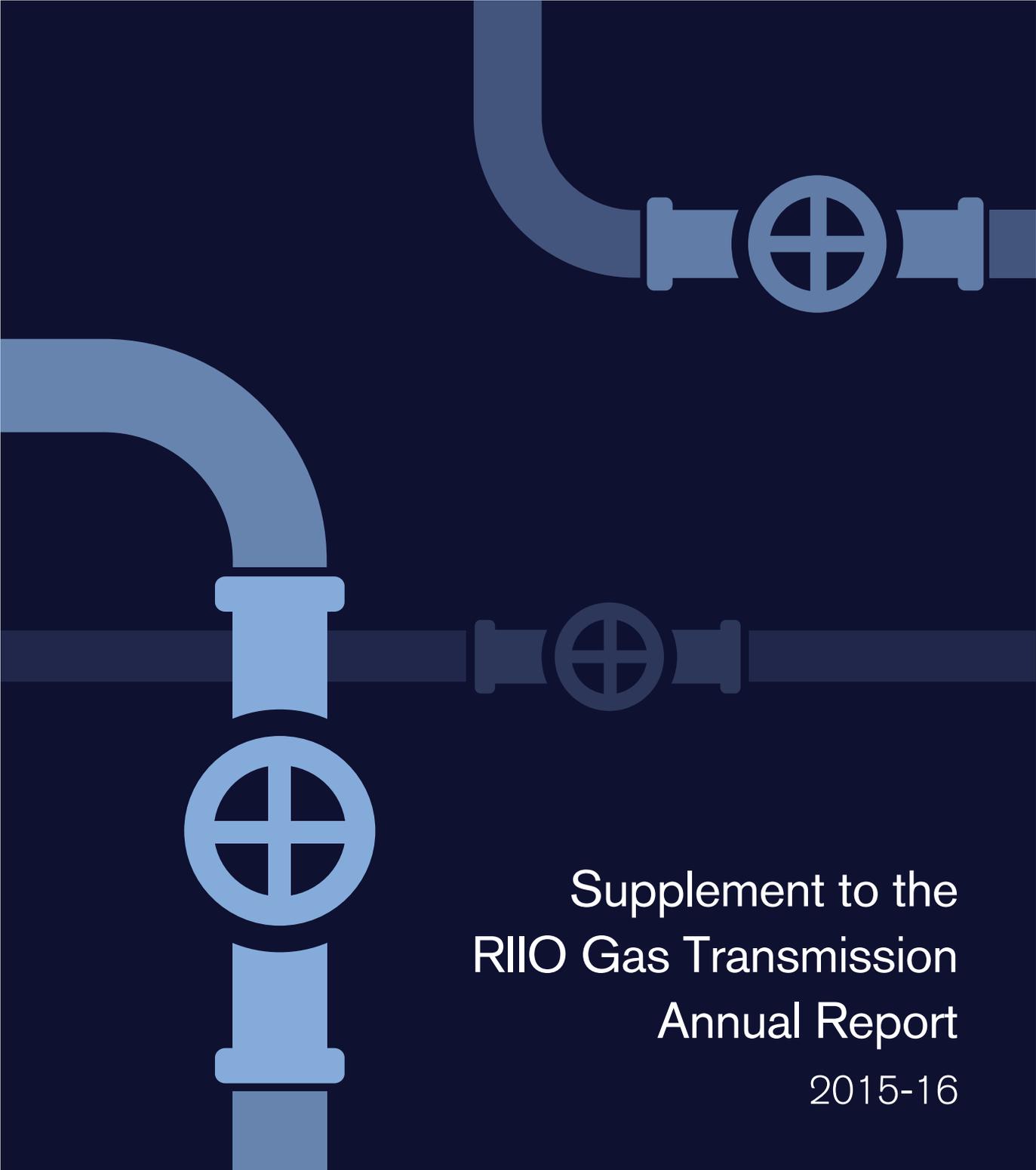


ofgem

Making a positive difference
for energy consumers



Supplement to the
RIIO Gas Transmission
Annual Report

2015-16

RIIO-T1 is the first price control, along with its gas distribution equivalent (RIIO-GD1), that uses the RIIO (Revenues = Incentives + Innovation + Outputs) price control model. We set out the details of our allowances and the outputs that the National Transmission System (NTS) Owner, National Grid Gas Transmission (NGGT) is committed to delivering, in our Final Proposals document which was published in December 2012. RIIO-T1 began on 1 April 2013 and runs to 31 March 2021.

Each year we publish a report which assesses NGGT's actual performance against its output commitments and allowances. This supplement summarises their performance and supports the annual report.

NGGT is required to deliver specific outputs as part of the price control arrangements and is incentivised to look continually for new ways to innovate and deliver the outputs at a lower cost than the allowances, benefitting both NGGT and their customers. Following our decision to remove the allowances for its Avonmouth pipeline solution, NGGT is forecasting to overspend on its cost allowance by £192 million. Due to the incentive mechanism, this overspend will be shared with consumers (NGGT bear approximately 44% of any overspend with the remainder being met by consumers).

Customer

All gas customers pay a bill to their energy suppliers, and one element of this is the transmission network charge. The graphics on page 3 represent what NGGT delivers for its customers. The amount coming out of each customer's energy bill for transmission network charges is on average between £9 and £10 per annum during RIIO-T1.

National Grid Gas Transmission

In its role as transmission owner (TO), NGGT is responsible for operating and maintaining Great Britain's gas transmission network. NGGT is also the designated gas System Operator (SO). This means it is responsible for the day-to-day system operation, including balancing of the system and constraint management.

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Industry Customer

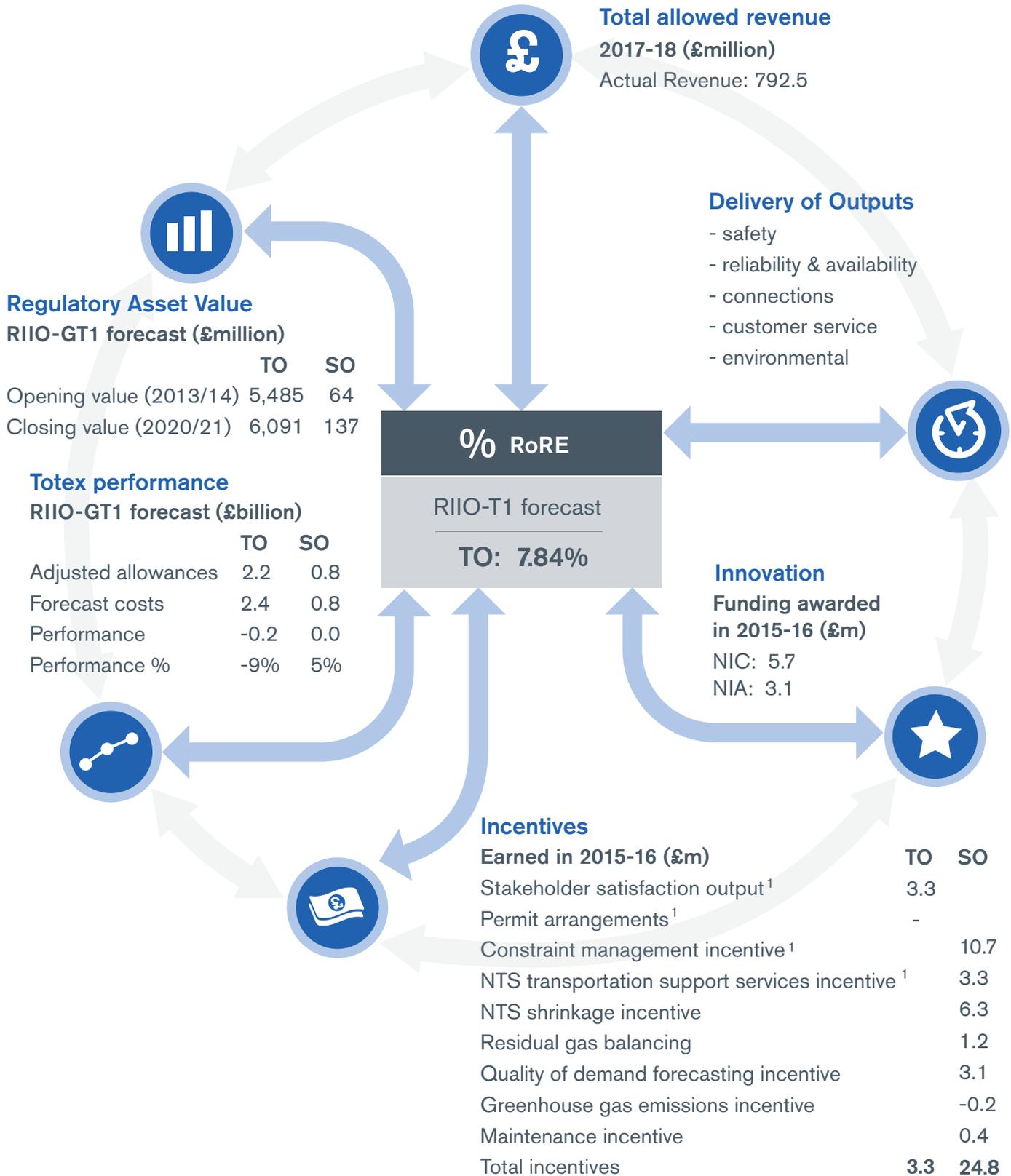


Key

- green ✓ NGGT has successfully achieved an annual output or are on-target to meet the eight-year output commitment
- orange ■ NGGT is at risk of failing the eight-year output commitment
- red ✗ NGGT has failed to achieve an annual output or we forecast that an eight-year output commitment will fail
- grey ■ Output under review
- black ■ Output has been removed

NGGT

Network company



¹ Incentives affect 2017-18 revenue

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