

To: Cadent Gas Limited, Northern Gas Networks Ltd, Scotland Gas Networks plc, Southern Gas Networks plc, Wales & West Utilities Limited

**Gas Act 1986
Section 23**

Notice of statutory consultation on a proposal to modify the financial instruments as defined in the special conditions of the gas transporter licence held by the above licensees

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the financial instruments as defined in the special conditions of the gas transporter licence held by the above specified licensee granted or treated as granted under section 7 of the Gas Act 1986 by amending the GD1 Price Control Financial Model as defined under Special Condition 2A.
2. We are proposing these modifications to incorporate our decision to accept Cadent Gas Limited's offer to refund consumers £53.9 million for work to replace medium pressure iron mains in central London, which has been partly delayed to future price controls. We propose to reduce the Non-Variant Repex Allowances by a total of £53.9m over the years 2016/17 to 2020/21.
3. The effect of the proposed modifications is also to maintain the original Final Proposals profile of the Information Quality Incentive ex-ante reward.
4. Copies of the proposed modifications and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from our Research and Information Centre, 9 Millbank, London, SW1P 3GE (020 7901 7003).
5. Any representations with respect to the proposed licence modifications must be made on or before 1st August 2017 to:
Steven Steer, RIIO Finance, Ofgem, 9 Millbank, London, SW1P 3GE or by email to RIIOFinance@ofgem.gov.uk
6. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
7. If we decide to make the proposed modifications they will take effect not less than 56 days after the decision is published.

Ian Rowson



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Associate Partner, RIIO Finance
Duly authorised on behalf of the Gas and Electricity Markets Authority
4th July 2017

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