

**To: National Grid Gas plc.**

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

**Modification of Special Condition 7E of the gas transporter licence held by  
National Grid Gas plc.**

1. National Grid Gas plc ('the Licensee') 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')<sup>1</sup> gave notice<sup>2</sup> on 6 March 2020 ('the Notice') that we propose to modify Special Condition 7E: Specification of Network Replacement Outputs ('SpC 7E') of the Licence. We stated that any representations to the modification proposal must be made on or before 3 April 2020.
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 two responses to the Notice, which we have considered carefully. We have placed all non-confidential responses on our website. Our response to the comments raised is set out in the letter accompanying this notice.
5. We are making this licence modification because we need to replace the Licensee's current volume-based Network Replacement Outputs with its rebased monetised Network Replacement Outputs to ensure like-for-like comparison across different primary asset categories at the end of RIIO-1.
6. The effect of the modification will be to substitute in Table 1 in Part A of SpC 7E the Network Replacement Outputs the Licensee must deliver during the RIIO-1 price control period with equivalent rebased monetised Network Replacement Outputs.
7. 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 Energy Licence Modification Appeals: Competition and Markets Authority Rules<sup>3</sup> requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The 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 SpC 7E of the Licence in the manner specified in the attached Schedule 1. This decision will take effect from 10 September 2020.

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

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-proposal-approve-rebased-network-replacement-outputs-and-modify-special-condition-7e-gas-transporter-licence-held-national-grid-gas-plc>

<sup>3</sup> CMA70 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/655601/energy-licence-modification-appeals-rules.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf)

This document is notice of the reasons for the decision to modify the Licence as required by section 38A of the Act.

**Min Zhu**  
**Deputy Director, Systems & Networks**  
**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

**15 July 2020**

## Schedule 1 – Modifications to Special Condition 7E of the gas transporter licence held by National Grid Gas plc

The modification will replace the values and headings in Table 1 in Part A of Special Condition 7E (Specification of Network Replacement Outputs).

### Part A: Obligation to deliver Network Replacement Outputs

**Table 1: Network Replacement Outputs**

Asset categories		Units <u>Monetised</u> <u>Risk</u>	<del>Asset distribution based on Replacement Priority at 31 March 2021</del> <u>Asset distribution based on Replacement Priority of risk remaining on the network by 31 March 2021</u>			
			Replacement Priority (where RP1 is the highest risk category)			
			RP1	RP2	RP3	RP4
1	Entry	Units <u>R£</u>	122 <u>79,107</u>	864 <u>13,951</u>	1,291 <u>1,558</u>	508 <u>47,767</u>
2	Exit	Units <u>R£</u>	122 <u>320,147</u>	969 <u>6,790</u>	1,083 <u>1,651</u>	551 <u>7,041</u>
3	Compressor	Units <u>R£</u>	354 <u>378,086</u>	2,061 <u>152,390</u>	2,438 <u>65,754</u>	1,714 <u>121,401</u>
4	Pipeline	Units <u>R£</u>	2,028 <u>562,672</u>	21,224 <u>568,666</u>	5,943 <u>383,245</u>	6,765 <u>2,756,804</u>
5	Multijunction	Units <u>R£</u>	130 <u>317,128</u>	1,005 <u>5,795</u>	1,628 <u>34,610</u>	264 <u>13,082</u>

#### Legend:

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<u>Double underline text</u>	new text

## Schedule 2 – Relevant Licence Holders<sup>4</sup>

National Grid Gas Plc

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<sup>4</sup> Gas licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/all-gas-licensees-registered-addresses>