

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")

Modification of the GD1 Price Control Financial Instruments (the "Price Control Financial Model" (PCFM) as required under part B of Special Condition 2A (Governance of GD1 Price Control Financial Instruments) of the Gas Transporter licence issued under Section 7 of the Gas Act 1986 ("the Act"))

1. Whereas each licensee operates a gas distribution network and is the holder of a gas transporter licence (the "licence") granted or treated as granted under section 7 of the Act.
2. In accordance with part B of Special Condition 2A (Governance of GD1 Price Control Financial Instruments) of the licence, the Gas and Electricity Markets Authority (the Authority) gave notice on 14 October 2014 (the Notice) that it proposed to modify the Price Control Financial Model of each licensee and by requiring any representations to the modification to be made on or before 12 November 2014.
3. Prior to the close of the consultation period in respect of the Notice, the Authority received no representation responses.
4. The Authority gives the following reasons for making the modifications to the PCFM:

PCFM Modifications

- to ensure the correct values for the term MOD, calculated by the PCFM, 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.

Now therefore

In accordance with the powers contained in Special Condition 2A, paragraph 2A.12, the Authority hereby modifies the Price Control Financial Model of each licensee in the manner specified in Appendix 2. This decision will take effect on and from 13 November 2014.

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Ian Rowson

Associate Partner, Regulatory Finance and Compliance

Smarter Grids and Governance

Duly authorised on behalf of the

Gas and Electricity Markets Authority

13 November 2014