 3.1 of the Gas NIC Governance will be published alongside this decision and supersedes version 3.0 of the Gas NIC Governance. As the changes relate only to the increase of the funding made available, this decision makes no change to the requirements of NIC projects both past and present.

The Electricity NIC Governance is unaffected by this decision. At the time of publication, version 3.0 of the Electricity NIC Governance Document continues to be its most recent version.

Decision

In accordance with the relevant NIC licence conditions⁴, we have today published version 3.1 of the Gas NIC Governance Document.

Yours faithfully,



Steven McMahon

Deputy Director, Electricity Distribution and Cross Sector Policy

For and on behalf of the Authority

⁴Gas Transporters Licence – National Grid Gas Plc - Special Condition 2F ; Gas Transporters Licence – Distribution Network Operators (DNs) – Special Condition 1I ; Gas Transporters Licence – IGTs – Special Condition 2.