



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 2 May 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 no responses in relation to the proposed modification of the NTS Licence.
- 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has carefully considered all representations made in relation to the proposed modification of the NTS Licence and not withdrawn.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 10th May 2007 the NTS Licensee gave its written consent to the proposed modification of the NTS Licence.

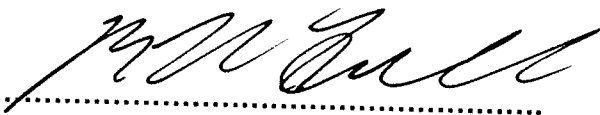
7 In accordance with section 38A of the Act, the reasons for making this decision to modify the NTS Licence are set below:

- (a) In July 2006 Ofgem published the decision document, Determining Unit Cost Allowances (UCAs) for large new entry points & Section 23 notice for Fleetwood, Decision Document, 13 July 2006;
- (b) On 11th August 2006 Ofgem provided NGG with a letter outlining certain conditions under which it might reconsider the unit cost allowance at the Fleetwood entry point ("Fleetwood UCA"). The letter set out that Ofgem would consider whether the Fleetwood UCA should be revised in the light of new information;
- (c) After the September 2006 QSEC entry capacity auctions, NGG considered that the Fleetwood UCA should be reviewed. This was due to the result of the bidding pattern in these auctions for capacity at the Fleetwood entry point, as releasing this capacity would result in additional network reinforcements; and
- (d) The Authority accepted that the user commitment for new entry capacity exhibited a flat profile throughout the period and this level of capacity requirement, in the context of the overall pattern of bids received during the QSEC auction, represented a material change and was assessed as warranting revision of the UCAG set out in Special Condition C8B. The flat capacity bid for during the auction had not been anticipated prior to the auction and represented a different profile from that used to determine the UCAG.

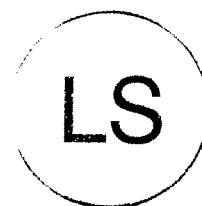
8 Copies of the documents referred to in paragraphs (a) and (b) are available from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE (020 7901 7003) or the Ofgem website (www.ofgem.gov.uk).

Pursuant to the powers contained in section 23(1)(a) of the Act, and with effect from 4th June 2007, the Authority hereby modifies the NTS Licence by 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 the Schedule to this Notice.

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



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Robert Hull

Director-Transmission

Duly authorised on behalf of the Authority

4th June 2007

SCHEDULE

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 (ECIIRt)

(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 table:

Terminal j	UCAG ^j (£/kWh)
Fleetwood	0.267
	where $580 \text{ GWh/d} \leq \text{PRIORCIOEC}_m^j < 740 \text{ GWh/d}$

PRIORCIOEC_m^j 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.