

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

**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 10 March 2008 (“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 in which the NTS Licensee gave its written consent to the proposed modification of the NTS Licence. In its acceptance, the Licensee suggested a non-material change to the Notice in order to avoid confusion with terms used in other Conditions within the Licence. The response is available on the Ofgem website.
- 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has carefully considered all representations made in relation to the proposed modification of the NTS Licence and not withdrawn.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.

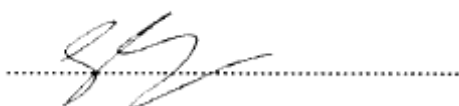
6 In accordance with section 38A of the Act, the reasons for making this decision to modify the NTS Licence are set out in several documents including:

- (a) Transmission Price Control Review: Final Proposals, Decision Document, 4 December 2006, Ref 206/06;
- (b) LNG Storage price control – Initial Thoughts, Consultation Document, 3 August 2007, Ref 202/07;
- (c) LNG Storage price control – Initial Proposals, Consultation Document, 26 October 2007, Ref 262/07; and
- (d) LNG Storage price control – Final Proposals, Decision Document, 19 December 2007, Ref 298/07

7 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](http://www.ofgem.gov.uk)).

Pursuant to the powers contained in section 23(1)(a) of the Act, and with effect from 1<sup>st</sup> May 2008, 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



**Steve Smith**

**Managing Director - Networks**

**Duly authorised on behalf of the Authority**

**16 April 2008**

## SCHEDULE

### Special Condition C3.

#### Restriction of Prices for Liquefied Natural Gas (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

for the relevant year commencing on 1 May 2008 and each subsequent relevant year 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	$0.349 * \text{LNGSPIT}_t$	$0.015 * \text{LNGSPIT}_t$
Dynevor Arms	B	F	$0.248 * \text{LNGSPIT}_t$	$0.021 * \text{LNGSPIT}_t$
Avonmouth	C	G	$0.238 * \text{LNGSPIT}_t$	$0.024 * \text{LNGSPIT}_t$
Partington	D	H	$0.323 * \text{LNGSPIT}_t$	$0.021 * \text{LNGSPIT}_t$

Where:

- A equals a price in pence per kWh per annum which is the higher of  $1.706 * \text{LNGSPIT}_t$  or  $0.85 * \text{WAHGPSS}_t$ .
- B equals a price in pence per kWh per annum which is the higher of  $2.840 * \text{LNGSPIT}_t$  or  $0.85 * \text{WAHDAPSS}_t$ .
- C equals a price in pence per kWh per annum which is the higher of  $1.463 * \text{LNGSPIT}_t$  or  $0.85 * \text{WAHAPSS}_t$ .
- D equals a price in pence per kWh per annum which is the higher of  $1.086 * \text{LNGSPIT}_t$  or  $0.85 * \text{WAHPPSS}_t$ .
- E equals a price in pence per peak day kWh per annum which is the higher of  $1.233 * \text{LNGSPIT}_t$  or  $0.15 * \text{WAHGPSS}_t$ .
- F equals a price in pence per peak day kWh per annum which is the higher of  $1.815 * \text{LNGSPIT}_t$  or  $0.15 * \text{WAHDAPSS}_t$ .
- G equals a price in pence per peak day kWh per annum which is the higher of  $1.345 * \text{LNGSPIT}_t$  or  $0.15 * \text{WAHAPSS}_t$ .

H equals a price in pence per peak day kWh per annum which is the higher of  $0.994 * LNGSPIT_t$  or  $0.15 * WAHPPSS_t$

WAHGPPSS<sub>t</sub> 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 relevant year

WAHDAPSS<sub>t</sub> 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 relevant year

WAHAPSS<sub>t</sub> 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 relevant year

WAHPPSS<sub>t</sub> 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 relevant year

TABLE 2

TANKER CHARGES	
Glenmavis tanker filling slots	£3437.50 * LNGSPIT <sub>t</sub> per annum
Glenmavis tanker filling charge	£250 * LNGSPIT <sub>t</sub> per tanker filled or partially filled

LNGSPIT<sub>t</sub> is the price indexation adjustment term, which shall be calculated using the following formula:

$$LNGSPIT_t = \left(1 + \frac{RPI_t}{100}\right) \times LNGSPIT_{t-1}$$

where LNGSPIT shall take the value 1 in respect of the relevant year commencing 1 May 2007 only and RPI<sub>t</sub> shall be as follows:

RPI<sub>t</sub> means the percentage change (whether of a positive or a negative value) in the arithmetic average of the retail prices index published or determined with respect to each of the six months from July to December (both inclusive) in relevant year t-1

and the arithmetic average of the retail prices index numbers published or determined with respect to the same months in relevant year t-2

2. For each relevant 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 relevant 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 each relevant year. This report shall be provided to the Authority as soon as reasonably practicable and in all circumstances by no later than 31 August following the end of the relevant year to which it relates.

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.

5. For the purposes of this condition only "relevant year" means a period of twelve months commencing on 1 May at 06:00 hours.