

To: National Grid Gas plc (with respect to its national gas transmission system)
(Company Number: 02006000)
(the "licensee")

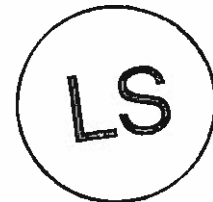
Modification of the GT1 Price Control Financial Model ("PCFM") of the gas transporter licence held by the licensee referenced above, granted or treated as granted under Section 7 of the Gas Act 1986 ("the Act")

1. Whereas the licensee operates a gas transmission system and is the holder of a gas transporter licence (the "licence") granted or treated as granted under section 7 of the the Act.
2. In accordance with section 23(2) of the Act, the Gas and Electricity Markets Authority ("the Authority") gave notice on 30 July 2015 ("the Notice"), that it proposed to modify the PCFM of the licensee and requiring any representations to the modification to be made on or before 28 August 2015.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 23(4)(b)(ii) of the Act, and we have not received a direction that the change should not be made.
4. Prior to the close of the consultation period in respect of the Notice, the Authority received no representations.
5. The Authority gives the following reasons for making the modifications to the PCFM:
 - (a) in the case of the change set out in paragraph 4 of the Notice, to ensure that the appropriate value for the term SOMOD is calculated for use in the formula for Base NTS System Operation Revenue set out in Special Condition 3A (Restriction of NTS System Operation Revenue) of the licence; and
 - (b) in the case of the change set out in paragraph 5 of the Notice, to apply an appropriate label to the NGGT SO Input worksheet of the PCFM.
6. The effect of the modifications will be to:
 - calculate an accurate value for the term SOMOD used in the formula for Base NTS System Operation Revenue as set out in Special Condition 3A (Restriction of NTS System Operation Revenue) of the licence, in the case of the change set out in paragraph 4 of the Notice; and
 - correct a labelling error in the NGGT SO Input worksheet, in the case of the change set out in paragraph 5 of the Notice.
7. Where an application for permission to appeal the Authority's decision is made to the Competition and Markets Authority under section 23B of the Act, Rule 5.7 of

the CMA's Energy Licence Modification Appeals Rules¹ requires that the appellant must send to any relevant licence holders who are not parties to the appeal, a non-confidential notice setting out the matters required in Rule 5.2. The attached Schedule 1 provides a list of the relevant licence holders in relation to this modification. The meaning of "relevant licence holder" is set out in section 23(10) of the Act.

Under the powers set out in section 23(1)(a) of the Act, the Authority hereby modifies the PCFM of the 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 4 November 2015.

This document constitutes notice of reasons for the decision to modify the gas transporter licence held by the licensee named above, as required by section 38A of the Act.



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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

¹ The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the Competition and Markets Authority (CMA).

Schedule 1: Relevant Licence Holder

The licensee listed below is the relevant licence holder, only in relation to its own licence.

National Grid Gas plc (with respect to its national gas transmission system)
