

Industry update from Ofgem – Up to date as of 1 August 2016

Notice to make modifications to the GT1 PCFM for use in AIP 2016. On 19 July 2016, Ofgem issued a notice under Part B of Special Condition 4A of the Gas Transmission Licence to propose to modify the GT1 Price Control Financial Model (PCFM). This is the version of the model we intend to use for the Annual Iteration Process (AIP) which will take place by the 30 November 2016. The modification is not considered to have a significant impact. The documents may be found at the following locations on the Ofgem website:

<https://www.ofgem.gov.uk/publications-and-updates/notice-make-modifications-gt1-pcfm-use-aip-2016>

Code modification/modification proposals with Ofgem for decision - indicative timetable.

Up to date as of 18 July 2016. The timetable shows indicative decision dates, and names of Ofgem experts, for code modification/amendment proposals that are with Ofgem for decision. The dates are indicative and are subject to change. The documents may be found at the following locations on the Ofgem website:

<https://www.ofgem.gov.uk/publications-and-updates/code-modificationmodification-proposals-ofgem-decision-indicative-timetable>

Direction to National Grid plc to implement the amended Demand-Side Response (DSR)

Methodology. Our decision to approve National Grid Gas plc's (NGG) amended methodology for a gas DSR mechanism and our direction to NGG to proceed with its implementation may be found at the following location on the Ofgem website:

<https://www.ofgem.gov.uk/publications-and-updates/direction-national-grid-plc-implement-amended-demand-side-response-methodology>

Stakeholder Engagement Panel Members 2015-16. The Stakeholder Engagement (and Consumer Vulnerability) Incentive is intended to encourage network companies to engage effectively with a wide range of stakeholders to inform how they plan and run their businesses. The panel members and their profiles may be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/stakeholder-engagement-panel-members-2015-16>

Infographic: The energy network. Our latest infographic, providing facts and figures on the energy network, how we're supporting innovation and regulating spend and smart meters, may be found at the following location on the Ofgem website:

<https://www.ofgem.gov.uk/publications-and-updates/infographic-energy-network>

National Grid sale of Gas Distribution Network business – decision on regulatory aspects and the transfer of assets and statutory consultations under section 8AA and section 23 of the Gas Act 1986. On 10 November 2015, National Grid announced its intention to sell a majority stake in its gas distribution network business. On 23 June 2016, National Grid Gas plc (NGG) requested permission to transfer its gas distribution transportation assets from NGG to a new subsidiary company (NewCo). In May 2016, we published a consultation

which described our role in the sale process and sought stakeholder views on issues arising from these potential transfers. Our decision document of 6 July 2016 may be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/national-grid-sale-gas-distribution-network-business-decision-regulatory-aspects-and-transfer-assets>. Following on from this decision, on 8 July, we commenced two Statutory Consultations documents to grant conditional consent to NGG to transfer its assets to the new subsidiary (to take place on or after 1 October 2016). Responses to the consultation are required by 9 September 2016. The Statutory Consultation documents may be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/national-grid-s-intended-sale-its-gas-distribution-networks-statutory-consultations-under-section-8aa-and-section-23-gas-act-1986>

Modification of National Grid Gas plc (NGG) National Transmission System's gas transporter licence to add dormant back stop meter provider of last resort (BMPOLR) obligations. Following the announcement by National Grid of its intention to sell a majority stake in its gas distribution network business, we have decided to modify NGG's gas transporter licence held in respect of the National Transmission System to include BMPOLR obligations. The decision documents may be found at the following location on the Ofgem website: <https://www.ofgem.gov.uk/publications-and-updates/modification-national-grid-gas-plc-national-transmission-system-s-gas-transporter-licence-add-dormant-back-stop-meter-provider-last-resort-obligations>