



To: The Company Secretary
National Grid Gas plc
NGT House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

*Promoting choice and
value for all customers*

MODIFICATION OF THE GAS TRANSPORTER LICENCE UNDER SECTION 23 OF THE GAS ACT 1986

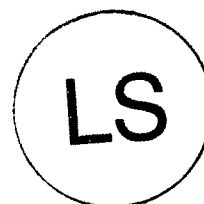
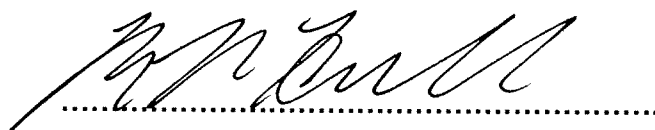
Whereas:

- 1 National Grid Gas 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 Pursuant to section 23(3) of the Act, the Gas and Electricity Markets Authority ("the Authority") gave notice on 30 March 2007 ("the Notice") that it proposed to modify a Special Condition of the NTS Licence.
- 3 Prior to the close of the consultation period in respect of the Notice, the Authority received 1 response which Ofgem regards as an objection in relation to the proposed modification of the NTS Licence. The response was not withdrawn and was confidential.
- 4 The Authority has carefully considered all representations made in relation to the proposed modification of the NTS Licence and not withdrawn.
- 5 Pursuant to section 23(4)(b) of the Act, the Authority gave notice of its intention to modify the NTS Licence to the Secretary of State and has not received a direction from the Secretary of State not to make the modification.
- 6 On 25th April 2007 the NTS Licensee gave its written consent to the proposed modification of the NTS Licence.

- 7 In accordance with section 38A of the Act, the reason for making this decision to modify the NTS Licence are set out in several documents including:
- (a) Transmission Price Control Review: Final Proposals, Decision Document, 4 December 2006, Ref 206/06;
 - (b) National Grid Electricity Transmission and National Grid Gas System Operator Incentives from 1 April 2007: Initial proposals consultation, 5 December 2006, Ref 208/06;
 - (c) National Grid System Operator Incentives from 1st April 2007: final proposals and statutory licence consultation, 21 March 2007, Ref 43/07; and
 - (d) Open Letter; Treatment of National Grid LNG Storage Services, 30 March 2007 ("Open Letter").
- 8 Copies of these documents are available from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE (020 7901 7003) or the Ofgem website (www.ofgem.gov.uk).

Pursuant to the powers contained in section 23(1)(a) of the Act, and with effect from 1st May 2007, the Authority hereby modifies the NTS Licence by removing special condition C3: *Restriction of Prices for LNG Storage Services* and replacing this condition with the condition set out in the Schedule to this Notice.

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



Robert Hull

Director-Transmission

Duly authorised on behalf of the Authority

30 April 2007

SCHEDULE

Special Condition C3: Restriction of Prices for LNG Storage Services

1. The licensee shall ensure that the charges made by the licensee for the:
- a) provision of Operating Margins; and
 - b) supply of LNG storage services to any DN Operator whose transportation system includes independent systems which are operated using LNG
- in the period of 12 months commencing on 1 May 2007 and finishing on 30 April 2008 are the charges set out in Tables 1 and 2 below.

TABLE 1

LNG storage facility	Reserved space (pence per kWh per annum)	Reserved deliverability (pence per peak day kWh per annum)	Storage injection (pence per kWh)	Storage withdrawal (pence per kWh)
Glenmavis	A	E	0.349	0.015
Dynevor Arms	B	F	0.248	0.021
Avonmouth	C	G	0.238	0.024
Partington	D	H	0.323	0.021

Where:

- A Equals a price in pence per kWh per annum which is the higher of 1.706 or $0.85 * WAHGSSSt$.
- B Equals a price in pence per kWh per annum which is the higher of 2.840 or $0.85 * WAHDAPSSSt$.
- C Equals a price in pence per kWh per annum which is the higher of 1.463 or $0.85 * WAHAPSSSt$.

- D Equals a price in pence per kWh per annum which is the higher of 1.086 or $0.85 * WAHPPSSt$.
- E Equals a price in pence per kWh per annum which is the higher of 1.233 or $0.15 * WAHGSSSt$.
- F Equals a price in pence per kWh per annum which is the higher of 1.815 or $0.15 * WAHDAPSSSt$.
- G Equals a price in pence per kWh per annum which is the higher of 1.345 or $0.15 * WAHAPSSSt$.
- H Equals a price in pence per kWh per annum which is the higher of 0.994 or $0.15 * WAHPPSSt$.
- WAHGSSSt Equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at Glenmavis, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the period of 12 months commencing on 1 May 2007 and finishing on 30 April 2008
- WAHDAPSSSt Equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at Dynevor Arms, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the Period of 12 months commencing on 1 May 2007 and finishing on 30 April 2008.
- WAHAPSSSt Equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at Avonmouth, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such

Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the Period of 12 months commencing on 1 May 2007 and finishing on 30 April 2008.

WAHDPPSSt Equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at Partington, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the Period of 12 months commencing on 1 May 2007 and finishing on 30 April 2008.

TABLE 2

TANKER CHARGES	
Glenmavis tanker filling slots	£ 3437.50 per annum
Glenmavis tanker filling charge	£ 250 per tanker filled or partially filled

- 2 For each formula year for which, and to the extent to which, the licensee charges for the supply of LNG storage services in accordance with paragraph 1 of this condition the licensee, so far as concerns LNG storage arrangements, shall be deemed to have complied for that formula year with the provisions of Standard Special Conditions A4 (Charging - General) and A5 (Obligations as Regard Charging Methodology).

- 3 The licensee shall provide a report in writing to the Authority stating the volume and price of all Storage Capacity sold in respect of the period of 12 months commencing on 1st May 2007 and finishing on 30th April 2008. This report shall be provided to the Authority as soon as reasonably practicable and in all circumstances by no later than 31st August 2008.

- 4 In this condition Operating Margins and Storage Capacity shall bear the meaning given to those terms in the licensee's network code as at 16 March 2007.