

7th December 2022

Notice of statutory consultation on a proposal to modify the Special Conditions Gas Act 1986, Section 23(2).

Thank you for the opportunity to respond to your statutory consultation on the proposal to modify the Special Conditions Gas Act 1986, Section 23(2). This response represents the views of Northern Gas Networks (NGN).

The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the Special Conditions of the Gas Transporter licence held by each of the above licensees ('the licensees') granted or treated as granted under section 7 of the Gas Act 1986 by amending the following existing Special Conditions:

- *Special Condition 1.1: Interpretation and definitions.*
- *Special Condition 3.9: Net Zero Pre-construction Work and Small Net Zero Projects Re-opener (NZPt).*
- *Special Condition 6.1: Transportation owner pass-through items (PTt) – NGGT licence only.*

NGN supports Ofgem's proposals to modify the Special Conditions of the Gas Act 1986. We also consider that Ofgem should make further modifications to ensure there is an appropriate balance of risk between network companies and consumers in the pursuit of net zero. Specifically, we propose the following:

- The modifications to Part A predominantly focus on recovering unspent allowances, but do not explicitly address recovery of overspend. Given the uncertainty within the current economic climate, in addition to uncertainty with costs surrounding net zero projects, a clause which allows companies to recover reasonably incurred, justified, efficient expenditure is made explicitly within Special Condition 3.9.
- Similarly, Net Zero re-opener determinations should be treated the same way as anything else when it comes to general inflation indexation.

Finally, section 3.9.8 seems to largely duplicate 3.9.7 (b) and we suggest these two points are combined or it is explicitly clarified what the difference is.

If there are any queries or additional information or clarity required for any of the NGN responses, please contact Greg Dodd, Head of Strategic Planning, (gdodd@northerngas.co.uk), who will be able to deal with your query.

Kind Regards



Gareth Mills | Director of Regulation and Strategic Planning
Northern Gas Networks

Smell gas?

Call the National Gas Emergency
Service on 0800 111 999

a 1100 Century Way
Thorpe Park Business Park
Colton, Leeds LS15 8TU

t 0113 397 5300
w northerngasnetworks.co.uk

**we are
the network**