

To: The Company Secretary
National Grid Gas plc
1-3 Strand
London
WC2N 5EH

The Company Secretary
Northern Gas Networks Limited
1200 Century Way
Colton
Leeds
LS15 8ZA

The Company Secretary
Scotland Gas Networks Limited
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

The Company Secretary
Southern Gas Networks plc
55 Vastern Road
Reading
RG1 8BU

The Company Secretary
Wales and West Utilities Limited
Ferry Road
Cardiff
CF11 0XR

DIRECTION UNDER PARAGRAPH 3 OF STANDARD SPECIAL CONDITION A2 - MODIFICATION OF RELEVANT GAS TRANSPORTER LICENCES

Whereas:

1. National Grid Gas plc, previously named Transco plc, ("the NTS Licensee") is the holder of a gas transporter (GT) licence in respect of its National Transmission System (NTS) ("the NTS Licence") treated as granted under section 7 of the Gas Act 1986 ("the Act");
2. National Grid Gas plc, Northern Gas Networks Limited, Scotland Gas Networks Limited, Southern Gas Networks plc and Wales and West Utilities Limited ("the DN Licensees") are the holders of GT licences in respect of their Distribution Network (DN) businesses ("the DN Licences") granted under section 7 of the Act;
3. Pursuant to paragraph 3(a) of Standard Special Condition A2 (Private Collective Licence Modification Procedure in respect of Standard Special Conditions applicable to both NTS and DN licensees), the Gas and Electricity Markets Authority ("the Authority") gave notice on 25 November 2005 ("the Notice"), that it proposed to modify Standard Special Condition A3 (Definitions and Interpretation) of the NTS Licence and the DN Licences by introducing a definition of "NTS exit flat capacity";

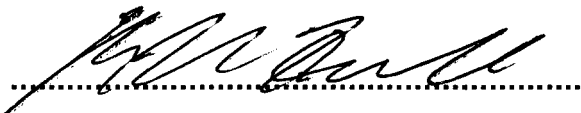
4. The licence modifications proposed to the NTS Licence and the DN Licences were as set out in Appendix 7A to the Final Proposals consultation on the transitional incentive schemes and formal licence consultation under section 23 of the Gas Act 1986 and paragraph 3(a) of Standard Special Condition A2 ("the Final Proposals consultation")¹;
5. Prior to the close of the consultation period in respect of the Notice, the Authority received 7 responses in relation to the proposed modification of Standard Special Condition A3 (Definitions and Interpretation) of the NTS Licence and the DN Licences. No responses were withdrawn. All non-confidential responses are available from the Ofgem Research and Information centre and on the Ofgem website at www.ofgem.gov.uk;
6. The Authority has carefully considered all representations made in relation to the proposed modification of Standard Special Condition A3 (Definitions and Interpretation) of the NTS Licence and the DN Licences and not withdrawn;
7. Pursuant to paragraph 3(b) of Standard Special Condition A2 (Private Collective Licence Modification Procedure in respect of Standard Special Conditions applicable to both NTS and DN licensees), the Authority gave notice of its intention to modify Standard Special Condition A3 (Definitions and Interpretation) of the NTS Licence and the DN Licences to the Secretary of State and has not received a direction from the Secretary of State not to make the modification;
8. No notices of objections to the proposed modification of Standard Special Condition A3 (Definitions and Interpretation) of the NTS Licence and the DN Licences in the Notice were given to the Authority within the time period specified in that Notice by any relevant licence holder; and
9. The reasons for making this direction to modify Standard Special Condition A3 (Definitions and Interpretation) of the NTS Licence and the DN Licences are as 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.

Pursuant to the powers contained in paragraph 3 of Standard Special Condition A2 (Private Collective Licence Modification Procedure in respect of Standard Special Conditions applicable to both NTS and DN licensees) of the NTS Licence and the DN Licences, the Authority hereby directs that with effect on and from 26 January 2006, paragraph 1 of Standard Special Condition A3 (Definitions and Interpretation) of the NTS Licence and each of the DN Licences shall be modified by inserting the following definition immediately after the definition of "NTS exit capacity":

¹ 252/05 - Final proposals on transitional incentive schemes and formal licence consultation under section 23 of the Gas Act 1986 and paragraph 3(a) of Standard Special Condition A2, November 2005, Ofgem.

"NTS exit flat capacity" shall have the meaning given to the term "NTS Offtake (Flat) Capacity" in the network code;

The official seal of the Gas and Electricity Markets Authority is affixed to this Direction and is authenticated by

A handwritten signature in black ink, appearing to read 'R Hull', is written over a horizontal dotted line.

Robert Hull
Director, Transmission

Duly authorised on behalf of the Authority
26 January 2006

