

**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**

Direction 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 Direction 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. In accordance with Part B of Special Condition (SC) 2A (Governance of GD1 Price Control Financial Instruments) of the Gas Distribution Licence, the Gas and Electricity Markets Authority (the 'Authority')¹, gave notice on 19 July 2016 ('the Notice') to consult on changes to the GD1 Price Control Financial Model ('the Model') and the proposed date by which these modifications should take effect. The Notice required any representations to be made on or before 16 August 2016.
3. We received no representations to the Notice.
4. 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.
5. In accordance with SC 2A.9, the Authority has modified the Model in the manner indicated in Table 1 in this Direction, 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. In the opinion of the Authority, with regard to the views of the GD1 Price Control Financial Model Working Group, the 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.

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

| # | 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 the Gas and Electricity Markets Authority (GEMA) in its day to day work.

7. In accordance with our powers under Part B of SC 2A, we hereby incorporate these modifications to the Model. This Direction brings these modifications into effect as of the date of publication, 23 August 2016.
8. This document constitutes a direction issued by the Authority under Part B of SC 2A.



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Ian Rowson
Associate Partner, RIIO Finance & Investor Relations
Duly Authorised on behalf of the Gas and Electricity Markets Authority
23 August 2016

Directed GD1 Price Control Financial Model

The directed GD1 Price Control Financial Model for the Annual Iteration Process 2016 can be found on our website at: <https://www.ofgem.gov.uk/publications-and-updates/riio-gd1-financial-model-annual-iteration-process-november-2016>