

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

MODIFICATION OF SPECIAL CONDITION D4 OF THE ELECTRICITY TRANSMISSION LICENCE OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC PURSUANT TO SECTION 11(1) OF THE ELECTRICITY ACT 1989; AND

NOTICE OF REASONS UNDER SECTION 49A(1)(b) OF THE ELECTRICITY ACT 1989 FOR THE DECISION TO MODIFY SPECIAL CONDITION D4 OF THE ELECTRICITY TRANSMISSION LICENCE OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC

Whereas:

1. National Grid Electricity Transmission Plc, ("the Licensee"), is the holder of an electricity transmission licence ("the Licence") granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act").
4. On 25 January 2010, the Gas and Electricity Markets Authority ("the Authority") gave notice ("the Notice") pursuant to section 11(2) of the Act that it proposed to modify Special Condition D4: "Pass Through Items" of the Licence held by the Licensee in the manner set out in the Schedule to this Document, and required any objections or representations to the proposed modification to be made in writing on or before 22 February 2010.
2. The reasons for modifying the Licence in the manner prescribed in the Schedule to this Document are set out in the Notice. In summary, the effect of the proposed licence modification is that the value of the ITC_t term will be set at the conclusion of the annual regulatory reporting mechanism and be reflective of the actual outturn costs incurred by the Licensee from participating in any European Union Inter-Transmission System Operator Compensation ("ITC") scheme where participation has been approved by the Authority. This means the process for setting the value of the ITC_t term will be consistent with the process for other pass-through elements under Special Condition D4, i.e. to be equal to an amount as reported through the regulatory reporting mechanism where costs are reported to the Authority in accordance with obligations under the Licensee's Standard Condition B16 (Price Control Revenue Reporting and Associated Information). Such an approach is also consistent with the treatment of other variable elements of revenue allowances derived through formulae based on input values as reported through the regulatory reporting mechanism.
5. The Authority gave notice to the Secretary of State of its intention to make the modification in accordance with section 11(4) of the Act and did not receive from him a direction not to make the modification.
6. On 5 February 2010, the Licensee gave its consent to the proposed modification of Special Condition D4 of the Licence in the manner set out in

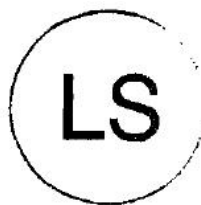
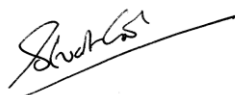
the Schedule to this Document. This consent was the only response received by the Authority prior to the close of the consultation period in respect of the Notice.

7. Copies of the Notice and other documents referred to in this modification are available (free of charge) from the Ofgem website (www.ofgem.gov.uk) or from the Ofgem Research and Information Centre, 9 Millbank, London, SW1P 3GE (telephone number: 020 7901 7003).

NOW in accordance with the powers contained in section 11(1) of the Act, the Authority HEREBY MODIFIES Special Condition D4 of the Licence in the manner specified in the schedule to this Document WITH EFFECT on and from 01 April 2010.

This Document also constitutes notice of the reasons for the decision to modify the Licence under section 49A(1)(b) of the Act.

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



Stuart Cook
Senior Partner
Transmission and Governance

Authorised on behalf of the Authority

08 March 2010

SCHEDULE

MODIFICATION TO PARAGRAPH 1 OF SPECIAL CONDITION D4 OF THE ELECTRICITY TRANSMISSION LICENCE OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC PURSUANT TO SECTION 11(1) OF THE ELECTRICITY ACT 1989

In paragraph 1 of Special Condition D4 ("Pass Through Items") of the electricity transmission licence granted, or treated as granted, to National Grid Electricity Transmission plc, the following words:

"ITC_t shall take the value zero unless otherwise determined by the Authority in the event of the participation by Great Britain in a European Union inter-TSO compensation scheme, and following consultation with other interested parties;"

shall be removed and replaced with the following words:

"ITC_t means an amount reported by the licensee in relation to relevant year t in respect of the direct costs arising from the participation by Great Britain in any European Union inter-TSO compensation scheme, where the Authority has approved the participation in that scheme in respect of one or more relevant years;"