

**To: The Company Secretary
National Grid Gas plc (Company number: 02006000)
1-3 Strand
London
WC2N 5EH**

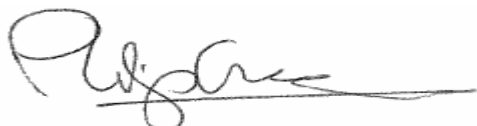
NOTICE OF MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID GAS PLC'S GAS TRANSPORTER LICENCE UNDER SECTION 23 OF THE GAS ACT 1986

1. National Grid Gas plc ("NGG") holds a gas transporter licence (the "licence") in respect of its National Transmission System (NTS) treated as granted pursuant to section 7 of the Gas Act 1986 (the "Act").
2. In accordance with section 23(3) and (4) of the Act, the Gas and Electricity Markets Authority (the "Authority") gives notice that it proposes to modify the special conditions of the licence in accordance with the Schedule to this Notice.
3. The licence modification has been proposed in order to ensure that the licence is consistent with NGG's implementation of the Market Information Provision Initiative (MIPI). The MIPI reporting system has been developed due to the limited extensibility of the current system and evolving market conditions which cause information requirements to change. The MIPI aims to ensure system performance and availability in line with market requirements.
4. In summary, the effect of the proposed licence modification is to revise the quality of website information performance measure in order to refer to the new reporting structure under the MIPI system.
5. This proposed license modification shall have effect subject to the outcome of this statutory consultation, consideration of respondents' views and the consent of NGG being given.
6. The reasons why the Authority proposes to make this licence modification were published by the Authority in its letter dated 15 October 2007. This document is 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.

7. Any representations or objections to the proposed licence modification may be made before 12 November 2007 and sent to:

Philip Davies
Director, GB Markets
Ofgem
9 Millbank
London SW1P 3GE

or by e-mail to gb.markets@ofgem.gov.uk.

A handwritten signature in black ink, appearing to read 'Philip Davies', with a long horizontal line extending to the right.

Philip Davies
Director, GB Markets
Duly authorised on behalf of the Gas and Electricity Markets Authority

15 October 2007

SCHEDULE

PROPOSED MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID GAS PLC'S GAS TRANSPORTER LICENCE UNDER SECTION 23 OF THE GAS ACT 1986

1. Special condition C8F (NTS System Operator external incentives, costs and revenues) is amended as follows.
2. In paragraph 4 (Quality of information incentive), sub-paragraph (c) (Quality of website information performance measure):

- (a) for the " WPM_q " formula from which the website availability performance measure is derived, substitute:

"

- (i) in relation to the formula year t, for all quarter years up to and including the quarter year ending on the day 1 October 2007:

$$WPM_q = \frac{WAPL_q + WAPNN_q + WAPNA_q + WAPDF_q}{4}$$

- (ii) in relation to the third quarter year of formula year t=6 (i.e. from the day commencing on 1 October 2007 to the day ending on 1 January 2008):

$$WPM_q = WPM_{qA} + WPM_{qB}$$

where,

$$WPM_{qA} = \frac{WAPL_q + WAPNN_q + WAPNA_q + WAPDF_q}{4}$$

and applies from the day commencing on 1 October 2007 until the day ending on the date as agreed in writing by the Authority (in response to a request made by the licensee in writing);

and where:

$$WPM_{qB} = \frac{(WAPPV_q + WAPDE_q + WAPRE_q)}{3}$$

and applies from the day commencing on the date agreed in writing by the Authority (in response to a request made by the licensee in writing).

- (iii) in relation to the fourth quarter of formula year t=6 (i.e. from the day commencing on 1 January 2008 to the day ending on 1 April 2008) and in all subsequent quarter years:

$$WPM_q = \frac{(WAPPV_q + WAPDE_q + WAPRE_q)}{3} \text{ "}$$

(b) after the definition of WAPDF_q, insert:

" WAPPV_q means the website availability performance measure for the licensee's Gas Operational data, Prevailing View screen expressed as the number of minutes of downtime of the Prevailing View screen published on the licensee's website in each quarter year;

WAPDE_q means the website availability performance measure for the licensee's Gas Operational data, Data Explorer screen expressed as the number of minutes of downtime of the Data Explorer screen published on the licensee's website in each quarter year;

WAPRE_q means the website availability performance measure for the licensee's Gas Operational data, Report Explorer screen expressed as the number of minutes of downtime of the Report Explorer screen published on the licensee's website in each quarter year;"