

**To: Scottish Hydro Electric Transmission plc (SHE-T)
SP Transmission Ltd (SPTL)
National Grid Electricity Transmission plc (NGET)**

Notice under Part B of Special Condition 5A (Governance of ET1 Price Control Financial Instruments) of the Electricity Transmission Licence to make modifications to the ET1 Price Control Financial Model

1. Each of the companies to whom this Notice is addressed (each “the licensee”) is the holder of an Electricity Transmission Licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989.
2. Special Condition (SC) 5A (Governance of ET1 Price Control Financial Instruments) of the Electricity Transmission Licence establishes the circumstances in which the Gas and Electricity Markets Authority (the ‘Authority’)¹, by way of direction, can make changes to the ET1 Price Control Financial Model (‘the Model’).
3. Part A of SC 5A sets out the assessment process the Authority will follow in order to assess the likely impact of an intended modification and Part B of SC 5A sets out the circumstances in which a modification may (or may not) be made.
4. In accordance with SC 5A.9, the Authority hereby gives notice to the licensees that it proposes to modify the Model in the manner indicated in Table 1 in this Notice.
5. The Authority considers that it is necessary to modify the ET1 Price Control Financial Model in the manner indicated in order to:
 - a) in respect of modification number 1 in Table 1, as an ease of use improvement with no impact on calculations; and
 - b) in respect of all other modifications in Table 1, to align labels between the Financial Model and the Financial Handbook.

Table 1 – Location of modifications within Schedule 1 to this Notice

#	Modification	Worksheet in Model	Cell References
1	Adding Company Selector Dropdowns to each Calculation Tab	MOD, Input, Totex, TIM, DARTs, Depn, SystemOperator, Return&RAV, TaxPools, Finance&Tax, NonCore, Revenue, LiveResults	N/A
2	Label for Incremental Wider Works	Input	H19
3	Label for Legacy Variables	NGET SO	F16:F17
4	Dynamically Linking Cover Sheet Date	Cover	B5

6. The Authority considers, having regard to the views of the ET1 Price Control Financial Model Working Group, the proposed modifications of the ET1 Price Control Financial Instruments are not likely to have a significant impact on any of the persons mentioned in SC 5A.4. In particular, the intended modifications will not have any material impact on the licensees’ financial revenue.

¹ The “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

7. The proposed modifications will come into effect on 23 August 2016.
8. Any representations on the proposed modifications may be made in writing on or before 16 August 2016 to Matthew Brown at Ofgem, 9 Millbank, London, SW1P 3GE, or by email to matthew.brown@ofgem.gov.uk
9. All representations 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. We prefer to receive responses in an electronic form so that they can be published easily on our website.



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Ian Rowson
Associate Partner, RIIIO Finance & Investor Relations
Duly Authorised on behalf of the Gas and Electricity Markets Authority
19 July 2016

Schedule 1: Modifications to the ET1 Price Control Financial Model

The proposed ET1 Price Control Financial Model can be found on our website at:
<https://www.ofgem.gov.uk/publications-and-updates/notice-to-make-modifications-to-the-ET1-PCFM-for-AIP-2016>