

Industry update from Ofgem – as of 31 August 2021

Decision to modify the Price Control Financial Instruments with respect to totex allocation rates for re-opener variant allowances

On 30 July 2021, the Authority issued a notice in accordance with SC 8.2 of the Electricity Transmission and Gas Transporter licence. We proposed to modify the GT2, ET2 and GD2 Price Control Financial Model (PCFM) to make the "Totex variant allowances allocation percentages" cells on the input sheets "blue box" or PCFM Variable Values, where they do not already contain an allocation percentage rate. We also proposed to modify the GT2, ET2 and GD2 Price Control Financial Handbook (Handbook) to include the "Totex variant allowances allocation percentages" as a new category of PCFM Variable Value for consistency with the PCFM.

The Authority hereby directs the modification of the GT2, ET2 and GD2 PCFM and Handbook in this manner, published below on 31 August 2021.

URL: <https://www.ofgem.gov.uk/publications/decision-modify-price-control-financial-instruments-respect-totex-allocation-rates-re-opener-variant-allowances>

Consultation on proposed amendments to the Data Assurance Guidance submissions for Electricity Transmission, Electricity System Operator, Gas Distribution and Gas Transmission Licensees

This consultation seeks views on proposed amendments to the Data Assurance Guidance (DAG) submissions for gas distribution, electricity and gas system operator and transmission licensees. These amendments are set out in the Annexes to this letter, published on 25 August 2021, and relate to the data categories for the above networks to assure and risk score in their February 2022 DAG submissions to Ofgem.

Please let us know, by 22 September 2021, if you have any comments on the proposed modifications, with contact details at the link below.

URL: <https://www.ofgem.gov.uk/publications/consultation-proposed-amendments-data-assurance-guidance-submissions-electricity-transmission-electricity-system-operator-gas-distribution-and-gas-transmission-licensees>

Statutory Consultation on proposed changes to Part C of Special Condition 5.5 of National Grid Gas Plc (NGG) Gas Transporter Licence

On 25 August 2021, we published a Statutory Consultation on a proposal to modify Part C of Special Condition 5.5 (Entry Capacity and Exit Capacity Constraint Management (CM_t)) of National Grid Gas Plc (NGG) Gas Transporter Licence.

The proposed modification will seek to remove revenue associated with the sale of on-the-day obligated and interruptible/off-peak capacities from the CCM incentive, and introduce a 14% scaling for the revenues from non-obligated capacity sales. The basis for these changes has been outlined in our letter 'Review of National Grid Gas Plc (NGG) Capacity Constraint Management incentive for RIIO-GT2' published alongside this Statutory Consultation below.

Please send any views on the issues raised in this letter and the Statutory Consultation on or before 23 September 2021 to: Max Lambert by email to Gas.TransmissionResponse@ofgem.gov.uk.

URL: <https://www.ofgem.gov.uk/publications/statutory-consultation-proposed-changes-part-c-special-condition-55-national-grid-gas-plc-ngg-gas-transporter-licence>

SIF Governance Document

We are deciding on the operational arrangements for the Strategic Innovation Fund (SIF), and issuing the SIF Governance Document, ahead of operation of round 1 of the SIF in coming months. The SIF Governance Document, published below on 25 August 2021, sets out the regulation, governance and administration of the SIF. We have consulted on the draft of the SIF Governance Document on 2 June 2021. We received views on our draft and have taken into consideration those comments within the final publication. This should be read in conjunction with:

- Special Condition 5.7 (The strategic innovation fund) of the Gas Transporter Licence held by National Grid Gas Plc;
- Special Condition 9.13 (The strategic innovation fund) of the Gas Transporter Licence held by Cadent Gas Limited, Northern Gas Networks Limited, Scotland Gas Networks plc, Southern Gas Networks plc, and Wales and West Utilities Limited;
- Special Condition 9.19 (The strategic innovation fund) of the Electricity Transmission Licence held by National Grid Electricity Transmission Plc, SP Transmission Plc, and Scottish Hydro Electric Transmission Plc; and
- Special Condition 3.4 (The strategic innovation fund) of the Electricity Transmission Licence held by National Grid Electricity System Operator.

The link to the SIF Governance Document and our decision letter is below:

URL: <https://www.ofgem.gov.uk/publications/sif-governance-document>

We have also discussed the Strategic Innovation Fund in further detail at the link here:

URL: <https://www.ofgem.gov.uk/publications/new-ps450m-fund-unlock-cutting-edge-innovation-across-gas-and-electricity-networks>

UNC739: Aggregate overrun regime for Original Capacity held at the Bacton ASEPs

On 20 August 2021, we published our decision to reject modification UNC739. Our decision letter is available at the link below.

URL: <https://www.ofgem.gov.uk/publications/unc739-aggregate-overrun-regime-original-capacity-held-bacton-aseps>

Modification of National Grid Gas Plc (NGG) Gas Transporter Licence to change Part A of Special Condition 7.14

On 5 August 2021, we published our decision to modify Part A of Special Condition 7.14 (Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management incentive revenue (LCMIRt)) of National Grid Gas Plc (NGG) Gas Transporter Licence.

The proposed modification will seek to remove the windfall earnings based upon the "reasonable expectation" of NGG's performance value derived through calculations outlined in our letter 'Adjustment of National Grid Gas Plc (NGG) Capacity Constraint Management performance value for 2020/21 as part of NGG's incentive for RIIO-GT1', which was published alongside our Statutory Consultation.

We received one non-confidential response to our Statutory Consultation from National Grid Gas Plc (NGG), which has been published on our website alongside the Statutory Consultation notice below.

URL: <https://www.ofgem.gov.uk/publications/modification-national-grid-gas-plc-ngg-gas-transporter-licence-change-part-special-condition-714>