

## **Distribution update from Ofgem – as of 23 March 2022**

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### **UNC 780: Amendment to Gas Quality NTS Entry Specification at the St Fergus SAGE System Entry Point**<sup>[HB1]</sup>

UNC780 is an enabling modification, raised by SNSL (the Proposer). The modification seeks to facilitate a temporary increase in the CO<sub>2</sub> limit within the NEA at the SNSL sub-terminal at St. Fergus between NGG and SNSL from 4.0 mol% to 6.0 mol% subject to a cap on total inerts (CO<sub>2</sub> and N<sub>2</sub>) at 7.0 mol% until the end of Gas Year 2026/27.

URL: <https://www.ofgem.gov.uk/publications/unc780-authority-decision>

### **Statutory Consultation to modify the Price Control Financial Instruments and Licence conditions for Gas Transmission and Gas Distribution**

Statutory consultation on proposals to modify the GT2 and GD2 Price Control Financial Instruments and Licence conditions. These modifications update the Special Conditions of the Gas Transporter Licence, the Price Control Financial Model (PCFM) and the Price Control Financial Handbook (PCFH) following the recent Price Control Financial Model working groups. The PCFH is tracked to show the location of modifications relative to previously published versions. We are seeking feedback on the proposed modifications on or before May 18th 2022.

URL: <https://www.ofgem.gov.uk/publications/statutory-consultation-modify-price-control-financial-instruments-and-licence-conditions-gas-transmission-and-gas-distribution>

### **Decision and direction further to National Grid Gas Plc's request for Derogation under Special Condition 9.18 of its Gas Transporter Licence**<sup>[HB2]</sup>

Current gas market conditions are challenging, and we believe it is important that decisions can be made in as timely a manner as possible, to ensure the gas market continues to function effectively and in the best interests of the consumer. National Grid Gas has identified a need to address potential gas capacity release issues more rapidly and is seeking to consult on these measures for a shorter period than would ordinarily be the case. We have consented to this accelerated process, which will cut the current consultation time of 28 days to seven days, and our reasons are outlined in our decision letter. The changes to the consultation timeline are subject to the conditions and timescale as specified in our direction (see the annex to our letter). We may revoke or vary this direction in accordance with the conditions outlined.

URL: <https://www.ofgem.gov.uk/publications/decision-and-direction-further-national-grid-gas-plcs-request-derogation-under-special-condition-918-its-gas-transporter-licence>

### **Notice of proposed modifications to the Regulatory Instructions and Guidance and Regulatory Reporting Packs for RIIO-2**<sup>[HB3]</sup>

We are consulting on proposed modifications to the RIIO-2 Regulatory Instructions and Guidance (RIGs) and Regulatory Reporting Packs (RRPs) for Gas and Electricity Transmission networks, Gas

Distribution networks and the Electricity System Operator. These modifications update the template and guidance to reflect recent updates to the RIIO-2 Price Control Financial Instruments as well as minor snagging changes and corrections to the RRP pack following the recent sector-specific RIGs consultations. We are also reinstating some presentational sheets that were previously included in the RIIO-1 RRP and including the PCFM Guidance as part of the RIGs. The PCFM Guidance and RIGs documents are tracked to show the location of modifications relative to previously published versions.

URL: <https://www.ofgem.gov.uk/publications/notice-proposed-modifications-regulatory-instructions-and-guidance-and-regulatory-reporting-packs-riio-2>

### **Decision on the methodologies to closeout RIIO-GT1**<sup>[HB4]</sup>

The RIIO-GT1 price control ran from April 1 2013 to Mar 31 2021. Within RIIO-GT1 there are a number of cost areas that require specific mechanisms to close out given their uncertain nature. As a result of these mechanisms, some areas of the price control need to be settled ("closed out") once the price control has ended. This document details our Decision on the RIIO-GT1 closeout methodologies.

URL: <https://www.ofgem.gov.uk/publications/decision-methodologies-closeout-riio-gt1>

### **Green Gas Levy Enforcement Guidelines**

As part of our duty to regulate the way in which energy business behave, it is important that we can act decisively to put things right if businesses breach their obligations. The Green Gas Levy Enforcement Guidelines describe how we may use our enforcement powers in situations where suppliers fail to meet their obligations under the Green Gas Support Scheme Regulations 2021.

This version of the guidelines and statement in respect of penalties came into effect on 13 April 2022. These guidelines and statement in respect of penalties are issued on an interim basis and will be kept under review, pending the development of an updated set of guidelines and statement. We intend to consult publicly on an updated set of guidelines and statement in due course.

URL: <https://www.ofgem.gov.uk/publications/green-gas-levy-enforcement-guidelines>

### **Ofgem responds to government's energy security strategy**

Ofgem CEO Jonathan Brearley said: "Protecting consumers is our top priority and in these volatile times, innovation in the market is key, not only for security of supply, but also to ensure everyone pays a fair price for their energy. As set out in this strategy, Ofgem continues to have a crucial role in creating the right infrastructure in order for net zero and clean, homegrown energy to thrive. We look forward to continuing to build this bedrock with key partners and helping to deliver this ambitious and necessary strategy."

URL: <https://www.ofgem.gov.uk/publications/ofgem-responds-governments-energy-security-strategy>

### **Proposal for a Future System Operator role - Decision**

In July 2021, we published a joint consultation with BEIS 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.

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

Non-confidential responses: <https://www.ofgem.gov.uk/publications/consultation-proposals-future-system-operator-role>

URL: <https://www.ofgem.gov.uk/publications/proposal-future-system-operator-role-decision>

### **LTS Futures Funding Direction**

These funding directions set out the approved amount and funding conditions for SGN's Net Zero Pre-construction Work and Small Projects Re-opener Project, LTS Futures.

URL: <https://www.ofgem.gov.uk/publications/lts-futures-funding-direction>

### **Decision on RIIO-2 Regulatory Reporting Requirements Relating to Network Asset Risk Metric (NARM)**

The Network Asset Risk Metric (NARM) has been developed to allow us to quantify the benefit to consumers of the companies' asset management activities. In RIIO-2, NARM is used as an output to help hold the companies accountable for their investment decisions. We collect data to enable us to administer the Special Conditions of the Network Company's licences (the conditions which relate to the price control) and our price control Final Determinations. The Regulatory Reporting Requirements (RRP) sets the structure for collecting network data.

This publication outlines our decision on the proposed modifications to the NARM RIGs and NARM RRP data templates for the onshore Electricity Transmission, Gas Transmission, and Gas Distribution network companies.

URL: <https://www.ofgem.gov.uk/publications/decision-riio-2-regulatory-reporting-requirements-relating-network-asset-risk-metric-narm>

### **Notice of proposed modifications to the Regulatory Financial Performance Reporting (RFPR) template and guidance for RIIO-2**

We are consulting on proposed modifications to the RFPR template and guidance document for Gas and Electricity Transmission networks, Gas Distribution networks and the Electricity System Operator.

These modifications update the template and guidance to reflect the RIIO-2 licence conditions and our RIIO-2 Final Determinations. As well as this, they also include the introduction of two additional reporting requirements that were set out in our Final Determinations; the Tax Reconciliation and Corporate Governance reporting.

URL: <https://www.ofgem.gov.uk/publications/notice-proposed-modifications-regulatory-financial-performance-reporting-rfpr-template-and-guidance-riio-2>

### **2022/23 Ofgem Forward Work Programme**

Outlines Ofgem's enduring priorities and strategic change programmes.

URL: <https://www.ofgem.gov.uk/publications/202223-ofgem-forward-work-programme>

### **UNC790: Introduction of a Transmission Services Entry Flow Charge**

The stated aims of UNC790 are two-fold: firstly, to reduce the overall price differential between Existing Contracts and new capacity; and secondly, to achieve a greater degree of year-on-year stability for Transmission Services Entry capacity tariffs.

URL: <https://www.ofgem.gov.uk/sites/default/files/2022-03/UNC790%20Decision.pdf>

### **Decision on minor amendments to cost recovery principles**

We have reviewed the responses and considered stakeholder views on minor amendments to the licence fee cost recovery principles to align them to updated licence conditions. We will adopt the proposed changes to the principles, with some small amendments which were raised by consultation responses.

URL: <https://www.ofgem.gov.uk/publications/decision-minor-amendments-cost-recovery-principles>

### **Direction to distribute funding for the Strategic Innovation Fund**

The Strategic Innovation Fund (SIF) is a funding mechanism for the Electricity System Operator, Electricity Transmission, Gas Transmission and Gas Distribution sectors. The SIF aims to find and fund ambitious, innovative projects with the potential to accelerate the transition to net zero. These projects should help shape the future of the gas and electricity networks and succeed commercially where possible.

Following publication of our SIF Funding Decision on 1 March 2022, we directed on 15 March 2022 the distribution of SIF Funding by National Grid Electricity System Operator and National Grid Gas Transmission.

We are directing the distribution of funds to gas and electricity network companies for the 40 round 1 Discovery Phase Projects that we decided to award funding to, and to cover UKRI's costs operating the SIF in 2021/22 and 2022/23.

URL: <https://www.ofgem.gov.uk/publications/direction-distribute-funding-strategic-innovation-fund>

Our round 1 call for proposals under the SIF, in Autumn 2021, focused on four Innovation Challenge areas: Whole system integration; Data and digitalisation; Heat; and Zero-emission transport. Further information about the projects can be found at the links below:

URL: <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-discovery-projects-approved-funding>

URL: <https://www.ofgem.gov.uk/publications/energy-networks-launch-40-new-innovation-projects-help-great-britain-accelerate-transition-net-zero>

### **SGN LTS Futures Project – Decision**

From 5 January to 2 February 2022, we consulted on the needs case and efficient costs for SGN's LTS Futures project, which will test whether the gas Local Transmission System (LTS) can be repurposed for transporting hydrogen.

This document, published below on 10 March 2022, describes our decision to fund the project in full. It confirms the funding mechanisms that will be used, and the deliverables that SGN will be required to complete. We have published for consultation our proposed directions to give effect to this decision, in accordance with Part C of Special Condition 3.9 and 6.1 of SGN's and NGGT's licences respectively. Representations on the proposed directions may be made until 24 March 2022, with more detail at the link below.

URL: <https://www.ofgem.gov.uk/publications/sgn-lts-futures-project-decision>

### **Consultation on our minded-to decision to fund detailed design studies for a Hydrogen Village Trial**

We are consulting on our minded-to decision to fund detailed design studies on delivering a hydrogen heated village by 2025. We would like views from people with an interest in the gas distribution network and other public stakeholders so please send any responses to Cara Yates on 0207 901 7158 or email [cara.yates@ofgem.gov.uk](mailto:cara.yates@ofgem.gov.uk) by 11 April 2022.

URL: <https://www.ofgem.gov.uk/publications/consultation-our-minded-decision-fund-detailed-design-studies-hydrogen-village-trial>

### **Decision notice for RIIO-GD2 draft annual reporting data templates and associated instructions and guidance**

This Direction, published 1 March 2022, sets out the modifications we have made on our draft set of RIIO-2 Annual Reporting data templates and associated instructions consultations published on 14 December 2021. These are documents for gas distribution networks to use when submitting their RIIO-2 annual reporting submissions.

URL: <https://www.ofgem.gov.uk/publications/decision-notice-riio-gd2-draft-annual-reporting-data-templates-and-associated-instructions-and-guidance>

For the Transmission sector, our **Direction to make modifications to the Regulatory Instructions and Guidance for RIIO-GT2** was also published on 1 March 2022, and can be found at the link below.

URL; <https://www.ofgem.gov.uk/publications/direction-make-modifications-regulatory-instructions-and-guidance-riio-gt2-version-113>

### **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, and the decision can be found at the link below.

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

### **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](mailto: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>

**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>