

**MODIFICATION OF SPECIAL CONDITION C8E OF NATIONAL GRID GAS PLC'S GAS TRANSPORTER LICENCE IN RESPECT OF ITS NATIONAL TRANSMISSION SYSTEM UNDER SECTION 23(1)(a) OF THE GAS ACT 1986**

**NOTICE OF REASONS FOR THE DECISION TO MODIFY SPECIAL CONDITION C8E OF NATIONAL GRID GAS PLC'S GAS TRANSPORTER LICENCE UNDER SECTION 38A OF THE GAS ACT 1986**

Whereas –

1. National Grid Gas plc ("the Licence Holder") is the holder of a Gas Transporter Licence in respect of its National Transmission System ("the Licence") granted or treated as granted under section 7 of the Gas Act 1986 ("the Act").
2. In accordance with section 23(3) of the Act the Gas and Electricity Markets Authority ("the Authority"):
  - i. gave notice ("the Notice") on 29 May 2009 that it proposed to make a modification to Special Condition C8E of the Licence setting out its effect;
  - ii. stated the reasons for the proposed modification; and
  - iii. served a copy of the Notice on the Licensee requiring any objections or representations to the modification to be made on or before 26 June 2009.
3. In accordance with section 23(4)(b) of the Act, the Authority gave notice of the proposed modification to the Secretary of State on 29 May 2009 and has not received a direction not to make the modification before the relevant time period specified in the Notice.
4. Prior to the close of the relevant time period specified in the Notice, the Authority did not receive any responses which constituted formal objections.
5. On 22 June 2009 the Licence Holder gave written consent to the proposed modification.
6. The Authority received one response in relation to the proposed modification. The Authority has carefully considered the response received in relation to the proposed modification and considers that no further amendment is necessary to the Notice in relation to the response received.

The response received, which was not confidential, is available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London SW19 3GE or from the Ofgem website [www.ofgem.gov.uk](http://www.ofgem.gov.uk).

7. In accordance with 38A of the Act the Authority gives the following reasons for making the licence modification:

The licence modification is necessary to enable the Licence Holder to recover additional revenue for incremental exit capacity it makes available at Gilwern.

Further details of the reasons are published by the Authority in the following document:

"Decision on determining revenue drivers for entry and exit points: Canonbie and Gilwern", with reference number 58/09, published on 29 May 2009.

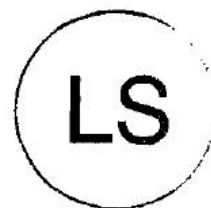
This document is available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE or from the Ofgem website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk).

**THEREFORE**

In accordance with section 23(1)(a) of the Act, the Authority hereby modifies the Licence in the manner specified in attached Schedule A with effect on and from 1 July 2009.

This document constitutes a notice of reasons for the decision to modify the special conditions of the licence under section 38A of the Act.

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

A handwritten signature in black ink that reads "Stuart Cook". The signature is written in a cursive style and is positioned above a horizontal line.

.....  
**Stuart Cook**  
**Director, Networks**  
**Duly Authorised on behalf of the Authority**

**30 June 2009**

**Schedule A**

**Special Condition C8E NTS gas exit incentives, costs and revenues**  
**Paragraph (1)(d)(iii)**

**(iii) Determination of ExCIIR<sub>t, newproj</sub>**

$$\text{ExCIIR}_{t, \text{newproj}} = \sum_{\text{all } z} (\text{INCCAP}_{z, t} \times \text{RDEL}_{z, t} \times \text{INDEX}_z \times \text{RDNEWPROJ}_{z, t})$$

where

INCCAP<sub>z, t</sub> shall bear the same meaning as it does in paragraph 1(d)(ii) of this condition

RDEL<sub>z, t</sub> shall bear the same meaning as it does in paragraph 1(d)(ii) of this condition

INDEX<sub>z</sub> shall bear the same meaning as it does in paragraph 1(d)(ii) of this condition

RDNEWPROJ<sub>z, t</sub> means the revenue driver in (£/GWh/year) in formula year t for each new NTS exit point z set out in the table below.

<b>NTS Exit Point z</b>	<b>Project description</b>	<b>RDNEWPROJ<sub>z, t</sub> £ /GWh/year</b>
Gilwern	To deliver NTS incremental exit shipper capacity or NTS obligated incremental flat capacity of 20.215 GWh/day at Gilwern in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i), 1(d)(ii) or 1(d)(iii)	£1,304