

National Grid Gas plc;
all holders of a gas transporter licence;
the UNC modifications panel;
the Joint Office of Gas Transporters;
interested parties.

08 March 2018

Dear Stakeholders

Modification of the gas transporter licence to facilitate implementation of Regulation (EU) 2017/460¹ (“TAR NC”) in GB

We² have decided to modify Standard Special Condition A5 of the gas transporter licence as proposed in our statutory consultation published on 1 December 2017.³ The modification direction is published on our website alongside this letter. The changes, outlined below, will take effect from 4 May 2018.

Alongside this decision we have also published our direction to NGG to undertake specific tasks which arise under TAR NC, and to complete them according to a timetable, which this license change empowers us to be able to do when it comes into effect.⁴

Background

TAR NC was published in the Official Journal of the European Union on 16 March 2017. On 4 October 2017, we launched a consultation on proposals relating to the implementation of TAR NC in GB.⁵ In this we proposed to modify the gas transporter licence (“the Licence”) to enable us to issue a direction requiring a licensee to undertake certain activities.

Specifically, the licence change text we consulted on would enable us to issue a direction requiring a licensee to undertake certain activities, where we reasonably consider it would better facilitate the implementation of, and/or compliance with Regulation (EC) 715/2009 and/or any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators (ACER).

¹ Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0460&from=EN>. This is also referred in this document to as the Tariff Network Code (TAR NC) or Tariff Code.

² The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably. Ofgem is the Office of the Gas and Electricity Markets Authority. We are the National Regulatory Authority (NRA) in GB.

³ <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-proposal-modify-gas-transporter-licence-following-decisions-proposals-relating-implementation-regulation-eu-2017460-tar-nc-qb>

⁴ <https://www.ofgem.gov.uk/publications-and-updates/decision-direct-national-grid-gas-plc-ngg-undertake-specific-tasks-implement-aspects-regulation-eu-2017460-european-network-code-harmonised-transmission-tariff-structures-gas-tar-nc>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/consultation-proposals-implement-aspects-regulation-eu-2017460-european-network-code-harmonised-transmission-tariff-structures-gas-tar-nc>

On 1 December 2017, we decided to launch a statutory consultation on our proposal to modify the gas transporter licence. The statutory consultation closed on 4 January 2018. This letter sets out our decision to modify the gas transporter licence.

Responses to our statutory consultation and our views

We received four non-confidential responses to our statutory consultation from Cadent, NGG, Northern Gas Networks (NGN) and SSE which have been published on our website. Cadent did not support our proposals whilst NGG supported our proposals and other respondents did not explicitly state their views.

Cadent considered that our proposed licence change creates confusion and uncertainty as the change is in a part of the licence which applies to all transporters when the aim of the change is to apply the condition only to the National Transmission System (NTS) licensee, NGG. NGN shared a similar concern and suggested adding text to clarify it was for the NTS licensee, especially as they noted that the licence condition would only be invoked once.

We understand the concerns raised about exposing gas transporters on the distribution network to a licence condition relating only to the NTS licensee. However, we maintain our view previously stated in our December 2017 statutory consultation that we consider it necessary to place this condition in Part A of the licence as this is where charging methodology obligations are placed and this new condition relates to charging. For clarity we state in the direction itself that we only issue this direction to NGG and not to other transporter licensees.⁴ Furthermore, the ability for Ofgem to give a direction to a licensee is restricted to cases to facilitate the implementation of EU legislation which we consider will reduce any confusion and uncertainty. We note that TAR requires that the type of consultation we are directing NGG to do is repeated at least every five years.⁶ Therefore, we may use these powers again to direct NGG to do the relevant tasks where appropriate. In such circumstances we would consider whether to perform a consultation on the specifics of the direction in line with our statutory duties and consultations policy.⁷

NGG supported all of our proposed licence changes.

A number of other comments were raised which relate to the wording in the draft direction issued to NGG. We make our decision on the direction to NGG today and address these points in that decision letter.⁴

Our decision

We have decided to proceed with the modifications to Standard Special Condition A5 of the gas transporter licence. The effective date of these modifications is on and from 4 May 2018.

The licence modification direction is published on our website alongside this letter.

If you have any questions regarding the content of this letter, please contact Sean Hayward by email at sean.hayward@ofgem.gov.uk or on 0207 901 3924.

Yours faithfully

Cathryn Scott
Partner, Energy Systems Division
Signed on behalf of the Authority and authorised for that purpose

⁶ TAR NC article 27(5).

⁷ <https://www.ofgem.gov.uk/consultations/consultations-policy>