

RIIO-T1 and GD1: Final Proposals licence drafting consultation
National Grid Gas Distribution Response (22/01/13) – Appendix Two

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INTRODUCTION

The RIIO-GD1 Final Proposals and Final Proposals Licence Drafting Consultations were received from Ofgem on 17th and 21st December discussing a number of Licence Conditions applicable to National Grid Gas Distribution (NGGD). Ofgem requested comments on these by 22nd January 2013, which are listed below. This document sets out comments against these Conditions, as well as other general comments.

Licence Conditions that we have provided comments on are as follows. We have also included comments within the marked up copy of the licence as requested.

- GDC19 Restriction of revenue in respect of the Distribution Network Transportation Activity: Definitions
- GDC20 Restriction of Revenue in respect of the Distribution Network Transportation Activity Charges
- ETC/GTC/GDC21 Distribution Network allowed pass through items
- GDC24 Incentive Adjustment in respect of the Broad Measure of Customer Satisfaction
- GDC25 Revenue adjustments for performance in respect of gas shrinkage and environmental emissions
- GTC/GDC30 Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network
- GDC48 Discretionary reward scheme revenue amounts
- GTC/GDC71 Regulatory Accounts
- GDC83 Distributed Gas: Connections Guide and Information strategy
- Special Condition 2A Governance of GD1 Price Control Financial Instruments
- Special Condition 2B. Annual Iteration Process for the GD1 Price Control Financial Model
- 3F Arrangements for the recovery of uncertain costs
- Special Condition 4B Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network
- Special Condition 4D Special Condition 4D. Restriction of prices in respect of Tariff Capped Metering Activities
- Special Condition 4G Methodology for Network Output Measures
- Special Condition 4H Specification of Network Outputs
- (FHB) Financial Handbook, Finance Model

The following Licence Conditions we have reviewed but have no comments to make against them, since the drafting is acceptable:

- GDC08 NTS Exit Capacity Cost Adjustment
- ETC/GTC/GDC09 The Innovation Rollout Mechanism
- [GDC10] The Network Innovation Competition [Socialised version]
- ETC/GTC/GDC11 The Network Innovation Allowance
- GDC22 Mains and Service Replacement Expenditure
- GDC26 (PCC4) Annual Interaction Process for the GD1 Price Control Financial Model

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- GDC27 (PCC3) Specified financial adjustments
- GDC28 Arrangements for the recovery of uncertain costs
- GDC29 Disapplication
- GDC31 Services treated as Excluded Services
- GTC/GDC32 Restriction of charges for tariff capped metering activities
- GDC47 (PCC2) Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments
- GDC57 (PCC5) Governance of GD1 Price control financial instruments
- GDC64 Legacy Price Control Adjustments
- GTC/GDC 73 Methodology for Network Output Measures
- ETC/GTC/GDC74 Regulatory Instructions and Guidance
- ETC/GTC/GDC76 Data Assurance Requirements
- GTC/GDC 82 Standard Special Condition A8. Emergency Services and Enquiry Service Obligations
- GDC 89 Standard Special Condition D10. Quality of service standards
- GTC/GDC95 Termination of Shipping Arrangements
- GTC/GDC105 and 106 Condition 1: Definitions and Interpretation
- GTC/GDC109 Standard Special Condition A3: Definition and Interpretation
- GDC112 Application of Section C (Transportation Services Obligations)
- GTC/GDC 138 Standard Special Condition A35. Prohibition of Cross-Subsidies
- GTC 139 Standard Special Condition A36. Restriction on Activity and Financial Ring Fencing
- GDC141 Standard Special Condition D11. Charging obligations
- E21: Undertaking from ultimate controller concerning non-discrimination between the Distribution Network transportation activity and the NTS transportation activity
- Separation of NTS and Distribution Network Businesses
- Specification of Network Output Measures

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GDC00 General Comments

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				The definition of the Supply of Distribution Network Services has been deleted. This should be reinstated to make the Transportation Revenue formula work correctly as well as the PCR and RIIO framework. This has been highlighted in our covering letter	<p>Insert definition back into the Licence (currently within Special Condition E1: Revenue restriction definitions in respect of the Distribution Network)</p> <p>Supply of Distribution Network Services means the undertaking and performance for gain or reward of engagements:</p> <p>(a) in connection with the conveyance of gas through the Transportation System;</p> <p>(b) for the prevention of the escape of gas which has been taken off the Transportation System; and</p> <p>(c) relating to the acquisition of capacity rights, gas or gas derivatives for the purpose of:</p> <p>(i) the balancing of the Transportation System through the acquisition or disposal of gas to replace gas lost from the Transportation System; and</p> <p>(ii) facilitating constraint management;</p>
2				<p>We consider the defined terms that are included in the present defined terms (E2A) must be retained in Special Condition 1A of the Special Conditions as follows:</p> <p>Approved Market Price Report Domestic Credit Meter Installation Domestic Sized Exit Zone NTS National Grid Gas plc (required in case it changes its name again) NTS Transportation Statement Prepayment Meter Installation</p>	

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				<p>Services Replacement Supply of Distribution Network Services Transportation System Tariff Capped Metering Services</p> <p>These are all terms which continue to be used in the new price control provisions, so must be re-inserted in order to ensure the proper functioning and interpretation of the price control conditions.</p>	
3				<p>There are a number of instances where the licence conditions refer to the Financial Handbook and these references are not clear. We request that each of the references to the Financial Handbook be checked for accuracy/consistency. In addition, we are suggesting a number of changes to the text of the Financial Handbook to improve the consistency of the Handbook with the licence. We request that these changes to the Financial Handbook be taken forward as part of this process.</p>	
4				<p>We request that the licence drafting be checked again to ensure that each of the defined terms in Special Condition 1A are used consistently throughout the substantive conditions and that capitalisation is consistent. Our mark-up has attempted to pick up many of these issues, but we request that Ofgem conduct a double-check to ensure consistency</p>	

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1A/GDC19 Restriction of revenue in respect of the Distribution Network Transportation Activity: Definitions

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				The date of the latest “Carbon Plan” published by DECC is December 2011, this date should be noted	
2				Definition of NTS Offtake (Flat) Capacity – the references to the Network Code need to be updated.	The reference is correct for the version dated 15 December 2007, but the terminology has been updated since to NTS Exit (Flat) Capacity and NTS Exit (Flexibility) Capacity, which are now defined in paras 1.2.3 (c)(i) and (c)(ii) of Section B of the Network Code as at 1 st January 2013. In order to do this, the corresponding terms in Sp Cond 1D (and possibly elsewhere) need to be changed accordingly.
3				The references to Totex Incentive Rate in 3B need to be cleaned up.	The context in which the values for the Totex Incentive Strength Rate are set out in Appendix 1 of Sp Cond 3F only refers to 3F.7 and 3F.3. The reference in 3F.4 points to 2A and 2B (Financial instruments and the Annual Iteration of the PCFM), but other elements in Sp Cond 1D (Exit) and 1F (Shrinkage & EEI) use this rate and refer to it. The same Totex Incentive Strength Rate values are set out in no less than 3 different locations in the Licence, so the layout is rather untidy.
4				The definitions of Liquefied Natural Gas Import or Export Facility LNG Storage Business and National Balancing Point Supply of LNG Storage Business	These definitions are not required as they are irrelevant for GD
5				The definition of Standard Mains Materials should read “...provided with cathodic rust <u>corrosion</u> protection	

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1B/GDC20 Restriction of Revenue in respect of the Distribution Network Transportation Activity Charges

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				Definition of N is blank	
2				Definition of NICF required	
3				Para 1B.15 Definition of PROt is shown as Port) so should be corrected	
4				Para 1B.19 (b) shows as as using best endeavours rather than reasonable endeavours, is this correct?	

1C/ETC/GTC/GDC21 Distribution Network allowed pass through items

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				Definition of PD – How is this applied for each DN? Presumably this is based on a pre-agreed allocation method (supply point basis, as per Licence Fee?)	

1E/GDC24 Incentive Adjustment in respect of the Broad Measure of Customer Satisfaction

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				Para 1E.7 definition of CSASSt typo within “..means the ‘s actual...” should read “means the Licencee’s actual...”	
2				Para 1E.25 – as para 1E.4 refers to Part E which is a circular reference.	The definition of the SEt term under 1E.4 should describe what it <i>is</i> . The process for determination should be set out in Part E and only referred back to 1E.4 for clarity as to the specific term being referred to.

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3				Para 1E.33 Examiners power - This power is referred to in Standard Special Condition A40 (RIGS), so para 1E.33 should reference this	The correct reference is A40, paragraph Part B 5(i)
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1F/GDC25 Revenue adjustments for performance in respect of gas shrinkage and environmental emissions

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				Definition of GPRC	GPRC definition OK apart from need for extra brackets around "(Wdy + Wed)" as at present.
2				Para 1F.5, definition of n – what is this?	Assume this is a summation index for a number of years, to operate the roller mechanisms for SHRR and EEI terms.
3				Definition of "approved market price report" is required	<p>This definition should be included in Licence Condition 1A Restriction of revenue in respect of the Distribution Network Transportation Activity: Definitions (previously Special Condition E1: Revenue restriction definitions in respect of the Distribution Network,</p> <p>Where the Approved Market Price Report: means the European Spot Gas Markets (ESGM) report published by Heren Energy Limited or another published market price report (published by a comparable price reporting service) which, in the opinion of the Authority, notified in writing to the licensee, is equivalent to ESGM in the United Kingdom</p>

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3F Arrangements for the recovery of uncertain costs

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				In Appendix Two there needs to be a policy decision made on whether the table should be indexed. In addition, there is no mention of the mid period review and the adjustments for Asset Health and / or HSE iron mains replacement.	

4B/GTC/GDC30 Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1	SpC 4B	Allocation of revenues and costs...	Para 4B.6	<ul style="list-style-type: none"> Delete item (b) <i>LNG import or export facilities</i>, as not relevant to a DN licence. Delete item (c) as it is replaced by (d). Re-number (d) and (e). 	
2	SpC 4B	Allocation of revenues and costs...	Para 4B.14	Confirm reference to De Minimis Business	...in the undertaking provision of De Minimis Business activities under...

1G/GDC48 Discretionary reward scheme revenue amounts

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1	1G	Discretionary Reward Scheme Revenue Amounts	1G.5	There is no formula definition for 1t-1 and 1t-2. This was raised by NGN and rejected by Ofgem who said "a definition of which will be in the definitions condition". We have looked for this under Definitions section – on Page 8, under DRS definition but can't see it	

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2			Part C Definitions 1G.7 (b)	In this para Ofgem has newly inserted the word “safety”..... i.e. delivering additional environmental, “safety” and social outputs..... This is repeated in the Definitions section on Page 8. Para 2.10 of FP (Outputs, Incentives & Innovation) does not include “safety”, only environmental or social (FP should say AND not OR).	
3			General point	Ofgem were going to consider whether NGGDs licence should specify that the reward is allocated on LDZ customer numbers – this action is still outstanding	
4				This condition should refer to how DRS will be treated in financial years 2018/19 to 2020/21 as there is no reference to these years within the FP documents either	

A30/GTC/GDC71 Regulatory Accounts

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1	SSC A30	Regulatory Accounts	Para 2(f)	Term ‘relevant associate’ has not been defined (it was defined in old A30). It is also not capitalised.	Add a definition to paragraph 32: Relevant Associate is as defined in paragraph 4 of Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing).
2	SSC A30	Regulatory Accounts	Para 3	In last line replace they with it.	
3	SSC A30	Regulatory Accounts	Para 4	Gas should not be capitalised in first sentence (two occurrences).	
4	SSC A30	Regulatory Accounts	Para 11	Amount should not be capitalised in line 3	
5	SSC A30	Regulatory Accounts	Para 31	Delete ‘for the consolidated transmission business’.	

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D20/GDC83 Distributed Gas: Connections Guide and Information strategy

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1			Para 4 (b)	<p>Under 4(b), the draft as it stands allows licensees to revise the DGCG, and presumably it would still need to be approved by the Authority as per para 2 “..to prepare and maintain a common set of documents, approved by the Authority...”.</p> <p>However, this does not make clear how far in advance of a proposed change the licensees must submit their proposals, or how long the Authority has to approve / not veto them. Hence the original proposal along the lines “If the Authority does not veto them within [28] days the changes are deemed to be approved”.</p>	This could all be done by consent between the parties, but the licence should really make this more explicit, so we know what our respective obligations are.
2			Para 10	The corresponding sub-para relating to changes to the Information Strategy is Para 10. Again it does not say how long in advance licensees need to submit the proposed change(s), and although it says that “..the Authority will respond within a reasonable period”, we consider this to be excessively vague.	We propose that if the Authority does not veto the proposed change(s) within [28] days then the change(s) are deemed to be approved. This then provides certainty to both parties.
3				We have also noticed that the DCGC has to be agreed by, and common to, the different licensees, but the DGIS is specific to each separate licensee. Can Ofgem please explain why there is a difference	

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Special Condition 2A Governance of GD1 Price Control Financial Instruments

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				Para 2A.5 c. Some of the items listed are not relevant to GD	
2				Para 2A.18 b and c seem to be administration points so are not required in the Licence	

Special Condition 2B Annual Iteration Process for the GD1 Price Control Financial Model

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				Para 2B.13 is inconsistent with the FP document, para 7.58 p 62 i.e. Para 2B.13 states a copy of last year's PCFM will be used whereas FPs says that the licensees PCFM will prevail	

Special Condition 4B Allocation of revenues and costs for calculations under the price control in respect of the Distribution Network

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				Para 4B.6 b references LNG import and export facility which is irrelevant for GD	

Special Condition 4D Special Condition 4D. Restriction of prices in respect of Tariff Capped Metering Activities

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				The following definitions within 4D (E19) Restriction of prices in respect of Tariff capped	

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				<p>metering activities need to be retained:</p> <ol style="list-style-type: none"> 1. Daily Metered Supply Meter Point 2. Domestic Credit Meter Installation 3. Domestic sized 4. Prepayment Meter installation <p>Tariff capped metering activities</p>	
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Special Condition 4G Methodology for Network Output Measures

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				Para 4G.2 shows that the Methodology must be agreed by 1 st April 2013. We have concerns over whether this date can be achieved which we have highlighted in our cover letter	
2				Para 4G.8 a should say "...application of the their NOM methodology..."	

Special Condition 4H Specification of Network Outputs

Respondent details		National Grid Gas Distribution			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1				Table 1 cost of over delivery criteria is in unjustified column when it should be in justified	

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(FHB) Financial Handbook and Finance Model

Respondent details		NGGD			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1	GD1 Price Control Financial Model	GD1 Price Control Financial Model	Capitalisation Rate (Non Repex)	We have sent a separate query to Tony Doyle on 08/01/13 regarding what appears to be an error in the mix of totex allowances in the published GD1 Price Control Financial Model when compared to the mix of totex allowances in the Final Proposals Cost Efficiency Supporting Document caused by the treatment of holder demolition costs. We understand from the response to the above query that the mix of totex allowances in the PCFM is intentional due to resultant tax allowance implications. While we agree with the tax treatment, the use of the PCFM totex allowances (totex mix) to calculate the capitalisation rate (non-repex), leads to an overstatement of the capitalisation rate (non-repex), and a resultant understatement of RIIO-GD1 Base revenues for NGG plc's four Gas Distribution Networks. We estimate the impact to be c£60m (09/10 real prices).	
2	GD1 Financial Handbook	GD1 Financial Handbook	Introduction	Under the 'Terms used in this handbook' sub-heading, and immediately before the words 'throughout this handbook', a sub-title stating 'Other terminology' should be added to be consistent with the GT1 and ET1 Handbooks.	
3	GD1 Financial Handbook	GD1 Financial Handbook	Introduction	The statement on why the PCFM has been adopted states that "it maintains transparency on adjustments to base revenues". Can you clarify how transparency will be achieved in the event that uncertainty mechanism allowances are updated? Will the process of archiving models provide a sufficient audit trail that can be followed? The Licence Conditions are not	

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Respondent details		NGGD			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
				clear on this. The published version of the PCFM does not store the trail on an annual basis such that the derivation of the MODt term from previous iterations can be seen.	
4	GD1 Financial Handbook	GD1 Financial Handbook	1.5	This paragraph is different in the GT1 handbook although we would expect all three Handbooks to be the same. The paragraph in the GD1 Handbook appears to provide more detail. Can you confirm the paragraph in the GD1 Handbook is correct?	
5	GD1 Financial Handbook	GD1 Financial Handbook	1.13	Use the word 'inform' instead of 'apprise'	
6	GD1 Financial Handbook	GD1 Financial Handbook	1.15	It would be worth stating here that the latest version of the PCFM would be used for the Annual Iteration Process i.e. including any functional modifications carried out under licence condition 2A	
7	GD1 Financial Handbook	GD1 Financial Handbook	1.22	In Table 1.1, change heading 'Regulatory Year' to 'Formula Year'.	
8	GD1 Financial Handbook	GD1 Financial Handbook	1.30 (i)	Suggests that the outcomes for all incentive schemes are processed in the PCFM. However only the Totex Incentive Mechanism incentive is processed in the PCFM.	
9	GD1 Financial Handbook	GD1 Financial Handbook	1.31	Useful to get clarity whether this means one representative for NGGD or four.	
10	GD1 Financial Handbook	GD1 Financial Handbook	2.1	It is worth stating 'PU Values' as stated in the opening paragraph to Chapter 4 of the Financial Handbook.	
11	GD1 Financial Handbook	GD1 Financial Handbook	2.5	Items 10 to 18 in the list are 'allowed expenditure' variable types, not 'actual expenditure' variable types.	
12	GD1 Financial	GD1 Financial	2.9	The words "was calculated" should be added at the end of the first bullet point	

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Respondent details		NGGD			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
	Handbook	Handbook			
13	GD1 Financial Handbook	GD1 Financial Handbook	2.10	In the allowed expenditure section, suggestion that the TIM only applies to slow money, but applies to both fast and slow money.	
14	GD1 Financial Handbook	GD1 Financial Handbook	2.10	In the actual expenditure section, no suggestion that data contained in the RRP pack will be reviewed by Ofgem for efficiency/errors.	
15	GD1 Financial Handbook	GD1 Financial Handbook	2.10	In the actual expenditure section, the source of the published RPI should be stated e.g. ONS/Bank of England.	
16	GD1 Financial Handbook	GD1 Financial Handbook	Chapter 3	General Point. Many elements of these proposals are affected by the Deficit Allocation Methodology, which will require further development. Depending on what is agreed and how it is applied we would anticipate that the corresponding text in this document may need to change as a result.	
17	GD1 Financial Handbook	GD1 Financial Handbook	Chapter 3	Given the extent of comments which still remain on the pensions sections, it is likely to prove very difficult to produce an accurate description which correctly describes the calculations and associated mechanisms in the next iteration, so the opportunity to comment on an improved draft of this section before the “direction” stage is reached would be beneficial for all parties.	
18	GD1 Financial Handbook	GD1 Financial Handbook	3.5	Last bullet point which outlines the pension principles suggests pension costs relating to severance arrangements will not be funded, however we are aware that the policy on this has subsequently changed and such expenditure can be reported as totex where the definition according to the RIGs is met. The chapter should clarify.	

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Respondent details		NGGD			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
19	GD1 Financial Handbook	GD1 Financial Handbook	3.7	The second sentence in this paragraph should be deleted - the reasonableness review referred to here does not determine or inform the proportion of a licensee's deficit which is attributable to the transportation business. However, if this sentence is retained, the words " <i>acting reasonably, consistently with the price control pension principles, and</i> " should be added after the word "Ofgem".	
20	GD1 Financial Handbook	GD1 Financial Handbook	3.17	Table 3.1. In the final column, first row of dates, the APFE values should be revised for "2013-14 and 2015-16 to 2020-21". Similarly, in the second row of dates should the APFE values be revised for "2014-15 to 2020-21 excluding 2017-18", to avoid unnecessary complications when the true-up for 2017-18 is calculated (in late 2020).	
21	GD1 Financial Handbook	GD1 Financial Handbook	3.22	Table 3.2. At the end of Row 7, there needs to be an extra item in the derivation of the parameter "C". This is to add forecast contingent asset costs, where these have been allowed for the relevant pension scheme. This comment also applied to Row 7 of table 3.3	
22	GD1 Financial Handbook	GD1 Financial Handbook	3.22	Table 3.2. For clarity, the words "including contingent asset costs" need to be added to the first line of row 8 and the third line of point (a) in row 8, so they read "Obtain actual deficit repair payments <u>s including contingent asset costs</u> attributable to the licensee:" and "a) Obtain relevant portion attributable to the licensee's distribution business of the actual deficit repair payments <u>including contingent asset costs</u> in 2013-14;" respectively.	

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Respondent details		NGGD			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
23	GD1 Financial Handbook	GD1 Financial Handbook	3.22	<p>Table 3.2. There are a number (at least 2) of references to WACC in row 8 of this Table. Given that WACC will change from year to year in RIIO-GD1 (with changes in the cost of debt) the formula that is used to apply WACC (and indeed the definition of WACC) are incorrect. Rather than applying the formula $(1+WACC)^n$, the correct formula would, as an example, be of the form $(1+WACC_{2013-14})^* (1+WACC_{2014-15})$</p> <p><u>This comment also applies to several places in row 9 of this table, and the corresponding rows 8 and 9 in Table 3.3.</u></p> <p>Even using the incorrect formulation currently applied, at row 9 in table 3.2 at (c) says $(1+WACC)^n$ which is wrong as the closing parenthesis is in the wrong place, and this same error appears at point (e) in row 8 of table 3.3</p>	
24	GD1 Financial Handbook	GD1 Financial Handbook	3.22	<p>Table 3.2. In Row 8, the words “in 2009-10 prices” should be deleted from the definition of ED – this is because ED should be in nominal prices, as it is then deflated to 2009-10 prices by the formula that appears slightly earlier in row in the calculation of the parameter D in row 8 of the table.</p> <p>In addition, in the definition of ED in row 8 of the table, the words “including contingent asset costs” should be added so it reads ““ED” is the licensee portion of established deficit repair payments <u>including contingent asset costs</u> during 2013-14”</p>	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
				<u>These comments on the definition of ED also apply to row 8 in Table 3.3</u>	
25	GD1 Financial Handbook	GD1 Financial Handbook	3.22	<p>In row 9, the letter “E” should appear in the right hand column, as this is the parameter calculated by this row of the table.</p> <p>In the definition of EDEFP, the words “in 2009-10 prices” should be added at the end of the definition, for clarity</p>	
26	GD1 Financial Handbook	GD1 Financial Handbook	3.24	<p>The revised EDE values calculated in Table 3.2 are the sum of two elements, one being the revised deficit allowance (parameter “C”) and the other being the True-up of payments in the preceding year(s) (Parameter “G”).</p> <p>Consequently, a scheme being in surplus does not necessarily mean that EDE should be zero. (For example a surplus of £1 may be the result after deficit payments in excess of allowances of £100m, in which case the whole £100m – less just £1 - would be eligible for true up allowances which are part of EDE.)</p> <p>Therefore, in Paragraph 3.24, instead of saying “... then EDE values for Formula Years from 2015-16 onwards will be revised to zero” the text should say “.... then the “C” components of EDE from Table 3.2 above for Formula Years from 2015-16 onwards will be revised to zero”</p> <p><u>This issue also applies to Paragraph 3.27, which should similarly be changed as suggested (albeit with reference being made to different years as appropriate).</u></p>	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
27	GD1 Financial Handbook	GD1 Financial Handbook	3.24	<p>The words “as at” in line 2 are repeated but should only appear once.</p> <p>This comment also applies to paragraph 3.27.</p>	
28	GD1 Financial Handbook	GD1 Financial Handbook	3.25	<p>Table 3.3. For clarity, the words “including contingent asset costs” need to be added to the first line of row 8 and then the second line of the following paragraph (a) in row 8, so they read “Obtain actual deficit repair payments <u>including contingent asset costs</u> attributable to the licensee.” and “a) Obtain relevant portion attributable to the licensee’s distribution business of the actual deficit repair payments <u>including contingent asset costs</u> made by licensee in 2014-15, 2015-16 and 2016-17” respectively.</p>	
29	GD1 Financial Handbook	GD1 Financial Handbook	3.25	<p>Table 3.3. In row 8, paragraph (b), the word “disallowed” should be added so the text starts “Adjust for any disallowed costs identified in ...”, consistent with the wording in table 3.2</p>	
30	GD1 Financial Handbook	GD1 Financial Handbook	3.25	<p>Table 3.3. There are a number (at least 4) of references to WACC in row 8 of this Table. Given that WACC will change from year to year in RIIO-GD1 (with changes in the cost of debt) the formula that is used to apply WACC (and indeed the definition of WACC) are incorrect. Rather than applying the formula $(1+WACC)^n$, the correct formula would, as an example, be of the form $(1+WACC_{2014-15}) * (1+WACC_{2015-16}) * 1+WACC_{2016-17} * (1+WACC_{2017-18})$</p> <p>Even using the incorrect formula that is currently adopted, the first reference “$(1+WACC)^n$” at point (e) is incorrect and should say “$(1+WACC)^n$”</p>	

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				<u>This general comment also applies to several places where WACC is referred to in row 9</u>	
31	GD1 Financial Handbook	GD1 Financial Handbook	3.25	<p>In row 9 the words “before any true-up adjustment is included” should be inserted in the opening line so it reads “Obtain pre-existing EDE allowances before any true-up adjustment is included for comparison to licensee’s actual deficit repair payment”</p> <p>Further, by comparison to Table 3.2, in row 9 a new step (a) needs to be added (in front of that currently labelled (a), which should therefore become (b) etc). This extra step to be inserted should say “a) Obtain pre-existing EDE allowances before any true-up adjustment (“C” in Table 3.2)”</p>	
32	GD1 Financial Handbook	GD1 Financial Handbook	3.25	In the definition of “EDE1”, the words “in the Relevant Year in 2009-10 prices” should be added, so it reads “EDE1” is the pre-existing EDE annual allowance in the Relevant Year in 2009-10 prices reset at 1 April 2015, before any true-up adjustment (ie value of “C” in table 3.2)”	
33	GD1 Financial Handbook	GD1 Financial Handbook	3.25	<p>In row 12, the formula for revised EDE values should not just be “C” + “G”, but should consist of 3 elements, i.e. “C” + “G” + “G from Table 3.2 above”.</p> <p>This is because the value of G calculated in table 3.2 assumes that this true-up (whether positive or negative) will be added to/subtracted from allowances for 13 years, but only 2 of these years will have elapsed by the second reset that is carried out in 2017</p>	

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				according to the process in Table 3.3. Thus the values of “G” from the Table 3.2 need to be added to “C” and “G” as calculated in the rest of table 3.3 in order for the correct EDE values to be calculated.	
34	GD1 Financial Handbook	GD1 Financial Handbook	3.30	<p>In the section on “Values to be directed by 30 November 2014”, the text at point (v) should start “If the amount at (ii) is less than ..”, i.e. the word “a” should be deleted.</p> <p>In the section on “Values to be directed by 30 November 2014” at the final point (vii), the words “will also review” should be deleted from the 3rd last line so the final clause of point (vii) starts “,reset the existing constituent costs and the combined existing APFE values ...” – this is because APFE is simply the sum of the constituent parts and so doesn’t need to be separately reviewed.</p> <p>In addition, in the section on “Values to be directed by 30 November 2014” at the final point (vii), revised APFE values for years 2018-19, 2019-20 and 2020-21 should be reset at this stage (albeit they will be subject to further revision in November 2017), so the end of point (viii) should read “,reset the existing constituent costs and the combined existing APFE values for Formula Years 2015-16, 2016-17, 2017-18, and 2018-19 to 2020-21”</p>	
35	GD1 Financial Handbook	GD1 Financial Handbook	3.30	In the section on “Values to be directed by 30 November 2017”, the text at point (iii) should refer to the updated allowances for Pension Scheme Administration and PPF Levy expenditure as reset in 2014 rather than the original values as set out in RIIO-GD1 Final	

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				<p>Proposals, or alternatively the words “as updated at step (vii) above by 30 November 2014” could be inserted so it reads “The aggregate price control allowance for Pension Scheme Administration and PPF levy expenditure for that year set out in the Final Proposals as updated at step (vii) above by 30 November 2014 is obtained, to which is added the annual adjustment threshold amount of £1m.</p> <p>In the section on “Values to be directed by 30 November 2017”, the text at point (v) should start “If the amount at (ii) is less than ..”, i.e. the word “a” should be deleted.</p> <p>In the section on “Values to be directed by 30 November 2017” at the final point (vii), the words “will also review” should be deleted from the 3rd last line so the final clause of point (vii) starts “,reset the existing constituent costs and the combined existing APFE values ...” – this is because APFE is simply the sum of the constituent parts and so doesn’t need to be separately reviewed.</p>	
36	GD1 Financial Handbook	GD1 Financial Handbook	4.2	In line 5, delete "in respect of " and replace with "to" in order to be consistent with the reference in this paragraph to 4.1(c).	
37	GD1 Financial Handbook	GD1 Financial Handbook	4.2	Words “commencing 1 April 2013 “included in ET1 Handbook, not included in GT1 or GD1 Handbooks.	
	GD1 Financial Handbook	GD1 Financial Handbook	4.4	<p>Rather than referring to "updating", having regard to paragraph 4.2 which refers to "adjustments", suggest this should be "adjusting" as in ET1 Handbook?</p> <p>The reference in this paragraph to "regulatory</p>	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
				tax losses" is unclear without an express reference being made to paragraph 4.10 (which sets out what regulatory tax losses are).	
38	GD1 Financial Handbook	GD1 Financial Handbook	4.5	We suggest the deletion of "for each relevant/formula year" on the second line as in the ET1 Handbook.	
39	GD1 Financial Handbook	GD1 Financial Handbook	4.6	The handbook should explain that it is the vanilla WACC that will be used for the time value of money adjustment as in the ET1 Handbook. A simple illustrative formula may also be useful.	
40	GD1 Financial Handbook	GD1 Financial Handbook	4.6	Words "(regulatory year average)" included in ET1 Handbook, and not GT1/GD1 Handbooks.	
41	GD1 Financial Handbook	GD1 Financial Handbook	4.10	The derivation and application of tax losses should be in line with the PCFM, i.e. tax losses are applied against first available taxable profits. Paragraph 4.10 suggests that the negative tax allowance will be the tax loss and will be applied against a future tax allowance. These alternate methodologies may not produce the same result especially if corporation tax rates change. We believe the paragraph should say "the price control treatment is to model a zero allowance and to record the tax loss arising in the period as a "regulatory tax loss" figure, to be deducted from the taxable profits before the tax is calculated for any tax liability allowances which would otherwise be allocated to the year concerned or to later years."	
42	GD1 Financial Handbook	GD1 Financial Handbook	4.10	The reference to "the licensee should receive a negative allowance" on the second line should instead refer to "the licensee could receive a negative allowance".	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
43	GD1 Financial Handbook	GD1 Financial Handbook	4.11	Second bullet, the word "so" needs amending to "to".	
44	GD1 Financial Handbook	GD1 Financial Handbook	4.13	Rather than referring to "updated", having regard to paragraph 4.2 which refers to "adjustments", suggest this should be "adjusted" as in the ET1 Handbook?	
45	GD1 Financial Handbook	GD1 Financial Handbook	4.16	"Used reasonable endeavours" in ET1 and GT1 "Handbooks, however "used <u>all</u> reasonable endeavours" in GD1 Handbook. This should be consistent.	
46	GD1 Financial Handbook	GD1 Financial Handbook	4.20	We suggest that it is made clear here that any change will not have any retrospective effect on a previously directed value of the MOD term. This is included in the ET1 Handbook.	
47	GD1 Financial Handbook	GD1 Financial Handbook	4.22	Wording of first three bullets in ET1 Handbook are different to wording in GT1 and GD1 Handbooks. Can you clarify, the GD1 Handbook is correct, or amend if necessary.	
48	GD1 Financial Handbook	GD1 Financial Handbook	4.28	The words "not later than " are included in ET1 Handbook, and not in the GT1 or GD1 Handbooks.	
49	GD1 Financial Handbook	GD1 Financial Handbook	4.29	"Used reasonable endeavours" in ET1 and GT1 "Handbooks, however "used <u>all</u> reasonable endeavours" in GD1 Handbook. This should be consistent.	
50	GD1 Financial Handbook	GD1 Financial Handbook	4.29	Position of licensee's tax liability reducing is not covered	
51	GD1 Financial Handbook	GD1 Financial Handbook	4.32	References to "Limited scope audit procedures" but "agreed upon audit procedures" used in ET1 Handbook. Is there a standard term that should be applied consistently for 'audit' work or is there an intentional difference? Clear definitions should be provided.	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
52	GD1 Financial Handbook	GD1 Financial Handbook	4.34-4.35	Word "will " in ET1 Handbook, word " must" in GT1 and GD1 Handbooks. Can you clarify and amend if required.	
53	GD1 Financial Handbook	GD1 Financial Handbook	4.39	Can it be stated here that the process is only followed once a tag trigger event has taken place at any point during the RIIO-GD1 period.	
54	GD1 Financial Handbook	GD1 Financial Handbook	4.39 (v)	Words "of the licence model" included at the end of bullet (v) in ET1 Handbook, not included in GT1 and GD1 Handbooks.	
55	GD1 Financial Handbook	GD1 Financial Handbook	4.40	Does not state here that TTE values will only be updated if materiality threshold is passed.	
56	GD1 Financial Handbook	GD1 Financial Handbook	4.47	Reference to "2010-21" should be "2020-21 ".	
57	GD1 Financial Handbook	GD1 Financial Handbook	4.51	The wording in ET1 /GD1 Handbooks is different to the GT1 Handbooks. Can you clarify which is correct?	
58	GD1 Financial Handbook	GD1 Financial Handbook	4.56	Reference to paragraph 4.55 should be 4.54.	
59	GD1 Financial Handbook	GD1 Financial Handbook	4.59	Replace the words 'benefit figure' with 'resultant amounts' to be consistent with 4.57.	
60	GD1 Financial Handbook	GD1 Financial Handbook	4.59	Suggest that this paragraph is moved before paragraph 4.58. The paragraph starts, 'If the benefit figure is a negative figure....'. The outcome of paragraph 4.58 would be a negative figure due to the formula, however the negative figure referred to in paragraph 4.59 relates to the outcome of paragraph 4.57, not 4.59. Therefore would be better to move 4.59 before 4.58.	
61	GD1 Financial Handbook	GD1 Financial Handbook	4.60	This appears to be mixing gross losses with a tax impacted value at 4.58	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
62	GD1 Financial Handbook	GD1 Financial Handbook	4.65-4.68	Theses paragraphs appear to be mixing net tax charges with gross tax losses	
63	GD1 Financial Handbook	GD1 Financial Handbook	4.65	Word “unutilised” in ET1 Handbook, words "outstanding (unused) " in GT1 and GD1 Handbooks. Can you clarify which is correct?	
64	GD1 Financial Handbook	GD1 Financial Handbook	6.4	Second line, ‘provide’ should be changed to ‘provides’. Penultimate line should start, ‘The condition also sets out....	
65	GD1 Financial Handbook	GD1 Financial Handbook	6.6	Last line should state ‘used to calculate base revenues.’	
66	GD1 Financial Handbook	GD1 Financial Handbook	6.13	Last line refers to ‘internal costs revenue’. This should be removed as not referred to in the finance licence conditions. .	
67	GD1 Financial Handbook	GD1 Financial Handbook	6.17	PCFM works in 2009-10 real prices, not constant. Constant suggests the exclusion of RPEs.	
68	GD1 Financial Handbook	GD1 Financial Handbook	6.21	It would be helpful to state in words the proposed treatment of asset disposal proceeds during the RIIO-GD1 period where outturn amounts are different to amount forecasted in opening base revenues. This is to avoid any confusion with the proceeds referred to in this paragraph.	
69	GD1 Financial Handbook	GD1 Financial Handbook	6.22	Paragraph should state that information reported in RRP is subject to review by the Authority prior to entering the PCFM. The Authority should also provide a full reconciliation where amounts included in the PCFM differ to amounts reported in the RRP, where these amounts are used for the Annual Iteration process	
70	GD1 Financial Handbook	GD1 Financial Handbook	7.3	The PCFM contains pre-determined rates for the allocation of non-variable allowances. In any proposal for a relevant adjustment made	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
				during the application windows, will the authority consider using different allocations if these are proposed by the Licensee?	
71	GD1 Financial Handbook	GD1 Financial Handbook	7.3	PCFM works in 2009-10 real prices, not constant. Constant suggests the exclusion of RPEs.	
72	GD1 Financial Handbook	GD1 Financial Handbook	7.7	Paragraph refers to 'material amount'. It is worth reiterating or referencing what this is.	
73	GD1 Financial Handbook	GD1 Financial Handbook	7.25	Not clear from paragraph how long the Authority has to conclude a review of Fuel Poor or Agency costs once a review has commenced. No time scale/deadline proposed e.g. 4 months from date of commencement.	
74	GD1 Financial Handbook	GD1 Financial Handbook	7.34	Refers to licence condition 4B, rather than 2B.	
75	GD1 Financial Handbook	GD1 Financial Handbook	7.34	It a should also be mentioned here that the assumed value of MODt in the meantime is as per the guidance in Licence Condition "B, paragraph 2.13,	
76	GD1 Financial Handbook	GD1 Financial Handbook	Chapter 10 Part 1	Given the extent of comments which still remain on these pensions sections, it is likely to prove very difficult to produce an accurate description which correctly describes the calculations and associated mechanisms in the next iteration, so the opportunity to comment on an improved draft of this section before the "direction" stage is reached would be beneficial for all parties.	
77	GD1 Financial Handbook	GD1 Financial Handbook	10.23	The formula that is given for ongoing pension scheme funding costs that is given in this paragraph should be changed to match that which appeared in GDPCR Final Proposals Paragraph 3.88. Thus, it should read "Actual DB pensionable salary x allowed	

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				contribution rate” rather than “ total of pensionable salary payments x allowed contribution rate”	
78	GD1 Financial Handbook	GD1 Financial Handbook	10.25	In footnote 32, the reference should be to paragraph 10.38 rather than 10.37.	
79	GD1 Financial Handbook	GD1 Financial Handbook	10.33	In the first bullet point, the words “including contingent asset costs where these are allowed for a licensee’s pension scheme” should be added, so the text reads: “actual pension deficit repair payments (including any one-off pension deficit repair contributions, and including contingent asset costs where these are allowed for a licensee’s pension scheme) for Formula Year 2012-13”	
80	GD1 Financial Handbook	GD1 Financial Handbook	10.33	In the second bullet point, “DB” should be added to make clear that DC costs are not relevant to this calculation. Thus, the second bullet point should read: “actual total of DB pensionable salary payments for Formula Year 2012-13”	
81	GD1 Financial Handbook	GD1 Financial Handbook	10.33	In the third bullet point, “DB” should be added to make clear that DC costs are not relevant to this calculation. Thus, the third bullet point should read: “actual ongoing DB pension scheme funding for Formula Year 2012-13”	
82	GD1 Financial Handbook	GD1 Financial Handbook	10.36	At bullet point (a), the word corresponding should be added to make the meaning clear. Thus, Point (a) should read: “calculate the actual ongoing pension scheme funding allowance for Formula Year 2012-13	

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				and the corresponding true-up amount which should have applied”	
83	GD1 Financial Handbook	GD1 Financial Handbook	10.36	At bullet point (b), the wording should be revised to be more consistent with point (a) and to make the meaning clearer. Thus, Point (b) should read: “calculate the pension deficit repair true-up amount which should have applied for Formula Year 2013-14 resulting from deficit repair payments in Formula Year 2012-13”	
84	GD1 Financial Handbook	GD1 Financial Handbook	10.39	This paragraph makes reference to “steps 1 to 4 above”: As there doesn’t appear to be a step 4 above, it is not clear whether this should instead refer to “steps 1 to 3 above” or to “(a) to (c) above”	
85	GD1 Financial Handbook	GD1 Financial Handbook	10.72	Instead of the word ‘contemporaneous’, use ‘adjustments occurring at the same time’	
86	GD1 Financial Handbook	GD1 Financial Handbook	10.79	The legacy workbook inputs data in 2005/06 prices for this scheme, then inflates to 2009/10 prices.	
87	GD1 Financial Handbook	GD1 Financial Handbook	10.95/10.96	Paragraphs need to be re-written.	
88	GD1 Financial Handbook	GD1 Financial Handbook	10.100	Reference to 10.104 should be amended.	
89	GD1 Financial Handbook	GD1 Financial Handbook	10.102	Is this a formal review? Not mentioned in licence conditions.	
	GD1 Financial Handbook	GD1 Financial Handbook	10.106	Paragraph should also refer to SRAV.	
90	GD1 Financial	GD1 Financial	10.107	Remove final word in part (c).	

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	Handbook	Handbook			
91	GD1 Financial Handbook	GD1 Financial Handbook	Overview Section	Why has “price control period”, “special conditions” and “chapters” not been capitalised in the GD Handbook but capitalised in the ET/GT Handbooks?	
92	GD1 Financial Handbook	GD1 Financial Handbook	Page 7	“section 1 and Schedule 1” should be changed to “section 1 <u>of</u> Schedule 1”.	
93	GD1 Financial Handbook	GD1 Financial Handbook	Page 8, para 1.5	Why is this para not consistent with para 1.6 of the ET handbook?	
94	GD1 Financial Handbook	GD1 Financial Handbook	Page 11, para 1.16	Footnote 5 should come after “adjustments” as the defined term is “time value of money adjustments”. Para 1.17 of the ET handbook refers to “the same <u>economic</u> position”, yet this para of the GD handbook does not refer to economic. This should be consistent.	
95	GD1 Financial Handbook	GD1 Financial Handbook	Page 11, para 1.18	Please insert the correct title of Special Condition 2B.	
96	GD1 Financial Handbook	GD1 Financial Handbook	Page 11, para 1.20	Is it correct to refer to “use of system charges” in a DN context? The second bullet point provides, “the Authority must”, whereas the condition provides that “the Authority <u>will</u> ”. This should be consistent.	
97	GD1 Financial Handbook	GD1 Financial Handbook	Page 14, para 1.35	We do not believe it would be suitable for a meeting of the working group occurring when NG is not present; other networks are likely to have the same opinion in the event representatives from their networks cannot attend	
98	GD1 Financial Handbook	GD1 Financial Handbook	Page 16, Table 2.1	Row 8, in accordance with SC 3B.8(c), please insert “expenditure after “opex”.	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
				Row 16, the handbook refers to Central Agent, yet the condition refers to Agency. Please revise.	
99	GD1 Financial Handbook	GD1 Financial Handbook	Page 17, para 2.9	Table on line 1 should be capitalised. Bullet point 1 is incomplete – please revise to reflect wording in para 2.9 of the ET handbook i.e. include “were set”.	
100	GD1 Financial Handbook	GD1 Financial Handbook	Page 18, para 2.10	Under “Actual expenditure”: - like in ET handbook, need to include an abbreviation of Regulatory Reporting Pack i.e. RRP. - also, the ET handbook includes a further sentence, “The price base calculation will be made prior to direction into the model”. This should be consistent across the handbooks. Under “True-up revenue allowance”, it is confusing to use “price control period prior to RIIO-GD-1”. This is because “price control period” is defined as the period from 2013 to 2021. Suggest “period prior to RIIO-GD-1”.	
101	GD1 Financial Handbook	GD1 Financial Handbook	Page 21, para 3.6	As to the second bullet point, the ET Handbook states 31 March 2012, yet this GD handbook refers to 31 March 2013. Please confirm this is correct.	
102	GD1 Financial Handbook	GD1 Financial Handbook	Page 21, para 3.8	Why is the completed date “projected” in the GD handbook but not the ET handbook?	
103	GD1 Financial Handbook	GD1 Financial Handbook	Page 22, para 3.10	“Scheme Administration” should not be capitalised.	
104	GD1 Financial Handbook	GD1 Financial Handbook	Page 22, para 3.12	Why is “annual funding” included here but not in the ET handbook?	
105	GD1 Financial Handbook	GD1 Financial Handbook	Page 22, para 3.13	See comment on para 2.10 re the use of “price control period”.	

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106	GD1 Financial Handbook	GD1 Financial Handbook	Page 23, para 3.17	This para states values revised on “two occasions”, yet Special Condition 3C.8 contemplates a direction by the Authority in each Formula Year t-1. This does not seem consistent.	
107	GD1 Financial Handbook	GD1 Financial Handbook	Table 3.1	Fourth column, row 1 – this refers to “Reasonableness of costs review” yet the ET/GT handbooks only refer to “Reasonableness review”. This should be consistent.	
108	GD1 Financial Handbook	GD1 Financial Handbook	Page 26, Table 3.2	Row 7 refers to para 3.25 – this should be 3.24. Row 8, include “adjustment” after “time value of money”.	
109	GD1 Financial Handbook	GD1 Financial Handbook	Page 27, Table 3.2	Row 8, as to “CT”, include a semi colon at the end of the definition. Row 9, include “adjustment” after “time value of money”.	
110	GD1 Financial Handbook	GD1 Financial Handbook	Page 29, Table 3.3	Row 1 – “A” is included in the value column. Why is this not included in the ET handbook? Row 4 – why is “Cut-Off Date” included here but not in the ET handbook? Also the ET handbook includes “A” here in the “Value” column. Row 5 – why is “Cut-Off Date” included here but not then in the ET handbook?	
111	GD1 Financial Handbook	GD1 Financial Handbook	Pages 33 and 34, para 3.30, sub-para (v) (2014) and (2017)	Delete “a” on the first line.	
112	GD1 Financial	GD1 Financial Handbook	Page 34, para 3.31	Delete the reference to SOAPFE which is not relevant to GD.	

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Respondent details		NGGD			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
	Handbook				
113	GD1 Financial Handbook	GD1 Financial Handbook	Page 35, para 4.4	The GD handbook refers to “updating”, whilst the ET handbook refers to “adjusting”. Please ensure consistency.	
114	GD1 Financial Handbook	GD1 Financial Handbook	Page 36, para 4.10	This should read “any future tax liability” rather than “future any tax”.	
115	GD1 Financial Handbook	GD1 Financial Handbook	Page 37, para 4.11	Second bullet point, delete “so” and replace with “to”.	
116	GD1 Financial Handbook	GD1 Financial Handbook	Page 37, para 4.12	Insert “plc” after “National Grid Gas”.	
117	GD1 Financial Handbook	GD1 Financial Handbook	Pages 37 and 38, paras 4.13 and 4.15	The GD handbook refers to “updated”, whilst the ET handbook refers to “adjusted”. Please ensure consistency.	
118	GD1 Financial Handbook	GD1 Financial Handbook	Pages 38, para 4.16	The GD handbook states “all reasonable endeavours” whilst the ET handbook states “reasonable endeavours”. Is there a reason for this divergence in the strength of the obligations?	
119	GD1 Financial Handbook	GD1 Financial Handbook	Page 39, para 4.22	This para is drafting differently to the equivalent para in the ET handbook. Why is this? Please ensure consistency.	
120	GD1 Financial Handbook	GD1 Financial Handbook	Page 40, para 4.24	The equivalent para in the ET handbook includes an additional sentence at the end in relation to the notification from Ofgem including the corporation tax rate change or capital allowance rate change. Suggest this is included in the GD handbook also.	
121	GD1 Financial Handbook	GD1 Financial Handbook	Page 40, para 4.29	The GD handbook states “all reasonable endeavours” whilst the ET handbook states “reasonable endeavours”. Is there a reason for this divergence in the strength of the obligations?	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
122	GD1 Financial Handbook	GD1 Financial Handbook	Page 43, para 4.39	Why is sub-para (x) drafted differently than the equivalent para in the ET handbook?	
123	GD1 Financial Handbook	GD1 Financial Handbook	Page 44, para 4.47	The reference on the second line to 2010-21, should this be 2020-21?	
124	GD1 Financial Handbook	GD1 Financial Handbook	Page 45, para 4.52	Why is “in year end prices” included in the GD and GT handbooks but not the ET handbook?	
125	GD1 Financial Handbook	GD1 Financial Handbook	Page 46, para 4.58	The GT handbook states that the corporate tax rate is hard coded into the PCFM. Is this the case for GD also?	
126	GD1 Financial Handbook	GD1 Financial Handbook	Page 46, para 4.60	Are we defining “Core”?	
127	GD1 Financial Handbook	GD1 Financial Handbook	Page 48, para 5.5	As to the reference to “base revenue”, should this be “Base Distribution Network Transportation Activity Revenue” as set out in SC1B? Also, as to the footnote, this should refer to 1B not 1A.	
128	GD1 Financial Handbook	GD1 Financial Handbook	Page 50, para 5.9	As to Step 2, insert a full stop after sub-para (ii).	
129	GD1 Financial Handbook	GD1 Financial Handbook	Page 54, Table 6.1	Rather than “Central Agent”, this should be “Agency” in accordance with SC 3F.	
130	GD1 Financial Handbook	GD1 Financial Handbook	Page 54, para 6.6	Should the title of this para refer to the Totex Incentive Mechanism? This would be consistent with the ET handbook.	
131	GD1 Financial Handbook	GD1 Financial Handbook	Page 54, para 6.8	“rate” on the second line should be capitalised.	
132	GD1 Financial Handbook	GD1 Financial Handbook	Page 56, para 6.13	As to the reference to “base distribution revenue/ internal costs revenue”, this should refer only to “Base Distribution Network Transportation Activity Revenue”, as defined in SC 1B.	

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				Internal costs revenue is only relevant to the SO role.	
133	GD1 Financial Handbook	GD1 Financial Handbook	Page 55, para 6.14	As to the reference to “base revenue”, this should refer to “Base Distribution Network Transportation Activity Revenue”, as defined in SC 1B.	
134	GD1 Financial Handbook	GD1 Financial Handbook	Page 57, para 6.18	<p>Standard Special Condition A40 relates to “Price Control Review Information”, rather than Regulatory Instructions and Guidance”. Please clarify. This document should also be included in the glossary i.e. “Cost and Revenue Reporting RIGs”.</p> <p>Why is de minimis included in GD but not GT totex expenditure?</p> <p>Why is the part in relation to name or logo (bullet point 7) drafted differently in the ET handbook?</p> <p>In relation to fines or penalties, this should be punctuated in the same manner as the ET handbook.</p>	
135	GD1 Financial Handbook	GD1 Financial Handbook	Page 58, para 6.19	Should this para be included in the ET handbook also?	
136	GD1 Financial Handbook	GD1 Financial Handbook	Page 58, para 6.20	<p>Should this para be included in the ET handbook also?</p> <p>What is meant by “disposals proceeds”? Please clarify.</p> <p>Insert a comma after “slow money” on the last line.</p>	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
				"From" on the last line should be "form"?	
137	GD1 Financial Handbook	GD1 Financial Handbook	Page 58, para 6.21	"reporting" in bullet point 3 should be capitalised.	
138	GD1 Financial Handbook	GD1 Financial Handbook	Page 59, Table 6.2	The reference to "Actual controllable opex" should include "expenditure" in order to be consistent with SC 3B.8(c).	
139	GD1 Financial Handbook	GD1 Financial Handbook	Page 60, para 7.2	As to the reference to "base revenue", this should refer to "Base Distribution Network Transportation Activity Revenue", as defined in SC 1B.	
140	GD1 Financial Handbook	GD1 Financial Handbook	Page 60, para 7.4	"condition" should be capitalised.	
141	GD1 Financial Handbook	GD1 Financial Handbook	Page 60, para 7.5	"condition" should be capitalised.	
142	GD1 Financial Handbook	GD1 Financial Handbook	Page 62, para 7.13	Delete "recoverable" and replace with "recovered". This para also seems to be missing the end of the last sentence. Please clarify the excluded costs.	
143	GD1 Financial Handbook	GD1 Financial Handbook	Page 64, para 7.27	The reference to 1.7 should be 1.6.	
144	GD1 Financial Handbook	GD1 Financial Handbook	Page 65, para 7.33	The drafting in para 7.33 is not consistent with para 7.25 i.e. para 7.33 provides that no determination will be made in years in which no proposal has been made by the licensee or the Authority. However, para 7.25 states that the Authority will only make a determination in the year in which an application window arises subject to exceptions for smart metering, agency costs and fuel poor network. This is not consistent.	
145	GD1 Financial	GD1 Financial	Page 65, para 7.34	Insert "reasonably" before "practicable."	

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Respondent details		NGGD			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
	Handbook	Handbook		Rather than referring to 4B, should this be SC 2B?	
146	GD1 Financial Handbook	GD1 Financial Handbook	Page 66, para 8.4	Re sub-para (i), insert a semi colon after “calculations”.	
147	GD1 Financial Handbook	GD1 Financial Handbook	Page 66, para 8.6	As to the reference to “Base Distribution Revenue”, this should refer to “Base Distribution Network Transportation Activity Revenue”, as defined in SC 1B.	
148	GD1 Financial Handbook	GD1 Financial Handbook	Page 67, para 8.10	As to (i), (ii) and (iii), please insert semi-colons after each sub-paragraph.	
149	GD1 Financial Handbook	GD1 Financial Handbook	Page 67, para 8.12	Insert a semi colon after “Proposals”.	
150	GD1 Financial Handbook	GD1 Financial Handbook	Page 68, para 8.14	8.9 should be 8.10. Insert a closed bracket after “(iii)”.	
151	GD1 Financial Handbook	GD1 Financial Handbook	Page 68, para 8.15	Please correct the subscript typo “MODt”.	
152	GD1 Financial Handbook	GD1 Financial Handbook	Page 69, para 9.1	Delete “regulatory years” and replace with “Formula Years”.	
153	GD1 Financial Handbook	GD1 Financial Handbook	Page 70, para 9.7	As to the reference to “Base Distribution Revenue”, this should refer to “Base Distribution Network Transportation Activity Revenue”, as defined in SC 1B.	
154	GD1 Financial Handbook	GD1 Financial Handbook	Page 70, para 9.8	“Features” should not be capitalised.	
155	GD1 Financial Handbook	GD1 Financial Handbook	Page 70, para 9.10	Please insert a colon after “proposed”. Please insert a semi colon after “31 May 2015”. Please insert a full stop after “31 May 2018”.	
156	GD1 Financial	GD1 Financial	Page 70, para 9.11	Please insert a full stop at the end of the	

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Respondent details		NGGD			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
	Handbook	Handbook		sentence.	
157	GD1 Financial Handbook	GD1 Financial Handbook	Page 70, para 9.13	Rather than Part D, this should be Part G.	
158	GD1 Financial Handbook	GD1 Financial Handbook	Page 70, para 9.14	Please insert a colon after “allocated to”. Please insert a semi colon after “Final Proposals”. Please insert a full stop after “PCFM”.	
159	GD1 Financial Handbook	GD1 Financial Handbook	Page 71, para 9.15	Para 9.15 needs to be punctuated.	
160	GD1 Financial Handbook	GD1 Financial Handbook	Page 71, para 9.16	Rather than para 14, this should be para 23.	
161	GD1 Financial Handbook	GD1 Financial Handbook	Page 71, para 9.17	Rather than para 12.4, this should be para 9.4.	
162	GD1 Financial Handbook	GD1 Financial Handbook	Page 72, para 10.1	Condition on line four should be capitalised.	
163	GD1 Financial Handbook	GD1 Financial Handbook	Page 72, para 10.2	Insert a colon after “relate to”. Insert a semi-colon after “(LAR values)”. Insert a comma after “(LRAV values)”. The final sentence is not included in the ET handbook. Why is this?	
164	GD1 Financial Handbook	GD1 Financial Handbook	Page 72, para 10.3	This paragraph is not punctuated. Please ask Ofgem to correct in usual format.	
165	GD1 Financial Handbook	GD1 Financial Handbook	Page 73, para 10.10	Reference is made to parts 1 to 5, this should be parts 1 to 6.	
166	GD1 Financial Handbook	GD1 Financial Handbook	Page 73, para 10.11	This paragraph is not punctuated. Please ask Ofgem to correct in usual format.	

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Respondent details		NGGD			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
				Reference is made to parts 1 to 5, this should be parts 1 to 6.	
167	GD1 Financial Handbook	GD1 Financial Handbook	Page 73, para 10.12	Condition on line one should be capitalised.	
168	GD1 Financial Handbook	GD1 Financial Handbook	Page 76, para 10.17	What is “associated document ‘b’ ”?	
169	GD1 Financial Handbook	GD1 Financial Handbook	Page 76, para 10.18	Reference is made to parts 1 to 5, this should be parts 1 to 6.	
170	GD1 Financial Handbook	GD1 Financial Handbook	Page 77, para 10.21	<p>This paragraph is not punctuated. Please ask Ofgem to correct in usual format.</p> <p>As to the reference to “reference document 1”, this is stated to refer to the “RIIO-GD1 price control”, however, reference document 1 actually refers to the 2007 Price Control i.e. GDPCR. Please clarify intent.</p> <p>As to sub-para (a), insert a closed bracket after “licensee” on the third line.</p>	
171	GD1 Financial Handbook	GD1 Financial Handbook	Page 77, para 10.24	<p>Insert a full stop at the end of para.</p> <p>Should footnote 31 refer to para 10.38 rather than 10.37?</p>	
172	GD1 Financial Handbook	GD1 Financial Handbook	Page 78, para 10.27	<p>This para refers to reference document 1, which relates to the existing GDPCR. However the GDPCR was only five years yet this para refers to spreading the amount over eight years. This seems confusing. Please clarify.</p> <p>Further, please also confirm that chapter 6 is the correct reference.</p>	
173	GD1 Financial Handbook	GD1 Financial Handbook	Page 78, para 10.28	This paragraph is not punctuated. Please ask Ofgem to correct in usual format.	
174	GD1 Financial	GD1 Financial	Page 78, para	Please confirm the reference to annex 7 of	

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Respondent details		NGGD			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
	Handbook	Handbook	10.30	reference document 1. This does not seem correct.	
175	GD1 Financial Handbook	GD1 Financial Handbook	Page 79, para 10.31	Rather than para 14, this should be para 13.	
176	GD1 Financial Handbook	GD1 Financial Handbook	Page 79, para 10.33	<p>This paragraph is not punctuated. Please ask Ofgem to correct in usual format.</p> <p>The first three bullet points make direct reference to Formula Year 2012-13, then the last line again references Formula Year 2012-13. This seems repetitive.</p> <p>Insert a comma after “information”.</p> <p>Insert after “2012-13” on the second line, “of”.</p>	
177	GD1 Financial Handbook	GD1 Financial Handbook	Page 79, para 10.34	Rather than referring to Chapter 1, this should refer to para 1.6.	
178	GD1 Financial Handbook	GD1 Financial Handbook	Page 79, para 10.36	This paragraph is not punctuated. Please ask Ofgem to correct in usual format.	
179	GD1 Financial Handbook	GD1 Financial Handbook	Page 79, para 10.39	Steps 1 to 4, should be 1 to 3.	
180	GD1 Financial Handbook	GD1 Financial Handbook	Page 81, para 10.40	“set outs” should be deleted and replaced with “sets out”.	
181	GD1 Financial Handbook	GD1 Financial Handbook	Page 81, para 10.41	As to sub-para (a), insert a semi colon after “revenues”.	
182	GD1 Financial Handbook	GD1 Financial Handbook	Page 81, para 10.42	This paragraph is not punctuated. This should be corrected in usual format.	
183	GD1 Financial Handbook	GD1 Financial Handbook	Page 81, para 10.44	“years” in the title above para 10.44 should be capitalised.	
184	GD1 Financial Handbook	GD1 Financial Handbook	Page 82, para 10.47	This should refer to 10.48 to 10.51 not 10.52.	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
185	GD1 Financial Handbook	GD1 Financial Handbook	Page 82, para 10.48	<p>This paragraph is not punctuated. Please ask Ofgem to correct in usual format.</p> <p>Insert a comma after “information”.</p> <p>Insert after “2012-13” on the second line, “of”.</p>	
186	GD1 Financial Handbook	GD1 Financial Handbook	Page 82, para 10.50	<p>Why is “deflated” included in the first line here, but not in the ET handbook?</p> <p>This should be sub-para (a) and (b), not (c) and (d).</p> <p>As to sub-para (c):</p> <ul style="list-style-type: none"> - delete “that” on the second line and replace with “than”. - the ET handbook refers to “nominal <u>projected closing</u> gearing levels”. Why is this not consistent? - insert a semi colon after “zero”. 	
187	GD1 Financial Handbook	GD1 Financial Handbook	Page 82, para 10.51	<p>This para begins, “If both of the circumstances in sub-paragraphs 10.50 (a) or (b) applies,”.</p> <p>Suggest amend to read, “If both of the circumstances in paragraph 10.50 apply,”.</p>	
188	GD1 Financial Handbook	GD1 Financial Handbook	Page 83, para 10.52	<p>Rather than just referring to Step 1, this should also mention Step 2. This would be consistent with para 10.39.</p>	
189	GD1 Financial Handbook	GD1 Financial Handbook	Page 84, para 10.53	<p>This paragraph is not punctuated. Please ask Ofgem to correct in usual format.</p>	
190	GD1 Financial Handbook	GD1 Financial Handbook	Page 84, para 10.56	<p>Para 10.54 refers to GDPCR, whereas this para refers to GDPCR1. Is this correct?</p>	
191	GD1 Financial Handbook	GD1 Financial Handbook	Page 85, para 10.64	<p>Insert a comma after “information”.</p> <p>After “submissions” insert “ relating to Formula Year 2012-13,”.</p>	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
192	GD1 Financial Handbook	GD1 Financial Handbook	Page 85, para 10.66 – 10.68	Does Step 3 just apply to FRAV or both FAR and FRAV?	
193	GD1 Financial Handbook	GD1 Financial Handbook	Page 86, para 10.72	This paragraph is not punctuated. Please ask Ofgem to correct in usual format.	
194	GD1 Financial Handbook	GD1 Financial Handbook	Page 87, para 10.74	The reference to para 10.81 does not seem correct.	
195	GD1 Financial Handbook	GD1 Financial Handbook	Page 87, para 10.76	Insert “in” after “totals”.	
196	GD1 Financial Handbook	GD1 Financial Handbook	Page 87, para 10.77	Rather than 10.86 to 10.89 this should be 10.78 to 10.81	
197	GD1 Financial Handbook	GD1 Financial Handbook	Page 87, para 10.78	This paragraph is not punctuated. Please ask Ofgem to correct in usual format. Insert a comma after “information”. After “2012-13” insert “of”.	
198	GD1 Financial Handbook	GD1 Financial Handbook	Page 88, para 10.79	Rather than referring to Chapter 1, this should refer to para 1.6.	
199	GD1 Financial Handbook	GD1 Financial Handbook	Page 88, para 10.82	10.91 to 10.92 should be changed to 10.83 to 10.84. “steps” should also be singular as there is only one step.	
200	GD1 Financial Handbook	GD1 Financial Handbook	Page 88, para 10.83	The reference to 10.84 does not seem correct.	
201	GD1 Financial Handbook	GD1 Financial Handbook	Page 88, para 10.85	The reference to 8 should be 9.	
202	GD1 Financial Handbook	GD1 Financial Handbook	Page 89, para 10.86	As we are referring to “GDPCR”, it does not seem correct to use “price control period”, as that term is defined as 2013 to 2021. Please clarify.	
203	GD1 Financial	GD1 Financial Handbook	Page 89, para 10.88	In relation to sub-para (a), insert a colon after “with”.	

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Respondent details		NGGD			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
	Handbook			<p>In relation to sub-para (b), rather than “GDPCR licence”, use words to the effect of “the licence in force during the GDPCR”. Also punctuate this sub-para.</p> <p>In relation to sub-para (c), punctuate this list.</p>	
204	GD1 Financial Handbook	GD1 Financial Handbook	Page 90, para 10.93	<p>Insert a comma after “information”.</p> <p>After “2012-13 on the second line insert “of”.</p>	
205	GD1 Financial Handbook	GD1 Financial Handbook	Page 90, para 10.96	<p>Insert a colon after “will”.</p> <p>The reference to 10.96(c) seems incorrect. Also insert a semi colon after “10.96(c)”.</p>	
206	GD1 Financial Handbook	GD1 Financial Handbook	Page 91, para 10.99	This paragraph is not punctuated. Please ask Ofgem to correct in usual format.	
207	GD1 Financial Handbook	GD1 Financial Handbook	Page 91, para 10.100	Is the reference to “10.104” correct?	
208	GD1 Financial Handbook	GD1 Financial Handbook	Page 92, para 10.102	This paragraph is not punctuated. Please ask Ofgem to correct in usual format.	
209	GD1 Financial Handbook	GD1 Financial Handbook	Page 92, para 10.104	<p>Insert a comma after “information”.</p> <p>After “2012-13 on the second line insert “of”.</p>	
210	GD1 Financial Handbook	GD1 Financial Handbook	Page 92, para 10.105	Rather than referring to Chapter 1, this should refer to para 1.6.	
211	GD1 Financial Handbook	GD1 Financial Handbook	Page 92, para 10.106	This para should also refer to SRAV.	
212	GD1 Financial Handbook	GD1 Financial Handbook	Page 92, para 10.107	<p>This paragraph is not punctuated. Please ask Ofgem to correct in usual format.</p> <p>As to sub-para (b), delete “1” in “GDPCR1”.</p> <p>s noted above, also not correct to refer to</p>	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
				<p>“price control period” in the context of GDPCR.</p> <p>Sub-para (c), has not been completed.</p>	
213	GD1 Financial Handbook	GD1 Financial Handbook	Appendix 1	<p>Annual Iteration Process – no need to refer to SOMOD for GD.</p> <p>Cut-Off Date – no need to refer to SOs.</p> <p>MOD Term – “Base Revenue” should instead be the definition used in SC 1B i.e. Base Distribution Network Transportation Activity Revenue.</p> <p>Pension Principle – correct typo.</p> <p>SO – is this needed for GD?</p>	
214	RIIO-GD1 Financial Handbook	RIIO-GD1 Financial Handbook	3.22	<p>Table 3.2, row 8. The application of tax to this formula is incorrect because it is inconsistent with the way the financial model treats the EDE and SOEDE term. This tax treatment has been introduced since the previous draft and is incorrect.</p> <p>The financial model takes the EDE / SOEDE and includes it in revenue as a DARTS item. The model also removes this income from the tax allowance (or adds an equivalent cost). This means that the licensee will suffer tax (for which it will not be remunerated) on the value of the EDE /SOEDE term. This means that to achieve the correct post tax position, the EDE value must be pre tax. This is best illustrated by an example.</p> <p>Assuming a tax rate of 21%. If the network efficiently pays £100m more into the scheme</p>	

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No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
				<p>than the allowance then the gross cost will be £100m and the net (of tax) cost £79m. This £79m is the net cost that the network needs to be compensated for. The drafting in the handbook would calculate an adjustment to the EDE value of £79m and add that to revenues. The model would then include £79m of income but not increase the tax allowance. When the company subsequently receives £79m of income (with no cost) it will pay tax on that income of £17m leaving it with £62m, i.e., the company will not receive the £79m net amount required.</p> <p>The simple way to address this issue is to remove the (1-CT) parts of the formula in the handbook. However this is not correct if the tax rate changes.</p> <p>The more correct way to address it would be add a row after row 8 defining a new term (called D1 for this example) where $D1 = D / (1 - CT_t)$. In this case new term CT_t is the tax rate in the year for which the EDE value is being calculated, which in table 3.2 will be 2015/16.</p>	
215	RIIO-GD1 Financial Handbook	RIIO-GD1 Financial Handbook	3.22	<p>Table 3.2 Row 8 (d) The text at (d) is unclear. It states that “Where the licensee has taxable profits in the year, deduct the value of corporation tax...”. The way this is written implies that the whole of the licensee’s corporation tax bill is deducted which is not the case.</p> <p>The item above gives two options on how to modify this section to correct a tax error. If the more complex / correct route is chosen the</p>	

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Respondent details		NGGD			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
				current words should be replaced with "Where the licensee has taxable profits in the year, calculate the post tax cost of the efficient deficit repair payment by multiplying by 1 minus the corporation tax rate."	
216	3B	Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments	3B.6	Totex Incentive Mechanism Adjustment – should be referenced as having the meaning given to that term in chapter 6 of the GD1 Price Control Financial Handbook, which should then be defined in chapter 6 of the Handbook or in the Handbook glossary to be consistent with the ET1 Handbook.	
217	3B	Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments	3B.13	References to time value of money adjustment should be followed with a reference to the definition in the Handbook. The Handbook definition references the 'Vanilla WACC'; however this term is defined as the 'WACC' in the Glossary of the Handbook rather than as the Vanilla Weighted Average Cost of Capital. Please clarify.	