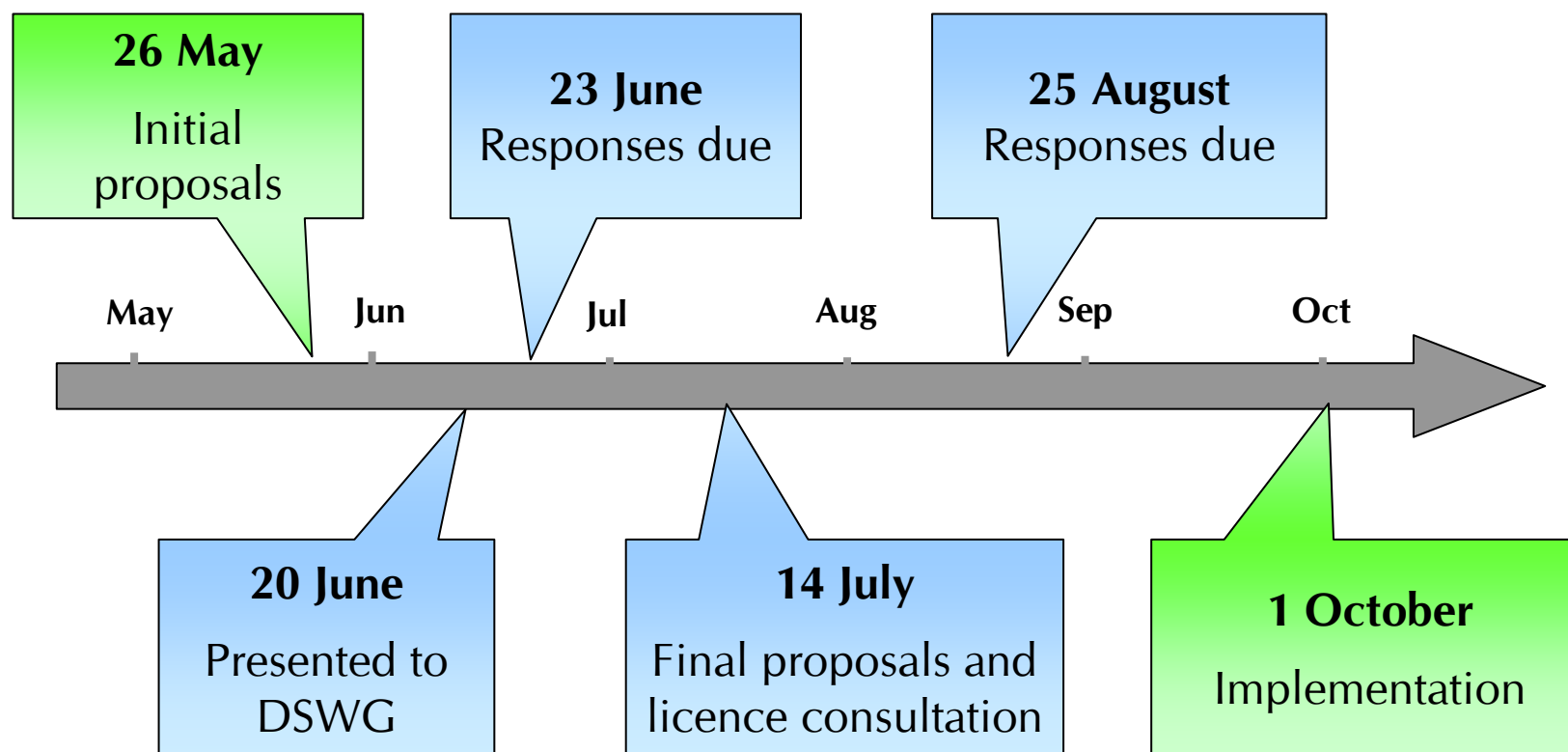


New SO incentives: quality of information

Overview of Final Proposals and way forward

Overview of process



Initial Proposals: Respondents' views

SCOPE

- 9 responses received to the consultation
- Majority in favour of incentives

FORM

- Six respondents in favour of "Option 2"
- Two respondents in favour of "Option 1"

DURATION

- Seven respondents favoured initial six-month duration for new incentives

Final Proposals: Demand forecasting

SCOPE

- Improve accuracy of NTS gas demand forecast published at 14.00 hours on D-1

FORM

- "Option 2" - includes upside and downside risk
- Payment ranges from -£1.6m → £9.2m
- Benchmark demand forecasting error = 3.6%

DURATION

- Applicable from 1 Oct 2006 to April 2007

Final Proposals: Website performance

SCOPE

- Improve availability and timeliness of NG's delivery of gas market operational data
- Incentive driven by average improvement over winter 05/06 performance

FORM

- "Option 1"- only upside incentives risk
- Payment ranges from £0m → £1.5m
- Benchmark derived from winter 05/06 performance

DURATION

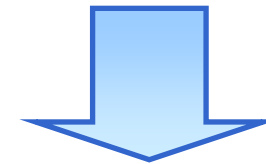
- Applicable from 1 Oct 2006 to April 2007

Next steps

Need to amend National Grid's gas transporters licence



Statutory notice issued
for 28 day
consultation



Need consent from
National Grid to
amend its licence

Intend to direct the licence modification in September 2006
Licence conditions to apply from 1 October 2006



Promoting choice and value for all
gas and electricity customers