

NOTICE OF MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC'S ELECTRICITY TRANSMISSION LICENCE UNDER SECTION 11 OF THE ELECTRICITY ACT 1989

1. National Grid Electricity Transmission plc ("NGET") holds an electricity transmission licence (the "licence") treated as granted pursuant to section 6(1)(b) of the Electricity Act 1989 (the "Act").
2. In accordance with section 11(2) and (3) 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 proposed licence modification is intended to implement a revision to the transmission losses element of the balancing services activity incentive scheme. Further to an investigation carried out by National Grid, it is proposed that the transmission losses volume target for 2008/9 should be set at 5,900 GWh.
4. Subject to the outcome of this statutory consultation, consideration of respondents' views and the consent of NGET being given, it is the intention of the Authority that the proposed licence modification shall have effect on and from 00:00 hours on 1 July 2008.
5. Information in relation to the proposed licence modification is contained in the following document:

"Investigation into transmission losses on the UK electricity transmission system", National Grid, June 2008.

This document is available from the National Grid website at <http://www.nationalgrid.com/uk/Electricity/soincentives/AnalystArea/>

6. The reasons why the Authority proposes to make the licence modification were published by the Authority in the following documents:

"National Grid Electricity Transmission and National Grid Gas System Operator Incentives from 1 April 2008: Final Proposals", Ofgem, February 2008.

"National Grid Electricity Transmission System Operator Incentive Scheme 2008/09, Transmission Losses: Revised Volume Targets", Open Letter, Ofgem, 17 July 2008.

These documents are 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 14 August 2008 and sent to:

Andrew Wright
Managing Director, Markets
Office of Gas and Electricity Markets
9 Millbank
London SW1P 3GE

or by e-mail to GB.Markets@ofgem.gov.uk

A handwritten signature in black ink, appearing to be 'AW', with a long horizontal line underneath it.

Andrew Wright
Managing Director, Markets
Duly authorised on behalf of the Gas and Electricity Markets Authority

17 July 2008

SCHEDULE

PROPOSED MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC'S ELECTRICITY TRANSMISSION LICENCE UNDER SECTION 11 OF THE ELECTRICITY ACT 1989

1. Schedule A (Supplementary Provisions of the Charge Restriction Conditions), Part B (Terms used in the balancing services activity revenue restriction), is amended in accordance with paragraph 2 below.
2. In paragraph B3, for the definition of TLT_q substitute:

" TLT_q is the target volume of transmission losses in the relevant quarter year, and:

 - (i) in quarter 1 has the value in megawatt hours of 1,610,000;
 - (ii) in quarter 2 has the value in megawatt hours of 1,240,000;
 - (iii) in quarter 3 has the value in megawatt hours of 1,525,000;
 - (iv) in quarter 4 has the value in megawatt hours of 1,525,000;".