

To: National Grid Gas plc (NGG (NTS))

**Gas Act 1986
Section 23(1)(a)**

Modifications to the Special Conditions, including the GT1 Price Control Financial Instruments as defined under Special Condition 4A, of the Gas Transporter licence held by National Grid Gas plc (NGG (NTS)), to implement PARCA arrangements and the funding decision on the Fleetwood entry point

1. National Grid Gas plc is the holder of a Gas Transporter licence ('the Licence'), granted or treated as granted under section 7 of the Gas Act 1986 ('the Act').
2. Under section 23(2) of the Act, the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 10th July 2018 ('the Notice') that we propose to modify Special Licence Conditions 1A, 2A and 5E of National Grid Gas Transmission's (NGGT) Gas Transporter Licence and the GT1 Price Control Financial Instruments as defined under Special Condition 4A of the Licence. We stated that any representations to the modification proposal must be made on or before 7th August 2018.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 23(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received one response to the Notice, which we carefully considered and published on our website. Our response is set out in the accompanying letter.
5. Having carefully considered the response received to the Notice, we have decided to proceed with the modifications to Special Licence Conditions 1A, 2A and 5E of NGGT's Gas Transporter Licence, the GT1 PCFM and Financial Handbook as proposed in our consultation.
6. We are making these licence changes to account for two decisions:
 - a) our decision to implement Planning and Advanced Reservation of Capacity Agreements (PARCAs); and
 - b) our decision to remove £277.5 million from NGGT's cost allowances for investments at the Fleetwood entry point, which did not take place and are not expected to be needed over the remainder of the current price control period.
7. By way of summary, the modifications:
 - a) introduce the Variable Value PTV in the GT1 Price Control Financial Model and GT1 Price Control Financial Handbook; and
 - b) reduce the NGGT Non-Variant Allowances for Fleetwood by a total of £277.5 million over the years 2012/13 to 2018/19.
8. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 23B of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules² requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. The

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

² The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the CMA.

attached Schedule 2 provides a list of the relevant licence holders in relation to this modification. Section 23(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 23(1)(a) of the Act, we hereby modify Special Licence Conditions 1A, 2A and 5E of NGGT's Gas Transporter licence and the GT1 Price Control Financial Instruments as defined under Special Condition 4A of the Licence, in the manner specified in attached Schedule 1. This decision will take effect from 26th October 2018.

This document is the notice of the reasons for the decision to modify the Gas Transporter's licence held by National Grid Gas plc as required by section 38A of the Act.

**The Official Seal of the Gas and Electricity Markets Authority
here affixed is authenticated by the signature of**

Geoffrey Randall



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**Deputy Director, Gas Network Price Controls
Duly authorised on behalf of the
Gas and Electricity Markets Authority**

30 August 2018

Schedule 1 – Revised National Grid Gas plc Special Licence Conditions, GT1 Price Control Financial Model and Financial Handbook

The revised NGGT Gas Transporter’s Special Licence Conditions, GT1 PCFM and Financial Handbook incorporating the PARCA and Fleetwood modifications are available on our website at the following addresses:

NGGT Gas Transporter’s Special Licence Conditions and GT1 Price Control Financial Handbook:

<https://www.ofgem.gov.uk/publications-and-updates/modifications-riio-gt1-price-control-financial-model-implement-parca-arrangements-and-funding-decision-fleetwood-entry-point>

GT1 Price Control Financial Model:

<https://www.ofgem.gov.uk/network-regulation-riio-model/current-network-price-controls-riio-1/price-controls-financial-model-pcfm/riio-t1-financial-model-gas>

Schedule 2: Relevant Licence Holders³

Licensee	Company Number
National Grid Gas plc	02006000

³ Gas licence holders are listed at:

<https://www.ofgem.gov.uk/publications-and-updates/all-gas-licensees-registered-addresses>