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for energy consumers

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Dear Craig,

The Generic Entry and Exit Revenue Driver Methodology Statement: Derogation from the requirement to provide an Independent Examiner Statement and the requirement to consult on the proposed administrative changes and submit a report to the Authority.

Thank you for your letter of 1 November 2017 asking to be released from the requirement in Special Condition 9C of your gas transporter licence to provide an Independent Examiner Statement as part of the review of the Generic Entry and Exit Revenue Driver Methodology (GRDM) Statement, and the requirement to consult on the proposed changes and submit a report on this consultation to the Authority.

Special Condition 9C.7 requires National Grid Gas (NGG) to provide a statement from an Independent Examiner giving their opinion as to the extent to which NGG has developed the relevant statement consistent with its duties under the Gas Act 1986 and the Licence. This examination is only required when modifying the statement and the Authority may consent to NGG being relieved of this requirement.

Where a change to the GRDM is proposed, Special Condition 9C.8 requires NGG to provide a copy of the proposed modification to the Authority; to consult with relevant shippers and interested parties; and to submit a report setting out the outcome of the consultation. The Authority may consent to NGG being relieved of these requirements.

In your letter, you state that having reviewed the GRDM you do not propose to make any modifications to the methodology, save for updating several links to your website.

You list the reasons for seeking derogation from these requirements as follows:

- The only changes you intend to make to the statement are administrative, i.e. to reflect changes to links to your website. You do not believe that these changes are material.
- Since its first publication on 1 November 2013, this statement has not been used as no funded incremental capacity had been released. All additional capacity released has been met via substitution.
- The methodology is consistent with current Capacity Reservation arrangements i.e. Planning and Advanced Reservation of Capacity Arrangement (PARCA) and other Exit and Entry Capacity release methodologies.
- There have not been any other changes in the commercial arrangements which would lead you to make any material changes to the methodology.

The Authority's Decision

We have carefully considered your request and have decided to grant you consent not to provide Independent Examiner Statements pursuant to Special Condition 9C.7 in this instance.

We have also carefully considered your statement that having reviewed the GRDM, you do not intend to make any material changes and have decided that you do not need to consult on the review and submit a report to the Authority pursuant to Special Condition 9C.8 in this instance.

We agree that, based on the fact that no material changes are proposed and, given that the GRDM has not been used, there are no outputs to examine. An Independent Examination would provide little valuable additional information regarding compliance with your duties under the gas transporter licence and the Gas Act 1986. The granting of this derogation sets no precedent for any future derogation requests.

We also agree that as you are not proposing any substantial amendments to the methodology, having concluded a review, an industry consultation would not be of material value on this occasion. The Authority directs that sub-paragraphs (a), (b) and (c) of Special Condition 9C.8 will not apply, but that NGG shall give due publicity to its review and highlight that the proposed GRDM contains updated weblinks. This letter should not be taken as indication that we will be approving the proposed changes to the GRDM.

Please find the consent and direction attached to this letter. Both documents are available on our website.

This letter constitutes notice under section 38A of the Gas Act 1986.

Yours sincerely,

Natasha Zoe Smith
Head of Gas Systems