

**To: Scottish Hydro Electric Transmission plc
SP Transmission Ltd
National Grid Electricity Transmission plc**

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

1. Each of the companies to whom this Direction 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. In accordance with Part B of Special Condition (SC) 5A (Governance of ET1 Price Control Financial Instruments) of the Electricity Transmission Licences, the Gas and Electricity Markets Authority (the 'Authority')¹, gave notice on 12 September 2017 ('the Notice') to make modifications to the ET1 Price Control Financial Model ('the Model'). The Notice required any representations to be made on or before 26 September 2017.
3. We received no representations in response to the Notice.
4. The Authority has decided to modify the Model in the manner indicated in Table 1 in this Direction, for the following reasons:
 - a) in respect of change number 1, this simplifies the Model by removing no longer required worksheets. This is not a functional change;
 - b) in respect of change number 2, this eliminates the possibility of introducing a calculation error for the NGET System Operator that would occur in the circumstance that the preceding instance of running the tax trigger calculation macro related to SHE-T or SPTL, without first having cleared the contents of cells AH85:A085. The revised macro automatically clears these cells to prevent the possibility of error. Although it has been possible to trigger this error, there was never an instance of this happening.
5. In accordance with our powers under Part B of SC 5A, we hereby direct that the modifications in Table 1 of this Direction are made to the Model. These modifications are to have effect from 27 September 2017.
6. This document constitutes a notice of our reasons as required by section 49A of the Electricity Act 1989. The consolidated version of the Model is available on the Ofgem website².



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Ian Rowson
Associate Partner, RIIO Finance & Investor Relations
Duly Authorised on behalf of the Gas and Electricity Markets Authority
27 September 2017

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.

² <http://www.ofgem.gov.uk/publications-and-updates/riio-et1-financial-model-annual-iteration-process-november-2017>

Table 1 – Location of modifications within the Model

#	Modification	Worksheet in Model	Cell References
1	Removal of Blank Operator worksheets	SHE-Transmission PLC (Blank -), SPTL (Blank - not used), NGET TO (Blank - not used), NGET SO (Blank - not used) NB: these were hidden sheets	Entire worksheet
2	SO Tax Trigger Macro revision	This is a change to the VBA module, "Module2"	The VBA code changes are highlighted by containing them within code commentary