

To: National Grid Gas plc (with respect to its gas distribution networks)

(Company Number: 02006000)

Northern Gas Networks Limited

(Company Number: 05167070)

Scotland Gas Networks plc

(Company Number: SC264065)

Southern Gas Networks plc

(Company Number: 05167021)

Wales and West Utilities Limited

(Company Number: 05046791)

(each a "licensee")

THIS IS A 28 DAYS' NOTICE AS REQUIRED UNDER PART B OF SPECIAL CONDITION 2A (GOVERNANCE OF GD1 PRICE CONTROL FINANCIAL INSTRUMENTS) OF EACH GAS TRANSPORTER LICENCE ISSUED UNDER SECTION 7 OF THE GAS ACT 1986 ("the Act")

1. Special Condition 2A (Governance of GD1 Price Control Financial Instruments) ("SC2A") of the gas transporter licence provides that the Gas and Electricity Markets Authority ("the Authority") will give notice of an intended modification of the GD1 Price Control Financial Instruments (the "Price Control Financial Model" and the "Financial Handbook"), if having carried out the assessment set out in Part A of SC2A, the Authority considers that the intended modification would not be likely to have a significant impact on the licensee or any of the other persons referred to in paragraph 2A.4 of SC2A.
2. The Authority considers that the intended modification of the Price Control Financial Model (PCFM), specified in paragraphs 3 of this Notice, would not be likely to have a significant impact on the licensee or any of the other persons referred to in paragraph 2A.4 of SC2A, in particular because:
 - (a) the amendment referred to in paragraph 3(a) of this Notice is a minor modelling change to move the allowance allocated to Repex Tier 2 mains (RE) from the row for non-variant allowed repex in the PCFM to the relevant row for the RE allowance.
3. The Authority proposes to modify the PCFM referred to in paragraph 1 by moving the allowance allocated to Repex Tier 2 mains (RE) from the row for non-variant allowed repex in the PCFM to the relevant row for the RE allowance;
4. The Authority's reasons for proposing the modifications (as per paragraph 3(a)) to the PCFM are to ensure the correct calculation of the term MOD. MOD values are used in the formula for Base Distribution Network Transportation Activity Revenue, set out in Special Condition 1B - Restriction of revenue in respect of the Distribution Network Transportation Activity, and are produced for each Distribution Network under the Annual Iteration Process.
5. All modifications referred to in this Notice have been highlighted in Appendices 1 and 2 below, which consist respectively of:
 - a) an oak report setting out the modifications to the PCFM (Appendix 1); and
 - b) a copy of the PCFM incorporating the modifications (Appendix 2).
6. Copies of this Modification and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).

Now therefore

7. In accordance with paragraph 2A.9 of SC2A, the Authority hereby gives 28 days' notice to the licensee that it proposes to make modifications to the GD1 Financial Instruments of the licensee as detailed in paragraphs 3 and 5 of this Notice.
8. Any representations on the proposed modifications to the PCFM may be made on or before the 11 November 2014, which is 28 days from the date of this Notice, to: Sanjay Vadhera, Regulatory Finance Team, Office of Gas and Electricity Markets, 9 Milbank, London, SW1P 3GE or by email to Sanjay.Vadhera@ofgem.gov.uk.

9. The proposed modification will take effect from 12 November 2014.
10. All responses will normally be published on Ofgem's website. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.

.....
Ian Rowson
Associate Partner, Regulatory Finance and Compliance
Smarter Grids and Governance
Duly authorised on behalf of the
Gas and Electricity Markets Authority
14 October 2014