

Industry update from Ofgem – Up to date as of 5th July 2016

Brexit - No immediate change in terms of how the GB energy markets work with Europe.

Ofgem will continue to participate in EU institutions and single European energy market as requested and required pending any further decisions made by the UK Government.

Tariff and CAM NC Comitology. Ofgem accompanied DECC to the June 29th and 30th formal meetings of the Gas Committee. The resulting text was largely unchanged from the versions circulated in mid-June. DECC are continuing to engage with the EC.

Gas Quality Code Amendment Update. The ENTSOG consultation requesting views on proposals to amend the Interoperability Network Code is still open and closes on 15 July 2016. We encourage you to respond. Ofgem will be responding and are in the process in finalising our submission. Our view is largely aligned with that of National Grid and we focus on issues around the following themes, scope of implementation, implementation timing, application, A-deviations, allowance for off-spec gas, and flexible limits, as they relate to the impact on industry; implementation costs and ultimately the cost to the consumer. Feedback from ENTSOG's workshop in April is for more workshops and there will be 2 more this year on 13 September and 16 November.

Updates on Project Nexus. On 30th June 2016, Ofgem published a decision that they intend to continue with a programmed delay to move implementation date of Project Nexus to between 1st February and 1st April 2017. The documents may be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/decision-defer-implementation-project-nexus-ensure-successful-implementation>. As a result of this decision, a proposed modification to reclassify a number of days as non-effective days for the purposes of the Uniform Network Code (UNC) was no longer relevant and was therefore rejected. The documents associated with this modification may be found at the following location on the Ofgem website <https://www.ofgem.gov.uk/publications-and-updates/uniform-network-code-unc-532-implementation-non-effective-days-project-nexus-transitional-modification-and-independent-gas-transporters-unc-082-non-effective-days-cutover-single-service-provision-2016>. More information on the Project Nexus can be found here: <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/project-nexus>

Open letter on proposed changes to the Ofgem Licence fee principles document. On 30th June 2016, Ofgem published a letter setting out our proposals to amend the Ofgem licence fee principles document (the LFPD) following our entering into a new cost control framework. A key change is an agreement with government to replace Ofgem's RPI-x cost control regime with a five year framework, to take our total expenditure down from £89.5m in 2015-16 to £82.0m in 2019-20, representing a reduction in real terms of 15%. The consultation closes 28th July. The documents may be found at the following location on the

Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/open-letter-proposed-changes-ofgem-licence-fee-principles-document>

Ofgem's Annual Report and Accounts 2015-16. On 30th June 2016 Ofgem published its annual report and accounts covering work from April 2015 to March 2016. The documents may be found at the following location on the Ofgem website:

<https://www.ofgem.gov.uk/publications-and-updates/ofgem-s-annual-report-and-accounts-2015-16>

Direction to make modifications to the Gas Transmission Regulatory Instructions and Guidance (RIGs) for RIIO-T1. On 22nd June 2016, we published the modified RIGs RIGs and reporting templates for 2015/16 annual reporting. The documents may be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/direction-make-modifications-gas-transmission-regulatory-instructions-and-guidance-rigs-riio-t1>

Modification of National Grid Gas' transporter licence to add three new exit points to the National Transmission System. On 17th June 2016, we published a notification of our intent to modify Part F of Special Condition 5G of National Grid Gas plc's transporter licence as proposed in our section 23 notice published on 18 March 2016. The changes add three new exit points to the licence and designate "St Fergus Segal" as a relevant exit point as required by the EU Gas Regulation 715/2009. It also designates "Palm Paper" as a non-relevant "Industrial" exit point and "Kinneil CHP" as a non-relevant 'Power Station' exit point. The changes take effect from 15 August 2016. The documents may be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/modification-national-grid-gas-transporter-licence-add-three-new-exit-points-national-transmission-system>

List of all gas licensees with registered or service addresses. On 13th June we published an updated list of all gas licensees (including all gas suppliers) and their registered or service addresses. The documents may be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/list-all-gas-licensees-registered-or-service-addresses>

Consultation on our minded-to position on the review of gas transporter agency (Xoserve) costs in RIIO GD1 and T1. On 10th June 2016 we published an open letter, which forms our consultation on our minded-to decision on the review of Gas Transporter's Xoserve's costs for the remainder of RIIO-GD1 and T1 as allowed by the uncertainty mechanism. Following a review of the responses to this consultation, we will publish our final decision by September 2016, which would take effect from 1 April 2017. The consultation closes on 7th July. The documents may be found at the following location on the Ofgem website:

<https://www.ofgem.gov.uk/publications-and-updates/consultation-our-minded-position-review-gas-transporter-agency-xoserve-costs-riio-gd1-and-t1>

Gas NIC Full Submission guidance and spreadsheet 2016. Dated 8th June 2016. Updated proforma, spreadsheet and guidance that the Network Licensees should use when completing their Full Submissions for the 2016 Gas NIC. The documents may be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/gas-nic-full-submission-guidance-and-spreadsheet-2016>

Notice of statutory consultation on a proposal to modify Gas Transporter Standard Licences Condition 2. On 3rd June 2016, we published a consultation on a modification to to modify Standard Condition 2 (SLC2) of the Gas Transporters Licence by deleting the three instances of the wording “with the consent of the licensee”, which were felt to be non-compliant with the requirements of Article 39(4) of Directive 2009/73/EC requiring the Authority to make independent decisions. This consultation closed on 4th July. The documents may be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/notice-statutory-consultation-proposal-modify-gas-transporter-standard-licences-condition-2>

Uniform Network Code (UNC) 572: Amendment to the definition of Allocation of Unidentified Gas (AUG) Year within UNC TPD Section E. On 27th May 2016, the Authority approved a modification to amends the relevant periods for allocation of Unidentified Gas costs to begin 1 October rather than 1 April each year. The documents may be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/uniform-network-code-unc-572-amendment-definition-allocation-unidentified-gas-aug-year-within-unc-tpd-section-e>