



Making a positive difference
for energy consumers

Jon Dutton
National Grid Gas plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Direct Dial: 020 7901 7274
Email: Natasha.Zoe.Smith@Ofgem.gov.uk
Date: 8 March 2018

Dear Jon,

Re: Approval of National Grid Gas' Generic Entry and Exit Revenue Driver Methodology Statement

On 8 January 2018 National Grid Gas (NGG) submitted its Generic Entry and Exit Revenue Driver Methodology Statement ('GRDM Statement') to the Authority¹ for approval pursuant to Special Condition 9C of the Gas Transporter Licence. This letter sets out our reasons for approving the GRDM Statement.

Background

NGG is funded to provide baseline levels of capacity through its price control settlement. If National Transmission System customers wish to buy additional capacity (known as incremental capacity), NGG automatically receives additional funding via revenue drivers to support its investment in delivering that capacity.

The revenue drivers for all new and existing entry/exit points are set out in a generic methodology that NGG must review and submit to Ofgem for approval every two years.

The methodology was last approved on 12 October 2015.

On 5 December 2017 we granted NGG a derogation from the requirement under Special Condition 9C to consult on changes to the GRDM Statement. We granted this derogation because, having concluded a review, NGG was not proposing any substantial amendments to the methodology and therefore we agreed an industry consultation would not have been of material value on this occasion.² Instead we noted that NGG should give due publicity to its review and highlight the proposed changes.

On 8 January 2018 NGG submitted a revised GRDM. The changes relate to email, website and postal addresses as well as minor formatting changes.

Ofgem's Decision

We have reviewed the documentation provided and we consider that the GRDM Statement submitted by NGG on 8 January 2018 is consistent with the requirements of Special Condition 9C and, having regard to the Authority's principal objective and statutory duties, therefore we have approved the GRDM statement.

¹Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority', 'we' and 'us' are used interchangeably in this letter.

²<https://www.ofgem.gov.uk/publications-and-updates/generic-entry-and-exit-revenue-driver-methodology-statement-grdm-derogation-requirement-provide-independent-examiner-statement-and-requirement-consult-proposed-changes>

Please contact Robin Dunne at Robin.Dunne@ofgem.gov.uk or on 0207 901 3127 if you have any questions about this decision.

Yours faithfully

Natasha Zoe Smith

Head of Gas Systems, Wholesale Markets

Signed on behalf of the Authority and authorised for that purpose.