

To:

Cadent Gas Limited
Northern Gas Networks Limited
Scotland Gas Networks plc
Southern Gas Networks plc
Wales and West Utilities Limited
National Grid Gas Plc
Scottish Hydro Electric Transmission plc
SP Transmission Ltd
National Grid Electricity Transmission plc

Direction under Part F of Special Condition 8.2 (Annual Iteration Process for the GT2/ ET2 /GD2 Price Control Financial Model) of the Gas Transporter and Electricity Transmission] Licence to amend the [GT2/ET2/GD2] PCFM Guidance with respect to totex allocation rates for re-opener variant allowances.

1. Each of the companies to whom this Direction is addressed (each “the licensee”) is the holder of either a Gas Transporter Licence granted or treated as granted under section 7 of the Gas Act 1986 or an Electricity Transmission Licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989.
2. In accordance with Special Condition (“SC”) 8.2 (Annual Iteration Process for the GT2/ ET2 /GD2 Price Control Financial Model) of the [Gas Transporter and Electricity Transmission] Licence, on 30 July 2021 the Gas and Electricity Markets Authority (“the Authority”) ¹ published on its website the text of the proposed amendments to the PCFM Guidance, set out the date on which those proposed amendments were intended to take effect and the reason for those amendments. The deadline for representations was on or before 28 August 2021.
3. We received no representations prior to the close of the above mentioned period. As a result, we have made no changes to proposed amendments.
4. The reason for this direction is set out in Appendix 1 to this direction. This direction is our notice of reasons for the purposes of section 38A of the Gas Act 1986 or section 49A of the Electricity Act 1989. The full version of the modified PCFM Guidance can be found on the original consultation page.
5. In accordance with SC 8.2.24, the Authority hereby directs that the amendments to the PCFM Guidance as set out in Appendix 1 to this direction shall take effect on 31 August 2021.

¹ The “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.



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Steve McMahon
Deputy Director, Electricity Distribution and Cross Sector Policy
Duly authorised on behalf of the Gas and Electricity Markets Authority
31 August 2021

Appendix 1 – Location of modifications within the PCFM Guidance

We hereby amend the PCFM Guidance to introduce a new category of PCFM Variable Value for Totex variant allowances allocation percentages. This will enable networks to update these percentages as part of their annual forecast updates through the Annual Iteration Process and will also ensure that the PCFM Guidance is complete and consistent with our Price Control Financial Instruments.

The amendments made are as follows:

Sector	Nature of Modification	Page number
ET2	Description of the new category of PCFM Variable Value has been added at the bottom of the PCFM Variable Values table in chapter 3. And guidance on how to populate these values has been added in chapter 4.	20, 36 and 37
GT2	As above	19 and 36
GD2	As above	18 and 34