

**To the Company Secretary:**

National Grid Gas Distribution Limited  
Company Number: 10080864

**Directions issued by the Gas and Electricity Markets Authority to National Grid Gas Distribution Limited under the Special Conditions of its gas transporter licence in respect of the Annual Iteration Process for the RIIO-GD1 Price Control Financial Model**

**WHEREAS**

1. National Grid Gas Distribution Limited ('the licensee') is the holder of a gas transporter licence ('the licence') granted under section 7 of the Gas Act 1986 that includes Special Conditions. These directions refer to all of the licensee's gas Distribution Networks as specified in Special Condition 1A (Restriction of revenue in respect of the Distribution Network Transportation Activity: definitions) of the licence.
2. For the purposes of these directions:
  - (a) the expression 'Formula Year t' has the same meaning as is given to it in Special Condition 1A (Restriction of revenue in respect of the Distribution Network Transportation Activity: definitions) of the licence and references to Formula Year t-1 are to be construed accordingly; and
  - (b) Formula Year t is the Formula Year that commences on 1 April 2017 and ends on 31 March 2018 ('Formula Year 2017/18').
3. Special Condition 2B (Annual Iteration Process for the GD1 Price Control Financial Model) requires the Gas and Electricity Markets Authority ('the Authority') to:
  - (a) carry out the Annual Iteration Process for the GD1 Price Control Financial Model; and
  - (b) direct the value of the term MOD for Formula Year t, for the purposes of the formula specified in Special Condition 1B (Restriction of revenue in respect of the Distribution Network Transportation Activity) by 30 November in Formula Year t-1.
4. The following Special Conditions provide for the Authority to direct revised PCFM Variable Values for the licensee for the purpose of the Annual Iteration Process for the GD1 Price Control Financial Model which forms part of Special Condition 2B (Annual Iteration Process for the GD1 Price Control Financial Model) of the licence:
  - (a) Special Condition 1D (NTS Exit Capacity Cost Adjustment) in respect of AEx values;
  - (b) Special Condition 1F (Revenue adjustments for performance in respect of gas Shrinkage and environmental emissions) in respect of ALSC values;
  - (c) Special Condition 3A (Legacy price control adjustments) in respect of LAR values, (and the component term values PAR, TAR, FAR, CAR, SAR, IFIAR and IAEAR) and LRAV values, (and the component term values FRAV, CRAV, MRAV and SRV);
  - (d) Special Condition 3B (Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments) in respect of ALC, AOC, ACO and ARE values;
  - (e) Special Condition 3C (Specified financial adjustments) in respect of EDE, APFE, TTE, TGIE and CDE values;
  - (f) Special Condition 3D (The Innovation Roll-out Mechanism) in respect of IRM values;
  - (g) Special Condition 3E (Mains and Services Replacement Expenditure) in respect of RE values; and
  - (h) Special Condition 3F (Arrangements for the recovery of uncertain costs) in respect of IAECB, IAEEPS, IAELLC, IAESW, IAESM, IAECA and IAEPF values.
5. Each of the Special Conditions referred to in paragraph 4:
  - (a) sets out the basis on which any revisions to the relevant PCFM Variable Values are to be determined; and
  - (b) where applicable, specifies the price control financial methodology in accordance with which revisions to the relevant PCFM Variable Value(s) are to be determined and the chapter of the GD1 Price Control Financial Handbook containing that methodology.
6. The reason for these directions is to revise the PCFM Variable Values as used in the Annual Iteration Process for the GD1 Price Control Financial Model (as each of those terms is defined in Special Condition 1A). The Annual Iteration Process is used to calculate the value of the term MOD, for the purposes of the formula specified in Special Condition 1B (Restriction of revenue in respect of the Distribution Network Transportation Activity).
7. In accordance with requirements set out in the Special Conditions referred to in paragraph 4, on 8 November 2016 the Authority gave notice of the revised PCFM Variable Values that it proposed to direct by 30 November in Formula Year t-1 and specified that any representations concerning the proposed values should be made within 14 days of receiving the notice.
8. The Authority received no representations.

**NOW** the Authority pursuant to the provisions of the Special Conditions referred to in paragraphs 3 and 4, **HEREBY DIRECTS** that:

- the PCFM Variable Values referred to in paragraph 4 are to be revised as shown in Schedule 1 to these directions; and
- the term MOD for the licensee for Formula Year 2017/18 is to take the values as follows:
  - East of England -£12.3m
  - London -£20.7m
  - North West -£15.4m
  - West Midlands -£13.3m

Schedule 2 to these directions shows the complete PCFM Variable Values Table (as that term is defined in Special Condition 1A) including the values revised under these directions (in bold font) and the values that have not been revised under these directions.

This constitutes notice of the reasons for the Authority's decision pursuant to section 38A of the Gas Act 1986.

**Ian Rowson**



-----  
**Associate Partner, RIIO Finance**

Duly authorised on behalf of the Gas and Electricity Markets Authority  
30 November 2016

**SCHEDULE 1 TO THE AUTHORITY'S DIRECTION - REVISIONS TO VARIABLE VALUES (shown to 1 d.p., except CDE shown to 2 d.p.)**

| NGGD East of England |  |                    |                 | Regulatory Year Ending |               |               |               |               |               |               |               |
|----------------------|--|--------------------|-----------------|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| PCFM Variable Value  |  |                    |                 | RIIO-GD1               |               |               |               |               |               |               |               |
|                      | Special Condition  | Price Base / Units |                 | 31 March 2014          | 31 March 2015 | 31 March 2016 | 31 March 2017 | 31 March 2018 | 31 March 2019 | 31 March 2020 | 31 March 2021 |
| CDE                  | Allowed percentage cost of debt                                      | CRC 3C             | Annual Real %   | No Revision            | No Revision   | No Revision   | No Revision   | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  |
| ALC                  | Actual load related capex  | CRC 3B             | £m 09/10 Prices | No Revision            | No Revision   | <b>19.7</b>   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| AOC                  | Actual other capex   | CRC 3B             | £m 09/10 Prices | No Revision            | No Revision   | <b>16.8</b>   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| ACO                  | Actual controllable opex   | CRC 3B             | £m 09/10 Prices | No Revision            | No Revision   | <b>118.9</b>  | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| ARE                  | Actual replacement expenditure                                       | CRC 3B             | £m 09/10 Prices | No Revision            | No Revision   | <b>91.6</b>   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAEEPS               | Allowed uncertain costs (Enhanced physical site security)            | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAESW                | Allowed uncertain costs (Specified street work costs)                | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAECCB               | Allowed uncertain costs (Connection charging boundary change costs)  | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAEFP                | Allowed uncertain costs (Fuel poor network extension scheme)         | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAECA                | Allowed uncertain costs (Central agent)                              | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | <b>0.2</b>    | <b>0.2</b>    | <b>-2.6</b>   | <b>-3.9</b>   | <b>-5.2</b>   | <b>-5.8</b>   |
| IAESM                | Allowed uncertain costs (Smart metering roll out costs)              | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| RE                   | Allowed uncertain costs (Mains and services replacement expenditure) | CRC 3E             | £m 09/10 Prices | No Revision            | No Revision   | <b>0.4</b>    | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAELLC               | Allowed uncertain Costs (Large load connection costs)                | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IRM                  | Allowed innovation roll-out mechanism                                | CRC 3D             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| AEx                  | NTS Exit Capacity costs  | CRC 1D             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| ALSC                 | Shrinkage costs  | CRC 1F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| TGIE                 | Tax liability allowance adjustments - gearing/interest costs         | CRC 3C             | £m Nominal      | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| TTE                  | Tax liability allowance adjustments - driven by tax trigger events   | CRC 3C             | £m 09/10 Prices | No Revision            | No Revision   | <b>-0.4</b>   | No Revision   | <b>-2.6</b>   | No Revision   | No Revision   | No Revision   |
| APFE                 | Pension scheme administration and Pension Protection Fund Levy       | CRC 3C             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| EDE                  | Pension scheme deficit revenue allowances                            | CRC 3C             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| LAR                  | Legacy price control allowed revenue adjustment                      | CRC 3A             | £m 09/10 Prices | No Revision            |               |               |               |               |               |               |               |
| LRAV                 | Legacy price control RAV additions adjustment                        | CRC 3A             | £m 09/10 Prices | No Revision            |               |               |               |               |               |               |               |

| NGGD East of England   |  | Financial Handbook | Price Base      | 31 March 2014 |
|--|--|--------------------|-----------------|---------------|
| <b>Incremental Legacy Adjustments used to calculate LAR</b>  |  |                    |                 |               |
| PAR  | Pension adjustments                                    | Chapter 10         | £m 09/10 Prices | 0.6           |
| TAR  | Gearing and interest cost adjustments                  | Chapter 10         | £m 09/10 Prices | 0.0           |
| CAR  | Capex incentive scheme adjustments                     | Chapter 10         | £m 09/10 Prices | 0.2           |
| FAR  | Non Gas Fuel Poor Network Extension Scheme adjustments | Chapter 10         | £m 09/10 Prices | 0.4           |
| SAR  | Security Logged up costs                               | Chapter 10         | £m 09/10 Prices | 0.0           |
| IFIAR  | Legacy licence error – IFI                             | Chapter 10         | £m 09/10 Prices | 0.1           |
| IAEAR  | GDPCR1 Income Adjusting Events                         | Chapter 10         | £m 09/10 Prices | 0.0           |
| <b>Incremental Legacy Adjustments used to calculate LRAV</b> |  |                    |                 |               |
| CRAV   | Capex incentive scheme adjustments                     | Chapter 10         | £m 09/10 Prices | -5.5          |
| MRAV   | Mains and services replacement expenditure adjustments | Chapter 10         | £m 09/10 Prices | -0.2          |
| FRAV   | Non Gas Fuel Poor Network Extension Scheme adjustments | Chapter 10         | £m 09/10 Prices | 2.3           |
| SRAV   | Security Logged up costs                               | Chapter 10         | £m 09/10 Prices | 0.0           |

**SCHEDULE 1 TO THE AUTHORITY'S DIRECTION - REVISIONS TO VARIABLE VALUES (shown to 1 d.p., except CDE shown to 2 d.p.)**

| NGGD London         |  |                    |                 | Regulatory Year Ending |               |               |               |               |               |               |              |
|---------------------|--|--------------------|-----------------|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| PCFM Variable Value |  |                    |                 | RIIO-GD1               |               |               |               |               |               |               |              |
|                     | Special Condition  | Price Base / Units | 31 March 2014   | 31 March 2015          | 31 March 2016 | 31 March 2017 | 31 March 2018 | 31 March 2019 | 31 March 2020 | 31 March 2021 |              |
| CDE                 | Allowed percentage cost of debt                                      | CRC 3C             | Annual Real %   | No Revision            | No Revision   | No Revision   | No Revision   | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b> |
| ALC                 | Actual load related capex  | CRC 3B             | £m 09/10 Prices | No Revision            | No Revision   | <b>11.4</b>   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| AOC                 | Actual other capex   | CRC 3B             | £m 09/10 Prices | No Revision            | No Revision   | <b>10.2</b>   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| ACO                 | Actual controllable opex   | CRC 3B             | £m 09/10 Prices | No Revision            | No Revision   | <b>84.5</b>   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| ARE                 | Actual replacement expenditure                                       | CRC 3B             | £m 09/10 Prices | No Revision            | No Revision   | <b>91.8</b>   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| IAEES               | Allowed uncertain costs (Enhanced physical site security)            | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| IAESW               | Allowed uncertain costs (Specified street work costs)                | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| IAECCB              | Allowed uncertain costs (Connection charging boundary change costs)  | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| IAEFP               | Allowed uncertain costs (Fuel poor network extension scheme)         | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| IAECA               | Allowed uncertain costs (Central agent)                              | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | <b>0.1</b>    | <b>0.1</b>    | <b>-1.5</b>   | <b>-2.2</b>   | <b>-2.9</b>   |              |
| IAESM               | Allowed uncertain costs (Smart metering roll out costs)              | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| RE                  | Allowed uncertain costs (Mains and services replacement expenditure) | CRC 3E             | £m 09/10 Prices | No Revision            | No Revision   | <b>1.2</b>    | No Revision   | No Revision   | No Revision   | No Revision   |              |
| IAELLC              | Allowed uncertain Costs (Large load connection costs)                | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| IRM                 | Allowed innovation roll-out mechanism                                | CRC 3D             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| AEx                 | NTS Exit Capacity costs  | CRC 1D             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| ALSC                | Shrinkage costs  | CRC 1F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| TGIE                | Tax liability allowance adjustments - gearing/interest costs         | CRC 3C             | £m Nominal      | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| TTE                 | Tax liability allowance adjustments - driven by tax trigger events   | CRC 3C             | £m 09/10 Prices | No Revision            | No Revision   | <b>-0.5</b>   | No Revision   | <b>-2.1</b>   | No Revision   | No Revision   |              |
| APFE                | Pension scheme administration and Pension Protection Fund Levy       | CRC 3C             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| EDE                 | Pension scheme deficit revenue allowances                            | CRC 3C             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |              |
| LAR                 | Legacy price control allowed revenue adjustment                      | CRC 3A             | £m 09/10 Prices | No Revision            |               |               |               |               |               |               |              |
| LRAV                | Legacy price control RAV additions adjustment                        | CRC 3A             | £m 09/10 Prices | No Revision            |               |               |               |               |               |               |              |

| NGGD London   |  | Financial Handbook | Price Base      | 31 March 2014 |
|---|--|--------------------|-----------------|---------------|
| Incremental Legacy Adjustments used to calculate LAR  |  |                    |                 |               |
| PAR   | Pension adjustments                                    | Chapter 10         | £m 09/10 Prices | 0.6           |
| TAR   | Gearing and interest cost adjustments                  | Chapter 10         | £m 09/10 Prices | 0.0           |
| CAR   | Capex incentive scheme adjustments                     | Chapter 10         | £m 09/10 Prices | -1.4          |
| FAR   | Non Gas Fuel Poor Network Extension Scheme adjustments | Chapter 10         | £m 09/10 Prices | 0.0           |
| SAR   | Security Logged up costs                               | Chapter 10         | £m 09/10 Prices | 0.1           |
| IFIAR   | Legacy licence error – IFI                             | Chapter 10         | £m 09/10 Prices | 0.0           |
| IAEAR   | GDPCR1 Income Adjusting Events                         | Chapter 10         | £m 09/10 Prices | 0.0           |
| Incremental Legacy Adjustments used to calculate LRAV |  |                    |                 |               |
| CRAV  | Capex incentive scheme adjustments                     | Chapter 10         | £m 09/10 Prices | -2.9          |
| MRAV  | Mains and services replacement expenditure adjustments | Chapter 10         | £m 09/10 Prices | 0.0           |
| FRAV  | Non Gas Fuel Poor Network Extension Scheme adjustments | Chapter 10         | £m 09/10 Prices | -0.3          |
| SRAV  | Security Logged up costs                               | Chapter 10         | £m 09/10 Prices | -2.3          |

**SCHEDULE 1 TO THE AUTHORITY'S DIRECTION - REVISIONS TO VARIABLE VALUES (shown to 1 d.p., except CDE shown to 2 d.p.)**

| NGGD North West     |  |                    |                 | Regulatory Year Ending |               |               |               |               |               |               |               |
|---------------------|--|--------------------|-----------------|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| PCFM Variable Value |  |                    |                 | RIIO-GD1               |               |               |               |               |               |               |               |
|                     | Special Condition  | Price Base / Units |                 | 31 March 2014          | 31 March 2015 | 31 March 2016 | 31 March 2017 | 31 March 2018 | 31 March 2019 | 31 March 2020 | 31 March 2021 |
| CDE                 | Allowed percentage cost of debt                                      | CRC 3C             | Annual Real %   | No Revision            | No Revision   | No Revision   | No Revision   | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  |
| ALC                 | Actual load related capex  | CRC 3B             | £m 09/10 Prices | No Revision            | No Revision   | <b>11.8</b>   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| AOC                 | Actual other capex   | CRC 3B             | £m 09/10 Prices | No Revision            | No Revision   | <b>9.9</b>    | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| ACO                 | Actual controllable opex   | CRC 3B             | £m 09/10 Prices | No Revision            | No Revision   | <b>84.2</b>   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| ARE                 | Actual replacement expenditure                                       | CRC 3B             | £m 09/10 Prices | No Revision            | No Revision   | <b>81.7</b>   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAEES               | Allowed uncertain costs (Enhanced physical site security)            | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAESW               | Allowed uncertain costs (Specified street work costs)                | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAECCB              | Allowed uncertain costs (Connection charging boundary change costs)  | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAEFP               | Allowed uncertain costs (Fuel poor network extension scheme)         | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAECA               | Allowed uncertain costs (Central agent)                              | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | <b>0.1</b>    | <b>0.1</b>    | <b>-1.8</b>   | <b>-2.7</b>   | <b>-3.5</b>   | <b>-4.0</b>   |
| IAESM               | Allowed uncertain costs (Smart metering roll out costs)              | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| RE                  | Allowed uncertain costs (Mains and services replacement expenditure) | CRC 3E             | £m 09/10 Prices | No Revision            | No Revision   | <b>0.9</b>    | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAELLC              | Allowed uncertain Costs (Large load connection costs)                | CRC 3F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IRM                 | Allowed innovation roll-out mechanism                                | CRC 3D             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| AEx                 | NTS Exit Capacity costs  | CRC 1D             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| ALSC                | Shrinkage costs  | CRC 1F             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| TGIE                | Tax liability allowance adjustments - gearing/interest costs         | CRC 3C             | £m Nominal      | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| TTE                 | Tax liability allowance adjustments - driven by tax trigger events   | CRC 3C             | £m 09/10 Prices | No Revision            | No Revision   | <b>-0.2</b>   | No Revision   | <b>-1.7</b>   | No Revision   | No Revision   | No Revision   |
| APFE                | Pension scheme administration and Pension Protection Fund Levy       | CRC 3C             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| EDE                 | Pension scheme deficit revenue allowances                            | CRC 3C             | £m 09/10 Prices | No Revision            | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| LAR                 | Legacy price control allowed revenue adjustment                      | CRC 3A             | £m 09/10 Prices | No Revision            |               |               |               |               |               |               |               |
| LRAV                | Legacy price control RAV additions adjustment                        | CRC 3A             | £m 09/10 Prices | No Revision            |               |               |               |               |               |               |               |

| NGGD North West                                       |  | Financial Handbook | Price Base      | 31 March 2014 |
|---|--|--------------------|-----------------|---------------|
| Incremental Legacy Adjustments used to calculate LAR  |  |                    |                 |               |
| PAR   | Pension adjustments                                    | Chapter 10         | £m 09/10 Prices | 0.4           |
| TAR   | Gearing and interest cost adjustments                  | Chapter 10         | £m 09/10 Prices | 0.0           |
| CAR   | Capex incentive scheme adjustments                     | Chapter 10         | £m 09/10 Prices | 2.3           |
| FAR   | Non Gas Fuel Poor Network Extension Scheme adjustments | Chapter 10         | £m 09/10 Prices | 0.3           |
| SAR   | Security Logged up costs                               | Chapter 10         | £m 09/10 Prices | 0.1           |
| IFIAR   | Legacy licence error – IFI                             | Chapter 10         | £m 09/10 Prices | 0.0           |
| IAEAR   | GDPCR1 Income Adjusting Events                         | Chapter 10         | £m 09/10 Prices | 0.0           |
| Incremental Legacy Adjustments used to calculate LRAV |  |                    |                 |               |
| CRAV  | Capex incentive scheme adjustments                     | Chapter 10         | £m 09/10 Prices | -16.9         |
| MRAV  | Mains and services replacement expenditure adjustments | Chapter 10         | £m 09/10 Prices | 5.9           |
| FRAV  | Non Gas Fuel Poor Network Extension Scheme adjustments | Chapter 10         | £m 09/10 Prices | 0.2           |
| SRAV  | Security Logged up costs                               | Chapter 10         | £m 09/10 Prices | -2.5          |

**SCHEDULE 1 TO THE AUTHORITY'S DIRECTION - REVISIONS TO VARIABLE VALUES (shown to 1 d.p., except CDE shown to 2 d.p.)**

| NGGD West Midlands  |  |        |                 | Regulatory Year Ending |                    |               |               |               |               |               |               |               |               |
|---------------------|--|--------|-----------------|------------------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| PCFM Variable Value |  |        |                 | Special Condition      | Price Base / Units | 31 March 2014 | 31 March 2015 | 31 March 2016 | 31 March 2017 | 31 March 2018 | 31 March 2019 | 31 March 2020 | 31 March 2021 |
|                     |  |        |                 |                        |                    |               |               |               |               |               |               |               |               |
| CDE                 | Allowed percentage cost of debt                                      | CRC 3C | Annual Real %   | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  |               |
| ALC                 | Actual load related capex  | CRC 3B | £m 09/10 Prices | No Revision            | No Revision        | <b>8.3</b>    | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| AOC                 | Actual other capex   | CRC 3B | £m 09/10 Prices | No Revision            | No Revision        | <b>7.5</b>    | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| ACO                 | Actual controllable opex   | CRC 3B | £m 09/10 Prices | No Revision            | No Revision        | <b>60.3</b>   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| ARE                 | Actual replacement expenditure                                       | CRC 3B | £m 09/10 Prices | No Revision            | No Revision        | <b>67.3</b>   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAEEPS              | Allowed uncertain costs (Enhanced physical site security)            | CRC 3F | £m 09/10 Prices | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAESW               | Allowed uncertain costs (Specified street work costs)                | CRC 3F | £m 09/10 Prices | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAECCB              | Allowed uncertain costs (Connection charging boundary change costs)  | CRC 3F | £m 09/10 Prices | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAEFP               | Allowed uncertain costs (Fuel poor network extension scheme)         | CRC 3F | £m 09/10 Prices | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAECA               | Allowed uncertain costs (Central agent)                              | CRC 3F | £m 09/10 Prices | No Revision            | No Revision        | <b>0.1</b>    | <b>0.1</b>    | <b>-1.5</b>   | <b>-2.1</b>   | <b>-2.8</b>   | <b>-3.1</b>   |               |               |
| IAESM               | Allowed uncertain costs (Smart metering roll out costs)              | CRC 3F | £m 09/10 Prices | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| RE                  | Allowed uncertain costs (Mains and services replacement expenditure) | CRC 3E | £m 09/10 Prices | No Revision            | No Revision        | <b>0.2</b>    | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IAELLC              | Allowed uncertain Costs (Large load connection costs)                | CRC 3F | £m 09/10 Prices | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| IRM                 | Allowed innovation roll-out mechanism                                | CRC 3D | £m 09/10 Prices | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| AEx                 | NTS Exit Capacity costs  | CRC 1D | £m 09/10 Prices | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| ALSC                | Shrinkage costs  | CRC 1F | £m 09/10 Prices | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| TGIE                | Tax liability allowance adjustments - gearing/interest costs         | CRC 3C | £m Nominal      | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| TTE                 | Tax liability allowance adjustments - driven by tax trigger events   | CRC 3C | £m 09/10 Prices | No Revision            | No Revision        | <b>-0.4</b>   | <b>-0.3</b>   | <b>-1.4</b>   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| APFE                | Pension scheme administration and Pension Protection Fund Levy       | CRC 3C | £m 09/10 Prices | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| EDE                 | Pension scheme deficit revenue allowances                            | CRC 3C | £m 09/10 Prices | No Revision            | No Revision        | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   | No Revision   |
| LAR                 | Legacy price control allowed revenue adjustment                      | CRC 3A | £m 09/10 Prices | No Revision            |                    |               |               |               |               |               |               |               |               |
| LRAV                | Legacy price control RAV additions adjustment                        | CRC 3A | £m 09/10 Prices | No Revision            |                    |               |               |               |               |               |               |               |               |

| NGGD West Midlands   |  | Financial Handbook | Price Base      | 31 March 2014 |
|--|--|--------------------|-----------------|---------------|
| <b>Incremental Legacy Adjustments used to calculate LAR</b>  |  |                    |                 |               |
| PAR  | Pension adjustments                                    | Chapter 10         | £m 09/10 Prices | 0.1           |
| TAR  | Gearing and interest cost adjustments                  | Chapter 10         | £m 09/10 Prices | 0.0           |
| CAR  | Capex incentive scheme adjustments                     | Chapter 10         | £m 09/10 Prices | -0.3          |
| FAR  | Non Gas Fuel Poor Network Extension Scheme adjustments | Chapter 10         | £m 09/10 Prices | 0.4           |
| SAR  | Security Logged up costs                               | Chapter 10         | £m 09/10 Prices | 0.0           |
| IFIAR  | Legacy licence error – IFI                             | Chapter 10         | £m 09/10 Prices | 0.0           |
| IAEAR  | GDPCR1 Income Adjusting Events                         | Chapter 10         | £m 09/10 Prices | 0.0           |
| <b>Incremental Legacy Adjustments used to calculate LRAV</b> |  |                    |                 |               |
| CRAV   | Capex incentive scheme adjustments                     | Chapter 10         | £m 09/10 Prices | 4.3           |
| MRAV   | Mains and services replacement expenditure adjustments | Chapter 10         | £m 09/10 Prices | -9.0          |
| FRAV   | Non Gas Fuel Poor Network Extension Scheme adjustments | Chapter 10         | £m 09/10 Prices | 0.1           |
| SRAV   | Security Logged up costs                               | Chapter 10         | £m 09/10 Prices | -0.3          |

**SCHEDULE 2 TO THE AUTHORITY'S DIRECTION - VARIABLE VALUE TABLE**  
**NGGD East of England**

| Variable Name  | Special Condition | Price Base / Units | Term   | Regulatory Year Ending |               |               |               |               |               |               |               |
|--|-------------------|--------------------|--------|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  |                   |                    |        | 31 March 2014          | 31 March 2015 | 31 March 2016 | 31 March 2017 | 31 March 2018 | 31 March 2019 | 31 March 2020 | 31 March 2021 |
| Allowed percentage cost of debt                                      | CRC 3C            | Annual Real %      | CDE    | 2.92%                  | 2.72%         | 2.55%         | 2.38%         | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  |
| Actual load related capex  | CRC 3B            | £m 09/10 Prices    | ALC    | 29.0                   | 19.8          | <b>19.7</b>   | -             | -             | -             | -             | -             |
| Actual other capex   | CRC 3B            | £m 09/10 Prices    | AOC    | 17.6                   | 19.9          | <b>16.8</b>   | -             | -             | -             | -             | -             |
| Actual controllable opex   | CRC 3B            | £m 09/10 Prices    | ACO    | 126.9                  | 124.6         | <b>118.9</b>  | -             | -             | -             | -             | -             |
| Actual replacement expenditure                                       | CRC 3B            | £m 09/10 Prices    | ARE    | 81.0                   | 87.3          | <b>91.6</b>   | -             | -             | -             | -             | -             |
| Allowed uncertain costs (Enhanced physical site security)            | CRC 3F            | £m 09/10 Prices    | IAEEPS | (1.2)                  | 0.2           | 0.4           | 2.3           | 12.8          | 9.9           | 2.2           | 0.5           |
| Allowed uncertain costs (Specified street work costs)                | CRC 3F            | £m 09/10 Prices    | IAESW  | 2.5                    | 2.4           | 2.4           | 2.3           | 2.2           | 2.2           | 2.1           | 2.1           |
| Allowed uncertain costs (Connection charging boundary change costs)  | CRC 3F            | £m 09/10 Prices    | IAECCB | -                      | -             | -             | -             | -             | -             | -             | -             |
| Allowed uncertain costs (Fuel poor network extension scheme)         | CRC 3F            | £m 09/10 Prices    | IAEFP  | 1.2                    | 1.2           | 1.2           | 1.7           | 1.8           | 1.8           | 1.8           | 1.7           |
| Allowed uncertain costs (Central agent)                              | CRC 3F            | £m 09/10 Prices    | IAECA  | (0.0)                  | 0.0           | <b>0.2</b>    | <b>0.2</b>    | <b>(2.6)</b>  | <b>(3.9)</b>  | <b>(5.2)</b>  | <b>(5.8)</b>  |
| Allowed uncertain costs (Smart metering roll out costs)              | CRC 3F            | £m 09/10 Prices    | IAESM  | -                      | -             | -             | -             | -             | -             | -             | -             |
| Allowed uncertain costs (Mains and services replacement expenditure) | CRC 3E            | £m 09/10 Prices    | RE     | 0.1                    | 0.2           | <b>0.4</b>    | 0.9           | 0.9           | 0.9           | 0.9           | 0.9           |
| Allowed uncertain Costs (Large load connection costs)                | CRC 3F            | £m 09/10 Prices    | IAELLC | -                      | -             | -             | -             | -             | -             | -             | -             |
| Allowed innovation roll-out mechanism                                | CRC 3D            | £m 09/10 Prices    | IRM    | -                      | -             | -             | -             | -             | -             | -             | -             |
| NTS Exit Capacity costs  | CRC 1D            | £m 09/10 Prices    | AEx    | 24.7                   | 24.7          | 24.7          | 24.7          | 24.7          | 24.7          | 24.7          | 24.7          |
| Shrinkage costs  | CRC 1F            | £m 09/10 Prices    | ALSC   | 11.8                   | 10.8          | 10.7          | 7.9           | 7.7           | 7.6           | 7.4           | 7.2           |
| Tax liability allowance adjustments - gearing/interest costs         | CRC 3C            | £m Nominal         | TGIE   | -                      | -             | -             | -             | -             | -             | -             | -             |
| Tax liability allowance adjustments - driven by tax trigger events   | CRC 3C            | £m 09/10 Prices    | TTE    | -                      | -             | <b>(0.4)</b>  | <b>(0.4)</b>  | <b>(2.6)</b>  | -             | -             | -             |
| Pension scheme administration and Pension Protection Fund Levy       | CRC 3C            | £m 09/10 Prices    | APFE   | 0.1                    | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           |
| Pension scheme deficit revenue allowances                            | CRC 3C            | £m 09/10 Prices    | EDE    | 4.4                    | 4.4           | 3.5           | 3.5           | 3.5           | 3.5           | 3.5           | 3.5           |
| Legacy price control allowed revenue adjustment                      | CRC 3A            | £m 09/10 Prices    | LAR    | 1.2                    |               |               |               |               |               |               |               |
| Legacy price control RAV additions adjustment                        | CRC 3A            | £m 09/10 Prices    | LRAV   | (3.4)                  |               |               |               |               |               |               |               |

**SCHEDULE 2 TO THE AUTHORITY'S DIRECTION - VARIABLE VALUE TABLE**  
**NGGD London**

| Variable Name  | Special Condition | Price Base / Units | Term   | Regulatory Year Ending |               |               |               |               |               |               |               |
|--|-------------------|--------------------|--------|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  |                   |                    |        | 31 March 2014          | 31 March 2015 | 31 March 2016 | 31 March 2017 | 31 March 2018 | 31 March 2019 | 31 March 2020 | 31 March 2021 |
| Allowed percentage cost of debt                                      | CRC 3C            | Annual Real %      | CDE    | 2.92%                  | 2.72%         | 2.55%         | 2.38%         | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  |
| Actual load related capex  | CRC 3B            | £m 09/10 Prices    | ALC    | 24.0                   | 13.3          | <b>11.4</b>   | -             | -             | -             | -             | -             |
| Actual other capex   | CRC 3B            | £m 09/10 Prices    | AOC    | 12.7                   | 10.8          | <b>10.2</b>   | -             | -             | -             | -             | -             |
| Actual controllable opex   | CRC 3B            | £m 09/10 Prices    | ACO    | 86.8                   | 84.8          | <b>84.5</b>   | -             | -             | -             | -             | -             |
| Actual replacement expenditure                                       | CRC 3B            | £m 09/10 Prices    | ARE    | 77.5                   | 77.1          | <b>91.8</b>   | -             | -             | -             | -             | -             |
| Allowed uncertain costs (Enhanced physical site security)            | CRC 3F            | £m 09/10 Prices    | IAEEPS | (0.4)                  | (0.0)         | 0.2           | 1.8           | 7.0           | 3.9           | 1.5           | 0.3           |
| Allowed uncertain costs (Specified street work costs)                | CRC 3F            | £m 09/10 Prices    | IAESW  | 10.2                   | 10.7          | 10.6          | 10.1          | 10.1          | 9.8           | 9.8           | 9.7           |
| Allowed uncertain costs (Connection charging boundary change costs)  | CRC 3F            | £m 09/10 Prices    | IAECCB | -                      | -             | -             | -             | -             | -             | -             | -             |
| Allowed uncertain costs (Fuel poor network extension scheme)         | CRC 3F            | £m 09/10 Prices    | IAEFP  | 0.5                    | 0.5           | 0.5           | 0.5           | 0.6           | 0.6           | 0.6           | 0.5           |
| Allowed uncertain costs (Central agent)                              | CRC 3F            | £m 09/10 Prices    | IAECA  | (0.0)                  | 0.0           | <b>0.1</b>    | <b>0.1</b>    | <b>(1.5)</b>  | <b>(2.2)</b>  | <b>(2.9)</b>  | <b>(3.2)</b>  |
| Allowed uncertain costs (Smart metering roll out costs)              | CRC 3F            | £m 09/10 Prices    | IAESM  | -                      | -             | -             | -             | -             | -             | -             | -             |
| Allowed uncertain costs (Mains and services replacement expenditure) | CRC 3E            | £m 09/10 Prices    | RE     | 0.0                    | 0.5           | <b>1.2</b>    | 3.2           | 3.2           | 3.2           | 3.2           | 3.2           |
| Allowed uncertain Costs (Large load connection costs)                | CRC 3F            | £m 09/10 Prices    | IAELLC | -                      | -             | -             | -             | -             | -             | -             | -             |
| Allowed innovation roll-out mechanism                                | CRC 3D            | £m 09/10 Prices    | IRM    | -                      | -             | -             | -             | -             | -             | -             | -             |
| NTS Exit Capacity costs  | CRC 1D            | £m 09/10 Prices    | AEx    | 17.2                   | 17.1          | 17.1          | 17.1          | 17.1          | 17.1          | 17.1          | 17.1          |
| Shrinkage costs  | CRC 1F            | £m 09/10 Prices    | ALSC   | 6.1                    | 5.5           | 5.4           | 4.3           | 4.2           | 4.1           | 4.0           | 3.9           |
| Tax liability allowance adjustments - gearing/interest costs         | CRC 3C            | £m Nominal         | TGIE   | -                      | -             | -             | -             | -             | -             | -             | -             |
| Tax liability allowance adjustments - driven by tax trigger events   | CRC 3C            | £m 09/10 Prices    | TTE    | -                      | -             | <b>(0.5)</b>  | <b>(0.5)</b>  | <b>(2.1)</b>  | -             | -             | -             |
| Pension scheme administration and Pension Protection Fund Levy       | CRC 3C            | £m 09/10 Prices    | APFE   | 0.1                    | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           |
| Pension scheme deficit revenue allowances                            | CRC 3C            | £m 09/10 Prices    | EDE    | 3.0                    | 3.0           | 2.4           | 2.4           | 2.4           | 2.4           | 2.4           | 2.4           |
| Legacy price control allowed revenue adjustment                      | CRC 3A            | £m 09/10 Prices    | LAR    | (0.6)                  |               |               |               |               |               |               |               |
| Legacy price control RAV additions adjustment                        | CRC 3A            | £m 09/10 Prices    | LRAV   | (5.5)                  |               |               |               |               |               |               |               |

**SCHEDULE 2 TO THE AUTHORITY'S DIRECTION - VARIABLE VALUE TABLE**  
**NGGD North West**

| Variable Name  | Special Condition | Price Base / Units | Term   | Regulatory Year Ending |               |               |               |               |               |               |               |
|--|-------------------|--------------------|--------|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  |                   |                    |        | 31 March 2014          | 31 March 2015 | 31 March 2016 | 31 March 2017 | 31 March 2018 | 31 March 2019 | 31 March 2020 | 31 March 2021 |
| Allowed percentage cost of debt                                      | CRC 3C            | Annual Real %      | CDE    | 2.92%                  | 2.72%         | 2.55%         | 2.38%         | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  | <b>2.22%</b>  |
| Actual load related capex  | CRC 3B            | £m 09/10 Prices    | ALC    | 13.9                   | 26.5          | <b>11.8</b>   | -             | -             | -             | -             | -             |
| Actual other capex   | CRC 3B            | £m 09/10 Prices    | AOC    | 16.7                   | 17.4          | <b>9.9</b>    | -             | -             | -             | -             | -             |
| Actual controllable opex   | CRC 3B            | £m 09/10 Prices    | ACO    | 87.0                   | 96.3          | <b>84.2</b>   | -             | -             | -             | -             | -             |
| Actual replacement expenditure                                       | CRC 3B            | £m 09/10 Prices    | ARE    | 69.7                   | 73.4          | <b>81.7</b>   | -             | -             | -             | -             | -             |
| Allowed uncertain costs (Enhanced physical site security)            | CRC 3F            | £m 09/10 Prices    | IAEEPS | 1.9                    | 3.4           | 0.5           | 0.4           | 1.7           | 2.3           | 0.6           | 0.3           |
| Allowed uncertain costs (Specified street work costs)                | CRC 3F            | £m 09/10 Prices    | IAESW  | 1.8                    | 1.8           | 1.9           | 1.8           | 1.7           | 1.5           | 1.5           | 1.3           |
| Allowed uncertain costs (Connection charging boundary change costs)  | CRC 3F            | £m 09/10 Prices    | IAECCB | -                      | -             | -             | -             | -             | -             | -             | -             |
| Allowed uncertain costs (Fuel poor network extension scheme)         | CRC 3F            | £m 09/10 Prices    | IAEFP  | 1.6                    | 1.6           | 1.6           | 1.6           | 1.6           | 1.6           | 1.5           | 1.5           |
| Allowed uncertain costs (Central agent)                              | CRC 3F            | £m 09/10 Prices    | IAECA  | (0.0)                  | 0.0           | <b>0.1</b>    | <b>0.1</b>    | <b>(1.8)</b>  | <b>(2.7)</b>  | <b>(3.5)</b>  | <b>(4.0)</b>  |
| Allowed uncertain costs (Smart metering roll out costs)              | CRC 3F            | £m 09/10 Prices    | IAESM  | -                      | -             | -             | -             | -             | -             | -             | -             |
| Allowed uncertain costs (Mains and services replacement expenditure) | CRC 3E            | £m 09/10 Prices    | RE     | 1.9                    | 0.8           | <b>0.9</b>    | 3.0           | 3.0           | 3.0           | 3.0           | 3.0           |
| Allowed uncertain Costs (Large load connection costs)                | CRC 3F            | £m 09/10 Prices    | IAELLC | -                      | -             | -             | -             | -             | -             | -             | -             |
| Allowed innovation roll-out mechanism                                | CRC 3D            | £m 09/10 Prices    | IRM    | -                      | -             | -             | -             | -             | -             | -             | -             |
| NTS Exit Capacity costs  | CRC 1D            | £m 09/10 Prices    | AEx    | 31.3                   | 31.3          | 31.3          | 31.3          | 31.3          | 31.3          | 31.3          | 31.3          |
| Shrinkage costs  | CRC 1F            | £m 09/10 Prices    | ALSC   | 9.0                    | 8.4           | 8.3           | 5.8           | 5.6           | 5.4           | 5.2           | 5.1           |
| Tax liability allowance adjustments - gearing/interest costs         | CRC 3C            | £m Nominal         | TGIE   | -                      | -             | -             | -             | -             | -             | -             | -             |
| Tax liability allowance adjustments - driven by tax trigger events   | CRC 3C            | £m 09/10 Prices    | TTE    | -                      | -             | <b>(0.2)</b>  | <b>(0.2)</b>  | <b>(1.7)</b>  | -             | -             | -             |
| Pension scheme administration and Pension Protection Fund Levy       | CRC 3C            | £m 09/10 Prices    | APFE   | 0.1                    | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           |
| Pension scheme deficit revenue allowances                            | CRC 3C            | £m 09/10 Prices    | EDE    | 3.3                    | 3.3           | 2.7           | 2.7           | 2.7           | 2.7           | 2.7           | 2.7           |
| Legacy price control allowed revenue adjustment                      | CRC 3A            | £m 09/10 Prices    | LAR    | 3.1                    |               |               |               |               |               |               |               |
| Legacy price control RAV additions adjustment                        | CRC 3A            | £m 09/10 Prices    | LRAV   | (13.2)                 |               |               |               |               |               |               |               |



**SCHEDULE 2 TO THE AUTHORITY'S DIRECTION - VARIABLE VALUE TABLE**  
**NGGD West Midlands**

| Variable Name  | Special Condition | Price Base / Units | Term   | Regulatory Year Ending |                  |                  |                  |                  |                  |                  |                  |
|--|-------------------|--------------------|--------|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  |                   |                    |        | 31 March<br>2014       | 31 March<br>2015 | 31 March<br>2016 | 31 March<br>2017 | 31 March<br>2018 | 31 March<br>2019 | 31 March<br>2020 | 31 March<br>2021 |
| Allowed percentage cost of debt                                      | CRC 3C            | Annual Real %      | CDE    | 2.92%                  | 2.72%            | 2.55%            | 2.38%            | <b>2.22%</b>     | <b>2.22%</b>     | <b>2.22%</b>     | <b>2.22%</b>     |
| Actual load related capex  | CRC 3B            | £m 09/10 Prices    | ALC    | 10.7                   | 10.1             | <b>8.3</b>       | -                | -                | -                | -                | -                |
| Actual other capex   | CRC 3B            | £m 09/10 Prices    | AOC    | 9.5                    | 9.5              | <b>7.5</b>       | -                | -                | -                | -                | -                |
| Actual controllable opex   | CRC 3B            | £m 09/10 Prices    | ACO    | 64.5                   | 64.0             | <b>60.3</b>      | -                | -                | -                | -                | -                |
| Actual replacement expenditure                                       | CRC 3B            | £m 09/10 Prices    | ARE    | 51.9                   | 44.7             | <b>67.3</b>      | -                | -                | -                | -                | -                |
| Allowed uncertain costs (Enhanced physical site security)            | CRC 3F            | £m 09/10 Prices    | IAEEPS | -                      | -                | -                | -                | -                | -                | -                | -                |
| Allowed uncertain costs (Specified street work costs)                | CRC 3F            | £m 09/10 Prices    | IAESW  | 0.5                    | 0.5              | 0.5              | 0.3              | 0.3              | 0.3              | 0.3              | 0.3              |
| Allowed uncertain costs (Connection charging boundary change costs)  | CRC 3F            | £m 09/10 Prices    | IAECCB | -                      | -                | -                | -                | -                | -                | -                | -                |
| Allowed uncertain costs (Fuel poor network extension scheme)         | CRC 3F            | £m 09/10 Prices    | IAEFP  | 1.4                    | 1.4              | 1.4              | 1.4              | 1.4              | 1.4              | 1.4              | 1.4              |
| Allowed uncertain costs (Central agent)                              | CRC 3F            | £m 09/10 Prices    | IAECA  | (0.0)                  | 0.0              | <b>0.1</b>       | <b>0.1</b>       | <b>(1.5)</b>     | <b>(2.1)</b>     | <b>(2.8)</b>     | <b>(3.1)</b>     |
| Allowed uncertain costs (Smart metering roll out costs)              | CRC 3F            | £m 09/10 Prices    | IAESM  | -                      | -                | -                | -                | -                | -                | -                | -                |
| Allowed uncertain costs (Mains and services replacement expenditure) | CRC 3E            | £m 09/10 Prices    | RE     | 0.8                    | 0.1              | <b>0.2</b>       | 1.9              | 1.9              | 1.9              | 1.9              | 1.9              |
| Allowed uncertain Costs (Large load connection costs)                | CRC 3F            | £m 09/10 Prices    | IAELLC | -                      | -                | -                | -                | -                | -                | -                | -                |
| Allowed innovation roll-out mechanism                                | CRC 3D            | £m 09/10 Prices    | IRM    | -                      | -                | -                | -                | -                | -                | -                | -                |
| NTS Exit Capacity costs  | CRC 1D            | £m 09/10 Prices    | AEx    | 17.4                   | 17.2             | 16.9             | 16.9             | 16.9             | 16.9             | 16.9             | 16.9             |
| Shrinkage costs  | CRC 1F            | £m 09/10 Prices    | ALSC   | 7.0                    | 6.8              | 6.8              | 5.0              | 4.9              | 4.8              | 4.7              | 4.5              |
| Tax liability allowance adjustments - gearing/interest costs         | CRC 3C            | £m Nominal         | TGIE   | -                      | -                | -                | -                | -                | -                | -                | -                |
| Tax liability allowance adjustments - driven by tax trigger events   | CRC 3C            | £m 09/10 Prices    | TTE    | -                      | -                | <b>(0.4)</b>     | <b>(0.3)</b>     | <b>(1.4)</b>     | -                | -                | -                |
| Pension scheme administration and Pension Protection Fund Levy       | CRC 3C            | £m 09/10 Prices    | APFE   | 0.1                    | 0.1              | 0.1              | 0.1              | 0.1              | 0.1              | 0.1              | 0.1              |
| Pension scheme deficit revenue allowances                            | CRC 3C            | £m 09/10 Prices    | EDE    | 2.4                    | 2.4              | 1.9              | 1.9              | 1.9              | 1.9              | 1.9              | 1.9              |
| Legacy price control allowed revenue adjustment                      | CRC 3A            | £m 09/10 Prices    | LAR    | 0.1                    |                  |                  |                  |                  |                  |                  |                  |
| Legacy price control RAV additions adjustment                        | CRC 3A            | £m 09/10 Prices    | LRAV   | (5.0)                  |                  |                  |                  |                  |                  |                  |                  |