

**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 Model ("PCFM") 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. Whereas each licensee operates one or more gas distribution networks 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 30 July 2015 ("the Notice"), that it proposed to modify the PCFM of each licensee and by requiring any representations to the modification to be made on or before 28 August 2015.
3. Prior to the close of the consultation period in respect of the Notice, the Authority received no representations.
4. The Authority's reason for modifying the PCFM in the manner set out in paragraph 3 of the Notice, is to ensure the correct calculation of the term MOD, 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) of the licence.
5. The effect of the modification will be to ensure that appropriate values for the term MOD are calculated for each of the licensees.

Under the powers set out in paragraph 2A.12 of Special Condition 2A, the Authority hereby modifies the PCFM of each licensee in the manner specified in Appendices 1 and 2, which take the form of spreadsheet documents. This decision will take effect on and from 8 September 2015.

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**Ian Rowson**

**Associate Partner, Regulatory Finance and Compliance**

Duly authorised on behalf of the Gas and Electricity Markets Authority

**8 September 2015**

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