

**To: National Grid Gas plc (with respect to its gas distribution networks)
Northern Gas Networks Limited
Scotland Gas Networks plc
Southern Gas Networks plc
Wales and West Utilities Limited**

Notice under Part B of Special Condition 2A (Governance of GD1 Price Control Financial Instruments) of the Gas Distribution Licence to make modifications to the GD1 Price Control Financial Model

1. Each of the companies to whom this Notice is addressed (each "the licensee") is the holder of an Gas Distribution Licence granted or treated as granted under section 7 of the Gas Act 1986.
2. Special Condition (SC) 2A (Governance of GD1 Price Control Financial Instruments) of the Gas Distribution Licence establishes the circumstances in which the Gas and Electricity Markets Authority (the 'Authority')¹, by way of direction, can make changes to the GD1 Price Control Financial Model ('the Model').
3. Part A of SC 2A 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 2A sets out the circumstances in which a modification may (or may not) be made.
4. In accordance with SC 2A.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 GD1 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 modification number 2 in Table 1, to align labels between the Financial Model and the Financial Handbook.
6. The Authority considers, having regard to the views of the GD1 Price Control Financial Model Working Group, the proposed modifications of the GD1 Price Control Financial Instruments are not likely to have a significant impact on any of the persons mentioned in SC 2A.4. In particular, the intended modifications will not have any material impact on the licensees' financial revenue.
7. The proposed modifications will come into effect on 23 August 2016.

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, FuelPoor, Return&RAV, TaxPools, Finance&Tax, Revenue, LiveResults	N/A
2	Dynamically Linking Cover Sheet Date	Cover	B5

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.

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 GD1 Price Control Financial Model

The proposed GD1 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-GD1-PCFM-for-AIP-2016>