

**To: National Grid Gas plc (with respect to its gas distribution businesses)
Northern Gas Networks Limited
Scotland Gas Networks Limited
Southern Gas Networks Limited
Wales and West Utilities Limited**

Direction to modify the Stakeholder Engagement Incentive Guidance document pursuant to paragraph 1E.29 of Special Condition 1E (Incentive adjustment in respect of the Broad Measure of Customer Satisfaction) of the gas transporter licence (for gas distribution) granted or treated as granted under section 7 of the Gas Act 1986 (“the Act”).

WHEREAS

1. Each of the companies to whom this document is addressed (the “Licence Holder”) operates a gas distribution network (GDN) and is the holder of a gas transporter licence (“the Licences”) granted or treated as granted under section 7 of the Gas Act 1986 (“the Act”).
2. On 6 February 2014 the Gas and Electricity Markets Authority¹ (the “Authority”) gave notice of its proposal to modify the Stakeholder Engagement Incentive Guidance document, in accordance with paragraph 1E.27 of Special Condition 1E (Incentive adjustment in respect of the Broad Measure of Customer Satisfaction).
3. The text of the modified guidance and the reasons for the Authority’s proposed modifications were specified in that Notice and included:
 - to ensure that the volume of information presented is manageable;
 - to allow us to us to clarify any queries about a company’s submission before making a decision on whether it has met the minimum requirements; and
 - to ensure consistency across all forms of the Stakeholder Engagement Incentive and reduce the number of changes required each year.
4. The Authority requested that any representations with respect to the proposed guidance be made on or before 20 March 2014. We received eight responses to our consultation. All non-confidential responses have been placed on our website at www.ofgem.gov.uk.
5. Having carefully considered the responses received, we hereby issue a direction to modify the Stakeholder Engagement Incentive Guidance document.
6. The reasons for this direction are set out more fully in a decision letter dated 30 April 2014, attached to this direction. A copy of the revised RIIO-GD1 Stakeholder Engagement Incentive Guidance document is also attached.

DIRECTION

In accordance with paragraph 1E.29 of Special Condition 1E, the Authority hereby modifies the Stakeholder Engagement Incentive Guidance document in the manner specified in the associated document attached to this direction. The modified Stakeholder Engagement Incentive Guidance will have effect from 30 April 2014.

This document constitutes notice of the reasons for the Authority’s decision for the purposes of section 38A of the Act.



Andy Burgess
Associate Partner, Transmission and Distribution Policy
Duly Authorised on behalf of the Authority
30 April 2014

¹ The terms “the Authority”, “Ofgem” and “we” are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.