

To:

National Grid Gas plc (with respect to the National Transmission System)
Company number 02006000

("the licensee")

NOTICE UNDER SECTION 23(2) OF THE GAS ACT 1986

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 23(2) of the Gas Act 1986 ("the Act") as follows:

1. The Authority proposes to modify the gas transporter licence held by National Grid Gas Plc (with respect to the National Transmission System) granted or treated as granted under section 7 of the Act by:
 - (a) amending the GT1 Price Control Financial Handbook ("the handbook") that forms part of Special Condition 4A (Governance of GT1 Price Control Financial Instruments); and
 - (b) amending the GT1 Price Control Financial Model ("the PCFM") that forms part of Special Condition 4A.
2. The only relevant licence holder for the purposes of this Notice is National Grid Gas plc, with respect to the National Transmission System.
3. The Authority's reasons for proposing the modifications to the handbook are:
 - (a) to confirm that claw back adjustments to tax liability allowances for the licensee include an iterative ('tax allowance on tax allowance') factor; and
 - (b) to make a number of other corrections and clarifications throughout the handbook so that it is fully consistent with the Authority's Final Proposals for the RIIO-T1 price control.
4. The proposed modifications to the handbook are set out in marked up text in the separate Appendix 1 to this Notice.
5. The Authority's reasons for proposing the modifications to the PCFM are:
 - (a) to ensure that claw back adjustments to tax liability allowances for relevant licence holders include an iterative ('tax allowance on tax allowance') factor; and
 - (b) to make a number of other amendments and corrections to reflect the proposed modifications to the handbook referred to in paragraph 3,

so that correctly calculated values for the term MOD, as used in the formula for Base NTS Transportation Owner Revenue set out in Special Condition 2A (Restriction of NTS Transportation Owner Revenue), and having the meaning given in that condition, are produced for the licensee under the Annual Iteration Process for the PCFM.
6. A copy of the PCFM incorporating the proposed modifications is included at separate Appendix 2 to this Notice. A reference copy of the PCFM (without the proposed modifications) is included at separate Appendix 3 and a report setting out the changes is included at separate Appendix 4.

7. The effect of the modifications proposed in this Notice will be to amend the handbook and PCFM to:
 - (a) ensure that claw back adjustments to tax liability allowances for the licensee include an iterative factor; and
 - (b) apply a range of corrections and clarifications,so that the Authority's Final Proposals for the RIIO-T1 price control are properly implemented.
8. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
9. Any representations on the proposed licence modifications may be made on or before 30 August 2013 to: Regulatory Finance Team, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to regulatoryfinance@ofgem.gov.uk.
10. All responses will normally be published on Ofgem's website. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.
11. If the Authority decides to make the proposed modifications they will take effect not less than 56 days after the decision is published.

.....
Andrew Burgess
Associate Partner, Transmission and Distribution Policy
Duly authorised on behalf of the
Gas and Electricity Markets Authority

24 July 2013