

To: National Grid Gas plc

**Gas Act 1986
Section 23(1)(a)**

**Modification of the financial instruments as defined in the special conditions of
the gas transporter licence held by National Grid Gas plc**

1. National Grid Gas plc is the holder of a gas transporter licence ('the Licence') granted or treated as granted under 7 of the Gas Act 1986 ('the Act').
2. Under section 23(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 22nd March 2017 ('the Notice') that we propose to modify the GT1 Price Control Financial Model as defined under Special Condition 4A of the Licence. We stated that any representations to the modification proposal must be made on or before 21st April 2017.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 23(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received two responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out in the accompanying letter.
5. We are making these licence changes to implement our recent decision on the mid-period review.
6. The effect of the modification will be to:
 - a) Maintain the original Final Proposals profile of the Information Quality Incentive ex-ante penalty; and
 - b) Decrease NGGT's totex allowance by £168.78m
7. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 23B of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules² requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification. Section 23(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 23(1)(a) of the Act, we hereby modify the GT1 Price Control Financial Model as defined under Special Condition 4A of the gas transporter licence of National Grid Gas plc in the manner specified in attached Schedule 1. This decision will take effect from 13 July 2017.

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

² The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the CMA.

This document is notice of the reasons for the decision to modify the gas transporter licence held by National Grid Gas plc as required by section 38A of the Act.

**The Official Seal of the Gas and Electricity Markets Authority
here affixed is authenticated by the signature of**



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Ian Rowson
Associate Partner, RIIO Finance
Duly authorised on behalf of the Gas and Electricity Markets Authority
17/05/17

Schedule 1 – Updated Price Control Financial Model

The updated MPR incorporating the MPR modification is available on our website at the following address:

<https://www.ofgem.gov.uk/network-regulation-riio-model/price-controls-financial-model-pcfm/riio-t1-financial-model-gas>

Schedule 2: Relevant Licence Holders³

Licensee	Company Number
National Grid Gas plc	02006000

³ Gas licence holders are listed at:
<https://www.ofgem.gov.uk/publications-and-updates/all-gas-licensees-registered-addresses>