

Industry update from Ofgem – as of 30 July 2021

UNC729: Applying a discount to the Revenue Recovery Charge at Storage Points – Decision

We have approved modification UNC729: Applying a discount to the Revenue Recovery Charge at Storage Points. Our decision, published 30 July 2021, can be found at the link below.

URL: <https://www.ofgem.gov.uk/publications/unc729-applying-discount-revenue-recovery-charge-storage-points-decision>

Modification of National Grid Gas Plc Gas Transporter Licence to change Part B of Special Condition 2.1 and Part B of Special Condition 2.3

Following our Statutory Consultation, we have decided to modify Part B of Special Condition 2.1 (Transportation owner revenue restriction (ARt)), and Part B of Special Condition 2.3 (System operator revenue restriction (SOARt)) of National Grid Gas Plc Gas Transporter Licence. The link to this decision, published 28 July 2021, is below.

URL: <https://www.ofgem.gov.uk/publications/modification-national-grid-gas-plc-gas-transporter-licence-change-part-b-special-condition-21-and-part-b-special-condition-23>

Consultation on proposals for a Future System Operator role

In January, we published our [review of GB energy system operation](#). In the report, we considered changes in the energy system to achieve net zero, the roles and functions the GB electricity and gas system operators could be required to perform to facilitate net zero, the suitability of the current system operation arrangements and potential options for alternative system operation models. We recommended to Government that the system operator for electricity is made fully independent from the transmission network owner, and that there could be a case for separating key gas network planning functions from the gas transmission owner. If these gas functions were separated, they could be combined with the functions of the system operator for electricity to create a new independent energy system operator. This new, independent system operator could be well placed to take on additional responsibilities including independent advice and more direct planning of the future energy system.

Building on this work, Ofgem and BEIS jointly published on 20 July 2021 a consultation on proposals for an expert, impartial Future System Operator (FSO) with responsibilities across both the electricity and gas systems, to drive progress towards net zero while maintaining energy security and minimising costs for consumers. Our proposal is for all the current National Grid ESO roles and functions to be carried out by the FSO, and that the FSO should undertake strategic network planning, long-term forecasting, and market strategy functions in gas. We also consider:

- The new roles and functions an independent FSO could potentially fulfil in gas and electricity, including in network planning and independent advice;
- The options for organisational models where we explore a standalone privately owned model independent of energy sector interests and a highly independent corporate body model classified within the public sector, but with operational independence from government; and
- Implementation where we have proposed a phased implementation of the FSO, founded on the existing capabilities of National Grid ESO and where appropriate National Grid Gas.

The consultation, including details on how to respond, can be found on the government's website at the link below.

URL: <https://www.gov.uk/government/consultations/proposals-for-a-future-system-operator-role>

We would also like to invite you to attend a workshop on the reforms proposed in this consultation, entitled '**Proposals for a Future System Operator – consultation engagement workshop**', taking place on **Friday 6 August 2021**. The workshop will run from 9:30-13:00. Please book your place by signing up through Eventbrite at the following link.

URL: <https://www.eventbrite.co.uk/e/proposals-for-a-future-system-operator-consultation-engagement-event-tickets-164120722499>

Approval of the proposed amendments to the Interconnection and Tripartite Agreements at Moffat Interconnector and approval of GNI's and GNI (UK)'s Access Rules

On 27 January 2021, an amended version of the Tripartite Agreement between Premier Transmission Limited ('PTL'), GNI (UK) Limited ('GNI (UK)'), and National Grid Gas plc ('NGG') ('the PTL TRI') was submitted to the Authority for approval in accordance with Standard Licence Condition (SLC) 3 of the Gas Interconnector Licence. On 20 April 2021, amended versions of the Interconnection Agreement ('the IA') between GNI (UK) and NGG and the Tripartite Agreement between Gas Networks Ireland Limited ('GNI'), GNI (UK), and NGG ('the GNI TRI') were submitted to Ofgem, also in accordance with SLC 3. The GNI TRI, constitutes GNI (UK)'s and GNI's Access Rules, which is why it was also submitted to Ofgem by GNI and GNI (UK) under SLC 11A.

Our decision, published on 16 July 2021 at the link below, is to approve the amendments to the IA, GNI TRI and PTL TRI on the basis that they have been agreed by all parties and that there will be tangible benefits in line with Ofgem's core principles.

We are also approving GNI (UK)'s and GNI's access rules on the basis that they meet the relevant Access Rules objectives.

URL: <https://www.ofgem.gov.uk/publications/approval-proposed-amendments-interconnection-and-tripartite-agreements-moffat-interconnector-and-approval-gnis-and-gni-uks-access-rules>

Statutory Consultation and Final Impact Assessment on proposed combining of two existing Bacton exit points in NGG's Gas Transporter Licence

Following our Call for Evidence (CfE), Minded-to-Consultation (MTC), and Initial Impact Assessment (IA), we have, on 15 July 2021, published a statutory consultation proposing to modify Special Condition 9.13, Appendix 2 of National Grid Gas Plc (NGG) Gas Transporter Licence ('the Licence'), to allow BBL Company V.O.F. ('BBLC') Shippers access to Licence Baseline Exit Capacity at Bacton.

In 2019, BBLC completed a project to facilitate physical reverse flow of gas from Bacton to the Netherlands. The current arrangements in NGG's Licence stipulate that the Licence Baseline Exit Capacity for the Bacton (BBL) offtake point is set at 0 GWh/d and NGG cannot offer firm exit capacity to BBLC's Shippers. As such, BBLC considers that it does not have equal and transparent access to the existing available NGG exit capacity at Bacton.

This Statutory consultation is accompanied by the Final Impact Assessment, which analyses the following main options:

Option 1: 'Do nothing' and maintain the status quo. NGG is obliged to offer 651.68 GWh/day (~60 mcm/day) of Licence Baseline Exit Capacity at Bacton (IUK) and 0 GWh/day at Bacton (BBL).

Option 2: Aggregating Bacton (IUK) and Bacton (BBL) IPs into a single exit point in NGG's Licence.

Option 3: Reallocating some of the existing Licence Baseline Exit Capacity at Bacton (IUK) to Bacton (BBL).

Our Final IA assesses whether the three options promote competition in exit arrangements to the benefit of existing and future consumers in relation to gas conveyed through pipes, whether they promote network efficiency, help achieve the UK's Net Zero targets, and are compliant with the retained EU legislation. We conclude that Option 2 best delivers our principal objective of protecting consumers' interests, wherever appropriate by promoting effective competition.

We are issuing a statutory consultation notice to inform industry of our intent to modify NGG's Licence, i.e. to replace "Bacton (IUK)" Aggregated System Entry point ("ASEP") and "Bacton (BBL)" ASEP with a new exit point, Bacton (exit) Interconnection Point (IP) ("Bacton (exit) IP") in Appendix 2, in Part E of Special Condition 9.13.

Please send any views on the issues raised in this letter and the accompanying statutory consultation by 23 August 2021.

URL: <https://www.ofgem.gov.uk/publications/statutory-consultation-and-final-impact-assessment-proposed-combining-two-existing-bacton-exit-points-nggs-gas-transporter-licence>

Decision on the proposed licence condition modifications for the RIIO-2 Strategic Innovation Fund

On 20 May 2021, we published a statutory consultation on proposed changes to the licence conditions required to implement the RIIO-2 Strategic Innovation Fund for the transmission companies, gas distribution networks and the electricity system operator.

We received six responses to the statutory consultation. Following careful consideration of these responses, we have decided to implement the licence modifications as set out in the notices that we have published. The licence modifications will come into effect on 3 September 2021.

URL: <https://www.ofgem.gov.uk/publications/decision-proposed-licence-condition-modifications-riio-2-strategic-innovation-fund>

Consultation on Ofgem's administration of the Green Gas Support Scheme and associated Green Gas Levy

In March 2021, the Government Response to the Future Support for Low Carbon Heat and the Green Gas Levy consultations named Ofgem as the intended administrator of the Green Gas Support Scheme (GGSS) and associated Green Gas Levy (GGL).

The GGSS is intended to encourage the deployment of new anaerobic digestion (AD) biomethane plants, and consequently the proportion of green gas in the gas grid, by providing support to biomethane producers based on the volume of eligible biomethane they inject into the gas grid. The GGSS will be funded through the Green Gas Levy (GGL), which will be placed on all licenced gas suppliers in Great Britain, with the exception of those who supply at least 95% green gas. The GGSS is expected to launch in Autumn 2021, and the first levy payment will be collected during the first quarter of financial year 2022/23.

Through these two consultations, published 5 July 2021 at the URL below, we are seeking views on our proposed administration of the GGSS and GGL. We encourage respondents to answer the questions that are of most interest. We are planning to hold two stakeholder engagement events, further details and how to sign up can be found by following the links below:

[Sign up for the GGL stakeholder event on 29 July 2021](#)

[Sign up for the GGSS stakeholder event on 5 August 2021](#)

The closing date for responses is 13 August 2021. To respond to our consultations, please use the relevant template provided at the link below. Use of this template will help us to process responses more rapidly. Following analysis of responses, we will publish procedural guidance in phases. Please send your responses to Future.HeatPolicy@ofgem.gov.uk.

We are also looking to inform the development of the proposed GGSS and GGL digital services by conducting interviews with biomethane producers and licenced gas suppliers. If you would like to be part of this user research, please send an email to Future.Heat@Ofgem.gov.uk specifying the scheme you are interested in.

URL: <https://www.ofgem.gov.uk/publications/consultation-ofgems-administration-green-gas-support-scheme-and-associated-green-gas-levy>