

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

**NOTICE OF REASONS FOR THE DECISION TO MODIFY THE SPECIAL
CONDITIONS OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC'S
ELECTRICITY TRANSMISSION LICENCE UNDER SECTION 49A 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"):
 - (a) gave notice (the "Notice") on 17 July 2008 that it proposed to modify the special conditions of the licence in accordance with the Schedule to the Notice;
 - (b) published the Notice in the manner it considered appropriate; and
 - (c) served a copy of the Notice on NGET.
3. The Authority gave notice of its intention to make the proposed licence modification to the Secretary of State. The Authority did not receive a direction from the Secretary of State not to make the proposed licence modification before the relevant time specified in the Notice.
4. The Authority received no representations in relation to the proposed licence modification before the relevant time specified in the Notice. No representations were withdrawn.
5. On 8 August 2008 NGET gave its written consent to the modification proposed in the Notice.
6. Information in relation to the licence modification is contained in the following documents:

"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/>

7. The reasons why the Authority proposed 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.

The reasons set out in those two documents for the proposal are the reasons for making this modification.

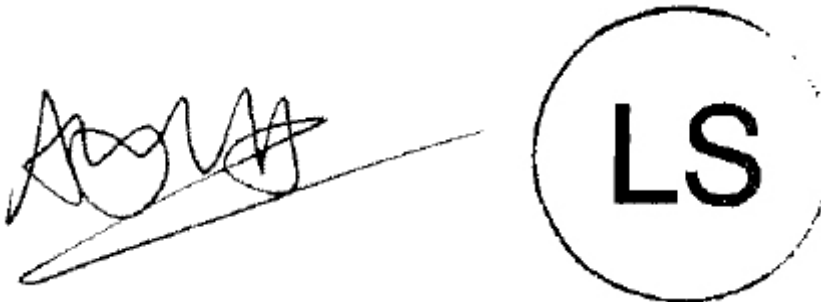
These documents are available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE or from the Ofgem website at www.ofgem.gov.uk.

THEREFORE:

In accordance with section 11 of the Act, the Authority hereby modifies the special conditions of NGET's licence in accordance with the Schedule to this Modification with effect on and from 00:00 hours on 1 July 2008.

This document constitutes a notice of reasons for the decision to modify the special conditions of NGET's licence under section 49A of the Act.

The Official Seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of:



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

18 August 2008

SCHEDULE

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;".