

**MODIFICATION OF SPECIAL CONDITION E3 OF NATIONAL GRID GAS PLC'S GAS
TRANSPORTER LICENCE IN RESPECT OF ITS RETAINED DISTRIBUTION
NETWORKS UNDER SECTION 23(1)(a) OF THE GAS ACT 1986**

**NOTICE OF REASONS FOR THE DECISION TO MODIFY SPECIAL CONDITION E3
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 the Retained Distribution Networks ("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 on 4 February 2010 ("the Notice") that it proposed to make modifications to Special Licence Condition E3: Distribution Network allowed pass-through items (F_t) Annex B part 1 – RDN factor (RDNF), paragraph 3: Formula for the business rates adjustment (RB_t);
- ii. Stated the reasons for the proposed modifications; and
- iii. Served a copy of the Notice requiring any objections or representations to the modification to be made on or before 5 March 2010.

3. In accordance with section 23(4)(b) of the Act, the Authority gave notice to the Secretary of State that it proposed to make the modification(s) on 4 February 2010 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 consent to the modification set out in the attached Schedule.

5. Prior to the close of the consultation period in respect of the Notice, the Authority received no responses which constituted a formal objection.

6. In accordance with section 38A of the Act the Authority gives the following reasons for making the licence modifications:

The Authority is making this licence modification so that the licence will reflect the new rateable values that will apply from 1 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.

Further details of the reasons were published by the Authority in the open letter which accompanied the section 23 Notice of Proposed Modifications of Special Condition E3 of the Licence, published on 4 February 2010, reference 18/10.

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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 attached Schedule A with effect on and from 1 April 2010.

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**

A handwritten signature in black ink, appearing to read 'Rachel Fletcher', is written over a faint, rectangular official seal of the Gas and Electricity Markets Authority.

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Rachel Fletcher, Partner, Distribution

Duly Authorised on behalf of the Authority

19 March 2010