

Appendix 6

NOTICE UNDER SECTION 23(3) OF THE GAS ACT 1986

MODIFICATION PROPOSED TO SIX RELEVANT GAS TRANSPORTER LICENCES

The Gas and Electricity Authority (“the Authority”) hereby gives notice pursuant to section 23(3) of the Gas Act 1986 (“the Act”) as follows:

- 1 The Authority proposes to modify the following gas transporter (GT) licences:
 - (a) the GT licence held by National Grid Gas plc in respect of its National Transmission System (“the NTS Licence”) treated as granted under section 7 of the Gas Act 1986; and
 - (b) the GT licences held in respect of Distribution Network businesses (“the DN Licences”) by National Grid Gas plc in respect of its gas distribution business, Northern Gas Networks Limited, Scotland Gas Networks Limited, Southern Gas Networks Limited and Wales and West Utilities Limited respectively, granted under section 7 of the Gas Act 1986.
- 2 The proposed licence modifications are set out in the Final Proposals consultation on the transitional incentive schemes and formal licence consultation under section 23 of the Gas Act 1986 and paragraph 3(a) of Standard Special Condition A2 (“the Final Proposals consultation”). In particular,
 - (a) the proposed modifications to the NTS Licence are set out in Appendix 7B: Proposed licence modifications to Part C (Special Conditions applicable to the Licensee (NTS)) of the Final Proposals consultation¹; and

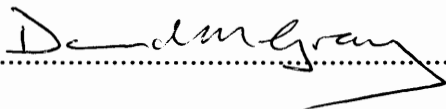
¹ Note that only Special Condition C8B, Part 1a, Part 1b(12) and Part 1b(13) are provided in Appendix 7b as other parts of Special Condition C8B are proposed to remain unchanged.

- (b) the proposed modifications to the DN Licences are set out in Appendix 7C: Proposed licence modifications to Part E (Special Conditions applicable to the Licensee (DN)) of the Final Proposals consultation.
- 3 In summary, the effect of the proposed modifications to the NTS Licence is to:
 - (a) provide some definitional clarification regarding the applicability of the term “NTS exit capacity”; and
 - (b) ensure that the definitions within paragraph 1 of Special Condition C18 (Licensee’s methodology for determining incremental exit capacity volumes) are appropriate to the arrangements proposed for the transitional period (1 October 2008 to 30 September 2010).
- 4 In summary, the effect of the proposed modifications to the DN Licences is to:
 - (a) implement Ofgem’s final proposals for DN incentives within the transitional period (1 October 2008 to 30 September 2010) as outlined in Chapter 3 of the Final Proposals consultation; and
 - (b) provide some definitional clarification regarding the applicability of the term “NTS exit capacity”.
- 5 The reasons why the Authority proposes to make these modifications to the NTS Licence and the DN Licences are set out in the following documents:
 - (a) 204/05 - Initial proposals on transitional incentive schemes supporting the offtake arrangements, Ofgem, 21 September 2005; and

(b) the Final Proposals consultation, particularly in Appendix 4 of this document.

6 Copies of the documents referred in this Notice are available on request from Ofgem or are on the Ofgem website at www.ofgem.gov.uk.

7 Any representations or objections with respect to the proposed modifications may be made on or before 23 December 2005 and should be addressed to Mark Feather, Ofgem, 9 Millbank, London SW1P 3GE or mark.feather@ofgem.gov.uk.

A handwritten signature in black ink, appearing to read "David Gray", is written over a horizontal dotted line. The signature is cursive and extends to the right of the line, ending in a long, sweeping tail.

David Gray

Managing Director, Networks

Duly authorised on behalf of the Authority

25 November 2005