

Industry update from Ofgem – Up to date as of 31 May 2016

Uniform Network Code (UNC) UNC541 Removal of uncontrollable UNC charges at ASEPs which include sub-terminals operating on a 06:00 to 06:00 Gas Day. UNC541A and UNC541B seek to achieve the removal of those UNC Charges incurred, as a result of the one hour difference between the upstream and the downstream gas days, by those shippers inputting gas into the National Transmission System from UK gas beach terminals which remain on a 06:00-06:00 gas day. Our decision to reject these modifications may be found at the following locations on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/uniform-network-code-unc-unc541-removal-uncontrollable-unc-charges-aseps-which-include-sub-terminals-operating-0600-0600-gas-day>

Modifications to the NTS Shrinkage Incentive Methodology Statement. On 24th May 2016, Ofgem published letter considering National Grid Gas plc's proposed modifications to the National Transmission System (NTS) Shrinkage Incentive Methodology Statement. We decided not to issue a direction that the modifications shall not be made. The documents may be found at the following locations on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/modifications-nts-shrinkage-incentive-methodology-statement>

Decision to approve amendments to Interconnector(UK)'s Interconnection Agreement with National Grid Gas plc. On 20th May 2016, Ofgem published its approval of IUK's interconnection agreement with National Grid Gas plc (NGG) relating to the interconnection point between IUK's and NGG's transmission systems at Bacton aimed at facilitating compliance with the Interoperability and Data Exchange network code. They have also proposed a number of other minor changes and clarifications. We approved these changes on 20 April and the new agreement took effect from 1 May 2016. The documents may be found at the following locations on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/decision-approve-amendments-interconnectoruk-s-interconnection-agreement-national-grid-gas-plc>

Minutes and presentations from the 21st DECC-Ofgem European Stakeholder Group for Gas. On 18th May 2016, we published the minutes and presentations from the 21st DECC-Ofgem European Stakeholder Group for Gas, which took place on 1 April 2016. The documents may be found at the following locations on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/minutes-and-presentations-21st-decc-ofgem-european-stakeholder-group-gas> The minutes of previous meetings can be found at the following location: <https://www.ofgem.gov.uk/gas/wholesale-market/forums-seminars-and-working-groups/european-forums/decc-and-ofgem-stakeholder-group>. The next DECC-Ofgem EU Gas Stakeholder Group meeting will be held on 21st June 2016 from 11:00 to 14:00 at the Ofgem offices, 9 Millbank, London SW1P 3GE.

Code modification/modification proposals with Ofgem for decision - indicative timetable.

Up to date as of 17th May 2016. Shows indicative decision dates, and names of Ofgem experts, for code modification/amendment proposals that are with Ofgem for decision. The dates are indicative and are subject to change. The documents may be found at the following locations on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/code-modificationmodification-proposals-ofgem-decision-indicative-timetable>

Notice of upcoming consultation on licence changes to incorporate PARCA Termination Costs into the Price Control Financial Model (PCFM). Expected June 2016. We plan to make changes to the special conditions of National Grid Gas Transmission's gas transporter licence to allow Planning and Advanced Reservation of Capacity Agreement (PARCA) termination costs to be incorporated into the Price Control Financial Model (PCFM). The dates are indicative and are subject to change. More information may be found at the following locations on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/consultation-licence-changes-incorporate-parca-termination-costs-price-control-financial-model-pcfm>

Decision on a mid-period review for RIIO-T1 and GD1. 12th May 2016. We have decided to launch a mid-period review (MPR) for the RIIO-T1 price control looking at some specific issues in Electricity Transmission for National Grid Electricity Transmission and Gas Transmission for National Grid Gas Transmission. We have not identified any issues within scope of an MPR in RIIO-T1 for either of the Scottish Transmission Owners. We have decided not to launch an MPR for the RIIO-GD1 price control. The documents may be found at the following locations on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/decision-mid-period-review-riio-t1-and-gd1> and <https://www.ofgem.gov.uk/publications-and-updates/ofgem-opens-mid-period-review-price-controls-national-grid-electricity-transmission-and-national-grid-gas-transmission>

Code Governance Review (Phase 3) Final Proposals – Response to consultation on licence modifications. 10th May 2016. We received 15 responses to our consultation on the illustrative licence drafting that set out the changes to licence conditions that could give effect to our Code Governance Review (Phase 3) (CGR3) Final Proposals. More information may be found at the following locations on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals-response-consultation-licence-modifications>

National Grid sale of Gas Distribution Network business – consultation on regulatory aspects. Closed 31st May 2016. This consultation invited views on the regulatory issues arising from the potential transfer of gas distribution assets and licence from NGG to a wholly owned subsidiary within National Grid to ensure that any decision we make protects the interests of existing and future gas consumers. More information may be found at the following locations on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/national-grid-sale-gas-distribution-network-business-consultation-regulatory>

aspects and <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-proposed-new-standard-special-conditions-and-special-conditions-national-grid-gas-plc-s-national-transmission-system-nts-gas-transporter-licence>