

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

The Gas and Electricity Markets 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 conditions of the gas transporter licence treated as granted to National Grid Gas plc (“NGG”) in respect of its National Transmission System (“NTS”) under section 7 of the Act by:
 - (a) amending the current definition of UCAG in Part 2 paragraph 14 (5) (a) of Special Condition C8B *Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity* in the manner set out in Appendix 1 of this Notice; and
 - (b) amending Schedule A: *NTS output measures for the price control* Table A1: *NTS TO baseline entry capacity (GWh/day)* and Table A2: *Initial NTS SO baseline entry capacity (GWh/day)* in the manner set out in Appendix 2 of this Notice.
2. The reasons why the Authority proposes to make these licence modifications are set out in the document: “Determining Unit Cost Allowances (UCAs) for large new entry points & Section 23 notice for Fleetwood”, Ofgem, 13 July 2006. This document is available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE or from the Ofgem website at www.ofgem.gov.uk
3. The Authority is also proposing to reintroduce six NTS entry points into Table A1: *NTS TO baseline entry capacity (GWh/day)* and Table A2: *Initial NTS SO baseline entry capacity (GWh/day)* in Schedule A: *NTS output measures for the price control* of the licence which were inadvertently deleted by the modification to the licence on 26 January 2006.
4. In summary the effects of the proposed licence modifications are as follows:
 - (a) The addition of a new National Transmission System (NTS) entry point at Fleetwood under NGG’s NTS system operation activity revenue restrictions and more specifically, in relation to NGG’s NTS system operator entry capacity investment incentive revenue;

- (b) The addition of new unit cost allowances gross (“UCAGs”) for the new NTS entry point at Fleetwood;
 - (c) The addition of a new NTS entry point at Fleetwood under NGG’s NTS transportation owner (TO) output measures for the price control and under NGG’s system operation (SO) output measures;
 - (d) The addition of baseline output measures and TO and SO baseline entry capacity volumes for the new NTS entry point at Fleetwood; and
 - (e) The reintroduction of baseline output measures and TO and SO baseline entry capacity volumes for NTS entry points at Burton Agnes (Caythorpe), Winkfield, Blyborough (Welton), Tatsfield, Albury and Palmers Wood.
5. The proposed licence modifications are set out in the appendices to this Notice.
6. Any representations or objections to the proposed licence modifications may be made before 11 August 2006 and sent to:

Robert Hull
Director - Transmission
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Or by email to Robert.Hull@ofgem.gov.uk

7. All responses will normally be published on Ofgem’s website and held in the Research and Information Centre. However, if respondents do not wish their response to be made public then they should clearly mark their responses as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.



David Gray
Managing Director – Networks

Duly authorised on behalf of the Gas and Electricity Markets Authority
13 July 2006

Appendix 1

Special Condition C8B: Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity

Part 2: The NTS system operation activity revenue restrictions

Paragraph 14 (5): Entry capacity investment incentive revenue (ECIIR_i)

(a) Principal formula

UCAG^j means the unit cost allowance in pounds per kilowatt hour in respect of terminal j and has the value set out in the following tables:

Terminal j	UCAG ^j (£/kWh)
Bacton	0.182
Barrow	0.014
Easington	0.034
St. Fergus	0.639
Teesside	0.059
Theddlethorpe	0.031
Glenmavis	0.532
Partington	0.009
Avonmouth	0.064
Isle of Grain	0.186
Dynevor Arms	0.000
Hornsea	0.153
Hatfield Moor (storage)	0.042
Hatfield Moor (onshore)	0.042
Cheshire	0.003
Hole House Farm	0.002
Wytch Farm	0.000
Burton Point	0.002
Barton Stacey	0.000
Garton	0.039

Burton Agnes (Caythorpe)	0.075
Winkfield	0.083
Blyborough (Welton)	0.035
Tatsfield	0.083
Albury	0.360
Palmers Wood	0.131

Terminal j	UCAG ^j (£/kWh)	UCAG ^j (£/kWh)
Milford Haven	0.343 where PRIORCIOEC ^{j_m} ≤ 500 GWh/d	0.257 where PRIORCIOEC ^{j_m} > 500 GWh/d

Terminal j	UCAG ^j (£/kWh)	UCAG ^j (£/kWh)
Fleetwood	0.162 where 0 GWh/d < PRIORCIOEC ^{j_m} < 580 GWh/d	0.226 where 580 GWh/d ≤ PRIORCIOEC ^{j_m} < 740 GWh/d
	0.224 where 740 GWh/d ≤ PRIORCIOEC ^{j_m} < 1000 GWh/d	0.214 where 1000 GWh/d ≤ PRIORCIOEC ^{j_m} < 1200 GWh/d
	0.263 where 1200 GWh/d ≤ PRIORCIOEC ^{j_m} ≤ 1400 GWh/d	

PRIORCIOEC^{j_m} shall mean the cumulative obligated incremental entry capacity in respect of each day in month m at terminal j at a date to be determined by the Authority.

Appendix 2

Schedule A: NTS output measures for the price control

Table A1: NTS TO baseline entry capacity (GWh/day)

Terminal	2002/3	2003/4	2004/5	2005/6	2006 /7
Bacton	1527	1646	1839	1939	1939
Barrow	812	790	790	791	791
Easington	1105	985	1141	1180	1180
St. Fergus	1689	1721	1809	1831	1863
Teesside	910	823	834	845	845
Theddlethorpe	758	628	879	942	942
Glenmavis	110	110	110	110	110
Partington	239	239	239	239	239
Avonmouth	165	165	165	165	165
Isle of Grain	243	243	243	243	243
Dynevor Arms	55	55	55	55	55
Hornsea	195	195	195	195	195
Hatfield Moor (storage)	60	60	60	60	60
Hatfield Moor (onshore)	1.1	1.1	1.1	1.1	1.1
Cheshire	0	0	119	179	238
Hole House Farm	29	29	29	29	29
Wyitch Farm	3.6	3.6	3.6	3.6	3.6
Burton Point	61.3	61.3	61.3	61.3	61.3
Milford Haven	0	0	0	0	0
Barton Stacey	0	0	0	0	0
Garton	0	0	0	0	0
Burton Agnes (Caythorpe)	0	0	0	0	0
Winkfield	0	0	0	0	0

Blyborough (Welton)	0	0	0	0	0
Tatsfield	0	0	0	0	0
Albury	0	0	0	0	0
Palmers Wood	0	0	0	0	0
Fleetwood	0	0	0	0	0

Table A2: Initial NTS SO baseline entry capacity (GWh/day)

	MONTH				
	1 ≤ m ≤ 12	13 ≤ m ≤ 24	25 ≤ m ≤ 36	37 ≤ m ≤ 48	m ≥ 49
Terminal	2002/3	2003/4	2004/5	2005/6	2006/7
Bacton	1374	1481	1655	1745	1745
Barrow	731	711	711	712	712
Easington	995	887	1027	1062	1062
St. Fergus	1520	1549	1628	1648	1677
Teesside	819	741	751	761	761
Theddlethorpe	682	565	791	848	848
Glenmavis	99	99	99	99	99
Partington	215	215	215	215	215
Avonmouth	149	149	149	149	149
Isle of Grain	218	218	218	218	218
Dynevor Arms	50	50	50	50	50
Hornsea	175	175	175	175	175
Hatfield Moor (storage)	54	54	54	54	54
Hatfield Moor (onshore)	1	1	1	1	1
Cheshire	0	0	107	161	214
Hole House Farm	26	26	26	26	26
Wyth Farm	3.2	3.2	3.2	3.2	3.2

Burton Point	55	55	55	55	55
Milford Haven	0	0	0	0	0
Barton Stacey	0	0	0	0	0
Garton	0	0	0	0	0
Burton Agnes (Caythorpe)	0	0	0	0	0
Winkfield	0	0	0	0	0
Blyborough (Welton)	0	0	0	0	0
Tatsfield	0	0	0	0	0
Albury	0	0	0	0	0
Palmers Wood	0	0	0	0	0
Fleetwood	0	0	0	0	0