

Industry update from Ofgem – as of 28 February 2022

Article 28(2) TAR NC consultation with the non-UK regulatory authorities of all directly connected countries or territories, the Utility Regulator of Northern Ireland and the relevant stakeholders

Under Article 28(2) of the Tariff Network Code, Ofgem must consult every tariff period with interested parties on the items mentioned in Article 28(1).

On 28 February 2022, we published the consultation, which will be open for four weeks closing on 28 March 2022. Please send any responses to the Gas Markets and Systems team on 020 7901 3189 or by email to: Gas.TransmissionResponse@ofgem.gov.uk.

URL: <https://www.ofgem.gov.uk/publications/article-282-tar-nc-consultation-non-uk-regulatory-authorities-all-directly-connected-countries-or-territories-utility-regulator-northern-ireland-and-relevant-stakeholders-0>

UNC791: Contingency Gas Procurement Arrangements when a Supplier acts under a Deed of Undertaking – Authority Decision

UNC modification proposal 0791 seeks to introduce new arrangements to enable National Grid Gas to procure gas following the termination of a shipper where a supplier acts in accordance with its Deed of Undertaking until new shipping arrangements are in place. The Authority approved the modification on 28 February 2022.

URL: <https://www.ofgem.gov.uk/publications/authority-decision-unc791-contingency-gas-procurement-arrangements-when-supplier-acts-under-deed-undertaking>

UNC785: Application of UNC processes to an aggregated Bacton (exit) Interconnection Point – Authority Decision

On 23 February 2022, we published our decision to approve modification proposal UNC785: Application of UNC processes to an aggregated Bacton (exit) Interconnection Point. We set out our reasons in the decision letter below.

URL: <https://www.ofgem.gov.uk/publications/decision-approve-uniform-network-code-unc-0785-application-unc-processes-aggregated-bacton-exit-interconnection-point>

Statutory Consultation on licence changes for the Switching SCR: Standard conditions of Gas Shipper, Gas Transporter and Electricity Distribution licences

This statutory consultation sets out the proposed changes to certain licence conditions, including standard licence conditions (SLCs), to properly reflect the changes being brought about by the Switching Significant Code Review in the licences. This will ensure, for example, that the licences have introduced the necessary code requirements to enable faster, more reliable switching (the Switching Programme.)

This is a statutory consultation in accordance with the Gas Act 1986 and Electricity Act 1989, concerning our proposals to modify the following licences:

- Standard conditions of Electricity Distribution Licence
- Standard conditions of Gas Shipper Licence
- Standard Special Conditions (SSCs) applicable to both National Transmission System and Distribution Network Licensees – Part A

The subsidiary documents set out the proposed changes against the up to date version of the consolidated licence conditions available on our website at the time of publishing, the definitive sources for which (not including the changes proposed in this consultation) are available on the Electronic Public Register.

We would like views from holders of these licences. We would also welcome responses from any other interested stakeholders and the public. Please send responses to Nicola Garland at switching.programme@ofgem.gov.uk by 21 March 2022.

URL: <https://www.ofgem.gov.uk/publications/statutory-consultation-licence-changes-switching-standard-conditions-gas-shipper-gas-transporter-and-electricity-distribution-licences>

4 February 2022 Price Cap Decisions

On 4 February 2022, Ofgem published a range of decision documents relating to the default tariff cap (the 'cap') methodology. Following consultations with industry stakeholders, we have made routine methodology decisions to ensure that the cap better reflects the costs of supplying energy, as well as decisions in response to the recent wholesale market volatility and to allow the cap to respond flexibly to exceptional or unprecedented market changes in the future.

The link below summarises the package of decisions we have made, in addition to guidance for suppliers on treatment of reasonable risk management practices in future default cap proposals.

URL: <https://www.ofgem.gov.uk/publications/overview-4-february-2022-price-cap-decisions>

Republication of RIIO-GT2 Price Control Financial Model following the Annual Iteration Process 2021

On 30 November 2021, Ofgem published the results of the Annual Iteration Process (AIP), for National Grid Gas Transmission (NGGT) under the RIIO-2 network price controls. The AIP updates allowed revenues, which licensees must use when setting their charges for the next regulatory year (2022/23). The Authority may republish the values of Allowed Revenue and Adjusted Revenue after 30 November and before 5 February prior to each regulatory year in accordance with the licence.

This republication process is set out in Chapter 2 of the GT2 Price Control Financial Handbook and enables NGGT to reflect the impact of any unforeseen events on its allowed revenue in time for it to set tariffs, where these events have or are estimated to have a material impact on its allowed revenues. Since the publication of the AIP in November 2021, there have been material changes to the variable values in the GT2 PCFM for: System Costs – for the Gas Transmission System Operator, forecast gas prices.

The Authority gave NGGT notice of the value of SOARt and SOADJRt on 17 January 2022. The Authority received one representation from NGGT in response to the notice regarding a further change required to its Net Zero Pre-construction Work and Small Net Zero Projects Re-opener pass-through variable value. This was to include £23.6m of allowance in relation to the SGN LTS Futures project and FEED studies for the Hydrogen Village, which should have been included in the PCFM. We have agreed to reflect this amount in the GT2 PCFM; the adjustment represents a reasonable forecast of expected costs and has a material impact on allowed revenue. The republished values for SOARt and SOADJRt following the November 2021 AIP are shown within the GT2 Price Control Financial Models published on this page.

URL: <https://www.ofgem.gov.uk/publications/republication-riio-gt2-price-control-financial-model-following-annual-iteration-process-2021>

Decision on the proposed modifications to the RIIO-2 Transmission, Gas Distribution and Electricity System Operator licence conditions – 1 April 2022

On 15 December 2021 we published a statutory consultation on proposed changes to the licence conditions that implement the CMA's Order on RIIO-2 Appeals for the transmission companies, gas distribution networks and the electricity system operator. The statutory consultation also included a number of proposed snagging and additional changes.

We received 9 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 1 April 2022.

URL: <https://www.ofgem.gov.uk/publications/decision-proposed-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licence-conditions-1-april-2022>

RIIO2 Re-opener Guidance and Application Requirements (Version 2)

This document sets out the regulation, governance and administration of the RIIO-2 Re-openers and will take effect from 3 February 2022 and replaces the previous document published on 26 February 2021.

We have consulted on the modifications to the previous Re-opener Guidance and Application Requirements document. The comments we received to this consultation are reflected in the updated Re-opener Guidance and Application Requirements Version 2. The new version should be read in conjunction with Special Condition 9.4 (Re-opener Guidance and Application Requirements Document) of the Gas Transporter and Electricity Transmission licences.

This document and its content are in line with our RIIO2 Final Determinations.

URL: <https://www.ofgem.gov.uk/publications/riio2-re-opener-guidance-and-application-requirements-version-2>

Funding Direction for National Grid Gas (Transmission)

This Network Innovation Competition (NIC) direction, published 1 February 2022, sets out the amount that National Grid Gas plc can recover from its customers in respect of the NIC.

URL: <https://www.ofgem.gov.uk/publications/funding-direction-national-grid-gas-transmission>

FEBRUARY 2022 UPDATE: Code modification/modification proposals with Ofgem for decision – Expected publication dates timetable

URL: <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>