

**NOTICE OF PROPOSED MODIFICATION OF SPECIAL CONDITION E3 OF
NATIONAL GRID GAS PLC'S GAS TRANSPORTER LICENCE IN RESPECT OF THE
RETAINED DISTRIBUTION NETWORKS IN THE EAST OF ENGLAND, LONDON, THE
NORTH WEST AND THE MIDLANDS UNDER SECTION 23(3) OF THE GAS ACT
1986**

1. National Grid Gas Plc ("NGG") holds a Gas Transporter Licence ("the Licence") in respect of the four Retained Distribution Networks ("RDNs") in the East of England, London, North West and West Midlands, 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") gives notice that it proposes to modify Annex B part 1 – RDN factor (RDNF) of paragraph 3: Formula for the business rates adjustment (RB_t) of Special Licence Condition E3: Distribution Network allowed pass-through items (F_t) of the Gas Transporter Licence in respect of the RDNs in the manner set out in Schedule A to this Notice.
3. The effect of the proposed modification is to change the apportionment of prescribed rates for the four RDNs from the current values of 28.3146% for the East of England, 13.6385% for London, 14.2424% in the North West and 11.1655% for the West Midlands to the new rateable values of 25.32% for the East of England, 11.60% for London, 13.14% for the North West and 10.54% for the West Midlands that will apply from 1st April 2010.
4. The reason why the Authority proposes to make this licence modification is so that the licence will reflect the new rateable values that will apply from 1st April 2010 following the revaluation of NGG's rateable values, in common with all businesses in the UK, by the Valuation Office Agency ("VOA") and the Scottish Assessor's Authority ("SAA"). The new values represent a fairer apportionment of business rates for gas transportation based on the revaluation of NGG's rateable values. In order to produce the revised values for the RDNs the VOA has modelled separate calculations of rateable values for the National Transmission System ("NTS") and the individual RDNs using a bottom up process and information specific to the NTS and the RDNs and from this the underlying national rates assessments for each of the networks (i.e. NTS and the four RDNs) can be implied.
5. A copy of the proposed modification(s) and other documents referred to in this notice are available (free of charge) from the Ofgem Research and Information Centre, 9 Millbank, London, SW1P 3GE (telephone 020 7901 1600) or on the Ofgem website (www.ofgem.gov.uk).
6. Any representations or objections to the proposed licence modification may be made on or before 5th March 2010 to: Mick Watson, Senior Manager, Local Grids, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to mick.watson@ofgem.gov.uk.
7. All responses will normally be published on Ofgem's website and held in the Research and Information Centre. However, if a respondent does not wish its response to be published on the Ofgem website the response should be clearly marked as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.

A handwritten signature in black ink, appearing to read 'Rachel Fletcher', is positioned above a dotted line.

.....
Rachel Fletcher, Partner, Distribution

**Duly authorised on behalf of the
Gas and Electricity Markets Authority**

4 February 2010