To: The Company Secretary
        National Grid Gas plc
        National Grid House
        Warwick Technology Park
        Gallows Hill
        Warwick
        CV34 6DA

MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID GAS PLC'S GAS TRANSPORTER LICENCE IN RESPECT OF ITS NATIONAL TRANSMISSION SYSTEM UNDER SECTION 23 OF THE GAS ACT 1986

Whereas:

1.   National Grid Gas plc ("the NTS Licensee") is the holder of a gas transporter ("GT") licence in respect of the National Transmission System ("NTS") ("the NTS Licence") treated as granted under section 7 of the Gas Act 1986 ("the Act").

2.   Pursuant to section 23(3) and (4) of the Act, the Gas and Electricity Markets Authority ("the Authority") gave notice on 22 January 2010 ("the Notice") that it proposed to modify Special Condition C8F of the NTS Licence.

3.   Pursuant to section 23(4)(b) of the Act, the Authority gave notice of its intention to modify the NTS Licence to the Secretary of State and has not received direction from the Secretary of State not to make the modification.

4.   Prior to the close of the consultation period in respect of the Notice, the Authority received one written response. In this response, the respondent agreed that it was appropriate to amend the NTS Shrinkage compressor usage volume target, the 2009/10 Environmental Incentive volume target and the Unaccounted for Gas (UAG) drafting error. This respondent had no concerns with the proposed drafting.

5.   The NTS Licensee has given its written consent to the proposed modification of the NTS Licence.

        These responses are available on the Ofgem website (www.ofgem.gov.uk).

6.   It has come to the attention of the Authority that a number of minor changes to the Notice could be made to clarify the drafting without prejudicing the objectives served by Special Condition C8F. The modification reflects these changes.

7.   In accordance with section 38A of the Act, the reasons for making this decision to modify the NTS Licence are set out in the following document:

        "Notice of Modification of the Special Conditions of National Grid Gas plc gas transporter licence in respect of its National Transmission System under section 23 of the Gas Act", 22 January 2010.

        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).

NOW THEREFORE

Pursuant to the powers contained in section 23(1)(a) of the Act, the Authority hereby modifies the NTS Licence in accordance with the Schedule to this Modification to apply retrospectively with effect from 06:00 hours on 01 April 2009.

The official seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of

Ian Marlee
Partner, Trading Arrangements
Duly authorised on behalf of the Gas and Electricity Markets Authority

22 February 2010

MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID GAS PLC'S GAS TRANSPORTER LICENCE IN RESPECT OF ITS NATIONAL TRANSMISSION SYSTEM UNDER SECTION 23 OF THE GAS ACT 1986

In Special Condition C8F of the licence (NTS System Operator external incentives, costs and revenues)

1. In Paragraph (2) (NTS Shrinkage Incentive) (d) (The NTS Shrinkage Gas Volume Target) (i)

   replace:

   "$GVT_{t,q} = GCVT_{t,q} + GCVTA_{t,q} + CVST_{t,q} + CVO_{t,q} + NOUAG_{t,q}$

   where:"

   with:

   "$GVT_{t,q} = max(GCVT_{t,q} + GCVTA_{t,q}, 0) + CVST_{t,q} + CVO_{t,q} + NOUAG_{t,q}$

   where:

   Max [x,y] is the value which is the greater of x and y;"

2. In Paragraph (2) (NTS Shrinkage Incentive) (f) (The NTS Shrinkage incentive Electricity Volume Target) (i)

   replace:

   "$EVT_{t,q} = ECVT_{t,q} + ECVTA_{t,q}$

   where:"

   with:

   "$EVT_{t,q} = max(ECVT_{t,q} + ECVTA_{t,q}, 0)$

   where:

   Max [x,y] is the value which is the greater of x and y;"

3. In Paragraph (6) (Environmental Incentive) (a) (Natural Gas venting incentive revenue)

   replace:

   "$VITL_t$ means the venting incentive target volume lower limit (in tonnes of natural gas) in respect of formula year t and in t=8 shall take the value 1688;"

   with:

   "$VITL_t$ means the venting incentive target volume lower limit (in tonnes of natural gas) in respect of formula year t and in t=8 shall take the value 1878;"

and replace:

> "$VITU_t$ means the venting incentive target volume lower limit (in tonnes of natural gas) in respect of formula year t and in t=8 shall take the value 1865;"

with:

> "$VITU_t$ means the venting incentive target volume lower limit (in tonnes of natural gas) in respect of formula year t and in t=8 shall take the value 2076;"

4. In Paragraph (7) (Unaccounted for Gas Incentive) (a) (Principal formula)

replace:

> "$UAGIR_t = \max[UAGRP_t \times (UAGT_t\text{-}UAGO_t), UCAP_t]$"

with:

> "$UAGIR_t = \min[UAGRP_t \times (UAGT_t\text{-}UAGO_t), UCAP_t]$"

and replace:

> "Max [x,y] is the value equal to the greater of x and y;"

with:

> "Min [x,y] is the value equal to the lesser of x and y;"