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value for all customers*

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Date: 8 May 2007

Dear Nigel,

Request for extension to period for issuing an offer ("the Offer") to an applicant ("the Applicant") in respect of the premises ("the Premises"): consent pursuant to standard licence condition C8 (Requirement to offer terms) ("SLC C8")

Background

National Grid Electricity Transmission plc ("the Licensee") holds a licence treated as granted, under section 6(1)(b) of the Electricity Act 1989 to transmit electricity ("the Licence").

Pursuant to paragraph 3 of SLC C8 of the Licence, the Licensee is required, on application made on or after 1 April 2005 (the British Electricity Trading and Transmission Arrangements ("BETTA") go-live date) by any person, to offer to enter into a bilateral agreement and/or a construction agreement relating to connection or modification to an existing connection. Paragraph 5 of SLC C8 requires the Licensee to offer terms in accordance with paragraph 3 as soon as practicable and (except where the Authority consents to a longer period) not longer than the periods set out in paragraph 7:

- (a) in the case of persons seeking use of system only, 28 days, and
- (b) in the case of persons seeking a bilateral connection agreement or a construction agreement, 3 months.

Request for consent

On 27 April 2007 the Licensee requested that the Authority exercise its powers to consent as provided for in paragraph 5 of SLC C8 to an extension to the period referred to in paragraph 7(b) of SLC C8 in respect of the Offer that the Licensee is required to make to the Applicant in respect of the Premises. The period of the extension that the Licensee is seeking the Authority to consent to is 6 months after 8 May 2007 (the date that the Offer is currently required to be made under SLC C8) such that the Offer would be made no later than 8 November 2007.

The Licensee has advised that there is currently no transmission infrastructure within the area where the Applicant proposes to locate and therefore a new transmission connection will be required. The Licensee anticipates further applicants will apply for capacity in this area.

The Licensee has stated that the nature of the required transmission works (and consequently their costs and timescales for establishment) will be sensitive to the total volume of capacity that will ultimately be required in the area. The Authority understands that the Licensee considers that the likelihood of other applicants requiring capacity would impact upon the solution it would propose for connecting the Applicant.

The Licensee has further advised that a study has been commissioned to assess the routing and siting of the infrastructure which may be required for the connection of a certain volume of generation in the area. The Licensee anticipates that the report will be available in August 2007.

The Licensee has informed the Authority that it does not believe that it is in a position to produce a competent "economic and efficient" offer at this time. The Licensee has stated that prior to completion of the study referred to above, it has only very preliminary cost estimates.

The Licensee is also concerned that it would not be able to ensure that the TNUoS tariff for users in the area will be sufficiently cost reflective to provide evidence that progressing any particular solution is economic. In addition, the Licensee has stated that as its current revenue drivers also do not feature a zone and associated Unit Cost Allowances specific to the investments that would be required in this area, it would have no ex-ante agreed allowances with Ofgem that such works would be efficient and hence fully funded.

The Licensee has further stated that if the Authority consents to an extension it intends to contact potential developers of generation in the area and encourage them to make an application for connection and use of system in a defined application window. The Licensee proposes undertaking this process in a manner which gives sufficient time for any interested developer to provide the required information, does not conflict with the Licensee's confidentiality obligations, is cognisant of the Licensee's contractual, regulatory and statutory framework and is compatible with the processes of planning authorities for the area.

The Licensee has indicated that its estimate is that to complete the areas of work indicated above will take until August for the results of the study plus three months to prepare any offers for parties that have responded to a request for applications.

The Licensee has advised that should the Authority not consent to an extension, it would need to consider the option of providing the Applicant with an offer in two stages. The first stage of the offer would consist of Advance Services works only, which would require the Licensee to undertake initial consents and routing work and require the Applicant to cover costs in respect of the consents and routing studies. In parallel with this the Licensee would seek applications from any other potential applicants. Upon completion of stage one, and considering any other applications that may also have been received, the Licensee would make all relevant offers, where it is economic and efficient to do so.

However, the Licensee considers that it is not the most economic and efficient solution and has therefore requested that the Authority consents to an extension as set out above.

Applicant's views

The Applicant has advised that it considers that a delay in issuing the Offer is better than a two stage offer, should Ofgem and the Licensee consider this to be appropriate.

The Applicant has also stated that it considers that the process for providing a grid connection into the area is unique (to the Applicant's knowledge) in terms of being a remote connection point with several applicants. As a result the Applicant believes that it is important to understand and manage the way this process has been and is managed.

The Applicant further stated that the critical factor is achieving a connection date that matches the premises build date. The Applicant hopes that the process going forward will be transparent to those parties seeking connection and expedited as quickly as possible. The Applicant also stated that and to facilitate an early connection it considers that all parties involved will take an approach of seeking solutions and encouraging engagement.

The Applicant also advised that it is important that those aspects that can be agreed in the short term including confirmation of capacity and location of the sub station are resolved.

The Applicant intends to contact the Licensee with a view to discussing the programme of work from here forward.

The Authority's decision

The Authority has considered the Licensee's request in accordance with its principal objective and general duties.

The Authority notes the views of the Applicant, in particular that the Applicant considers a delay preferable to a two stage offer, should Ofgem and the Licensee consider it to be appropriate. The Authority also notes the points raised by the Applicant with regard to the process to be followed. The Authority agrees that the Applicant should continue to engage with the Licensee to ensure that the work required to process the Offer can be taken forward expeditiously.

Having taken into account the views of the Applicant and in the light of the following advice from the Licensee:

- in accordance with paragraph 7(b) of SLC C8 and unless the Authority consents to a longer period, the Licensee is currently required to make the Offer to the Applicant by 8 May 2007
- the Licensee anticipates further applications for connection in the area where the Premises are located, which would impact on the transmission works required in the area
- if no consent is granted by the Authority, the Licensee would have to consider if it could make a two-stage offer to the Applicant, which the Licensee considers may not be economic and efficient
- the Licensee intends to initiate discussions with further potential applicants in the area in order that formal applications are made
- following the completion of the study referred to above, the Licensee plans to make an offer to the Applicant and any further potential applicants, and
- the period of the extension requested is to 8 November 2007, however the Licensee intends to issue the Offer as soon as is reasonably practicable.

The Authority has decided to consent to an extension of the timescales set out in paragraph 7(b) of SLC C8 within which the Licensee is required to make the Offer to the Applicant such that the Offer is made as soon as is reasonably practicable and in any event (except where the Authority consents to a longer period) no later than 8 November 2007.

The Authority notes the Licensee's comments in respect of its current revenue drivers and the Licensee's comment that it would have no ex-ante agreed allowances with Ofgem that works to connect the Applicant would be efficient and hence fully funded.

The Authority does not consider that the application of the Licensee's revenue drivers are a relevant consideration in respect of this Offer, and has not taken this factor into account in consenting to this extension. The Authority considers that the Licensee should be mindful of its statutory and licence obligations that require it to develop an economic and efficient transmission system and to provide offers for connection and/or use of the transmission system.

The Authority notes that the Licensee has requested an extension of no later than 8 November 2007 to issue the Offer, based on the Licensee's best estimate of the time it will take to complete this process. The Authority has decided to consent to this date. However, the Authority expects the Licensee to issue the Offer as soon as is reasonably practicable. In particular, the Authority expects the Licensee to initiate discussions with potential further applicants as soon as possible in order that taking forward these applications does not impose any unnecessary delay in issuing the Offer to the Applicant. In addition, the Authority expects the Licensee to keep Ofgem informed of progress in taking forward this work.

Consent

Annex 1 to this letter contains the Authority's consent pursuant to paragraph 5 of SLC C8 of the Licence to extend the timescales within which the Licensee is required to issue the Offer to the Applicant.

This letter constitutes notice pursuant to section 49A of the Electricity Act 1989

Unless the context otherwise requires, words and expressions used in the Licence shall bear the same meaning in this letter and the annex to it.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Robert Hull', with a horizontal line underneath.

Robert Hull
Director, Transmission

Signed on behalf of the Authority and authorised for that purpose

Annex 1

Consent pursuant to paragraph 5 of standard licence condition C8 of the licence treated as granted to National Grid Electricity Transmission plc ("the Licensee") under section 6(1)(b) of the Electricity Act 1989 to transmit electricity ("the Licence") to the extension of the timescales within which the Licensee must issue an offer under standard licence condition C8

In exercise of the power conferred upon it by paragraph 5 of standard licence condition C8 of the Licence, the Authority hereby grants its consent to the Licensee such that the Licensee shall make an offer to the Applicant in respect of the premises in accordance with paragraph 3 of standard licence condition C8 of the Licence as soon as reasonably practicable and in any event (except where the Authority consents to a longer period) no later than 8 November 2007.

This Consent shall take effect from 8 May 2007 and shall continue until revoked, amended or replaced by the Authority.

Signed

A handwritten signature in black ink, appearing to read 'Robert Hull', with a horizontal line underneath.

Robert Hull
Director, Transmission

8 May 2007

Signed on behalf of the Authority and authorised for that purpose

