

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

**MODIFICATION OF THE CONDITIONS OF THE GAS TRANSPORTER LICENCE
HELD BY NATIONAL GRID GAS PLC UNDER SECTION 23 OF THE GAS ACT 1986**

**NOTICE OF REASONS FOR THE DECISION TO MODIFY THE CONDITIONS OF THE
GAS TRANSPORTER LICENCE HELD BY NATIONAL GRID GAS PLC UNDER
SECTION 38A OF THE GAS ACT 1986**

WHEREAS:

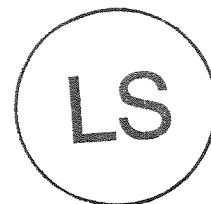
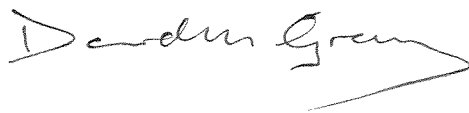
- 1 National Grid Gas plc is the holder of a gas transporter licence in respect of its National Transmission System (NTS) ("the Licence") treated as granted under section 7 of the Gas Act 1986 ("the Act").
- 2 Pursuant to section 23(3) of the Act, the Gas and Electricity Markets Authority ("the Authority") gave notice on 13 July 2006 ("the Notice") that it proposed to modify the Licence by:
 - (a) amending the definition of "UCAGⁱ" 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 the Notice; and
 - (b) amending 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 in the manner set out in Appendix 2 of the Notice.
- 3 The Authority received one representation and no objections in relation to the proposed licence modifications before the relevant time specified in the Notice. No representations were withdrawn. The Authority has carefully considered all representations duly made in relation to the proposed licence modifications and not withdrawn. All non-confidential representations made in relation to the proposed licence modifications are 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.

- 4 The Authority gave notice of its intention to make the proposed licence modifications to the Secretary of State. The Authority did not receive a direction from the Secretary of State not to make the proposed licence modifications before the relevant time specified in the Notice.
- 5 On 11 August 2006 the Licensee gave its written consent to the proposed licence modifications.
- 6 The reasons for making the 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, Ref. No. 120/06. Copies of this document are 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.

Therefore in accordance with section 23 of the Act, the Authority hereby modifies the conditions of the gas transporter licence held by National Grid Gas plc in respect of its National Transmission System (NTS) in accordance with the Schedule to this modification with effect on and from 14 August 2006.

This document constitutes a notice of reasons for the decision to modify the conditions of the gas transporter licence held by National Grid Gas plc in respect of its National Transmission System (NTS) under section 38A of the Act.

The official seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of:



David Gray

Managing Director, Networks

Duly authorised on behalf of the Gas and Electricity Markets Authority

14 August 2006

SCHEDULE

MODIFICATION OF THE CONDITIONS OF THE GAS TRANSPORTER LICENCE HELD BY NATIONAL GRID GAS PLC UNDER SECTION 23 OF THE GAS ACT 1986

- 1 The definition of "UCAG^j" 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 shall be amended by inserting an additional terminal "Fleetwood" and corresponding UCAG^j (£/kWh) values for the Fleetwood terminal immediately after the "Milford Haven" terminal in the following manner:

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.

- 2 Table A1: NTS TO baseline entry capacity (GWh/day) in Schedule A: NTS output measures for the price control shall be amended by inserting additional terminals "Burton Agnes (Caythorpe)", "Winkfield", "Blyborough (Welton)", "Tatsfield", "Albury", "Palmers Wood" and "Fleetwood" and corresponding NTS TO baseline entry capacity (GWh/day) values for each additional terminal immediately after the "Garton" terminal in the following manner:

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 |
| Wytch 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 |

- 3 Table A2: Initial NTS SO baseline entry capacity (GWh/day) in Schedule A: NTS output measures for the price control shall be amended by inserting additional terminals "Burton Agnes (Caythorpe)", "Winkfield", "Blyborough (Welton)", "Tatsfield", "Albury", "Palmers Wood" and "Fleetwood" and corresponding Initial NTS SO baseline entry capacity (GWh/day) values for each additional terminal immediately after the "Garton" terminal in the following manner:

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

| | MONTH | | | | |
|-----------------|--------------------|---------------------|---------------------|---------------------|---------------|
| | $1 \leq m \leq 12$ | $13 \leq m \leq 24$ | $25 \leq m \leq 36$ | $37 \leq m \leq 48$ | $m \geq 49$ |
| 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 |