

MODIFICATION OF SPECIAL CONDITION C8D 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 C8D 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 18 September 2009 that it proposed to make modifications to Special Condition C8D of the Licence setting out their effect;
 - ii. stated the reasons for the proposed modifications; and
 - iii. served a copy of the Notice on the Licensee requiring any objections or representations to the modifications to be made on or before 16 October 2009.
3. In accordance with section 23(4)(b) of the Act, the Authority gave the Secretary of State notice that it proposed to make the modifications on 18 September 2009 and has not received a direction not to make the modifications before the relevant time period specified in the Notices.
4. The Licence Holder has given written consent to the proposed modifications. However it has pointed out that the wording of the text "the licensee's statutory duties and its licence obligations" in paragraphs 9(k)(i) and 10(c)(i) of the Condition are written in a manner that is not wholly consistent with the drafting of other provisions of the licence. The words "the licensee's statutory duties and its licence obligations" have therefore been deleted and the words "the licensee's duties under the Act and the standard, Standard Special and Special Conditions" inserted in their place, in paragraphs 9(k)(i) and 10(c)(i). The use of this form of words makes it clear that it is the licensee's duties under the Gas Act 1986, rather than other statutes, that are relevant here.
5. The Authority received no other responses in relation to the proposed modifications.
6. In accordance with section 38A of the Act the Authority gives the following reasons for making the licence modifications:

The licence modifications are necessary

- a. to clarify the objectives that NGG is required to achieve that will be assessed by the Authority in reaching its decision on whether to approve or veto an application for substitution; this licence modification clarifies the principles which should be followed when deciding whether to substitute entry capacity or not;
- b. to clarify the entry capacity substitution objectives which are to be facilitated by the entry capacity substitution methodology statement submitted by NGG; and
- c. to provide the Authority with an additional month to consider the entry capacity substitution methodology statement submitted by NGG if it decides to conduct an impact assessment, which is in line with other similar licence conditions.

Further details of the reasons were published by the Authority in the open letter which accompanied the Section 23 Notice of Proposed Modification of Special Condition C8D of the Licence, published on 18 September 2009, reference 113/09.

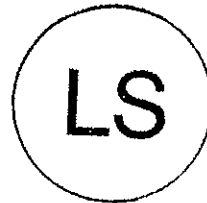
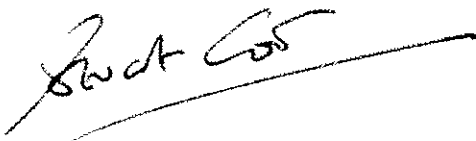
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THEREFORE

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

This constitutes notice pursuant to section 38A of the Act.

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



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Stuart Cook

Director, Networks

Duly Authorised on behalf of the Authority 23 October 2009