

MODIFICATION OF SPECIAL CONDITION C8E 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 C8E 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 NTS") ("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 March 2010 that it proposed to make a modification to Special Condition C8E of the Licence setting out its effect;
- ii. stated the reasons for the proposed modification; and
- iii. served a copy of the Notice on the Licence Holder requiring any objections or representations to the modification to be made on or before 19 April 2010.

3. In accordance with section 23(4)(b) of the Act, the Authority gave notice of the proposed modification to the Secretary of State on 18 March 2010 and has not received a direction not to make the modification before the relevant time period specified in the Notice.

4. On 22 March 2010 the Licence Holder gave written consent to the proposed modification¹.

5. Prior to the close of the relevant time period specified in the Notice, the Authority received no other responses in relation to the proposed modifications. The Authority has carefully considered the consent received in relation to the proposed modification and considers that no further amendment is necessary to the Notice.

6. In accordance with section 38A of the Act the Authority gives the following reasons for making the licence modification. The licence modification is necessary to:

- Enable the Licence Holder to recover additional revenue for incremental exit capacity it makes available at the exit points at Barking (Horndon) and Coryton 2 (Thames Haven) Power Station.

Further details of the reasons are published by the Authority in the following document: "Determining revenue drivers for exit points: Abernedd, Barking and Coryton", published on 18 March 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.

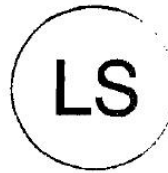
THEREFORE

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 27 April 2010.

¹ The consent received, which was not confidential, is available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London SW19 3GE or from the Ofgem website www.ofgem.gov.uk.

This document 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
Senior Partner, Transmission & Governance
Duly Authorised on behalf of the Authority

27 April 2010

Schedule A

Special Condition C8E NTS gas exit incentives, costs and revenues
Paragraph (1)(d)(iii)

(iii) Determination of ExCIIR_{t, newproj}

$$\text{ExCIIR}_{t, \text{newproj}} = \sum_{\text{all } z} (\text{INCCAP}_{z, t} \times \text{RDEL}_{z, t} \times \text{INDEX}_z \times \text{RDNEWPROJ}_{z, t})$$

where

INCCAP_{z, t} shall bear the same meaning as it does in paragraph 1(d)(ii) of this condition

RDEL_{z, t} shall bear the same meaning as it does in paragraph 1(d)(ii) of this condition

INDEX_z shall bear the same meaning as it does in paragraph 1(d)(ii) of this condition

RDNEWPROJ_{z, t} means the revenue driver in (£/GWh/year) in formula year t for each new NTS exit point z set out in the table below.

NTS Exit Point z	Project description	RDNEWPROJ_{z, t} £ /GWh/year
Gilwern	To deliver NTS incremental exit shipper capacity or NTS obligated incremental flat capacity of 20.215 GWh/day at Gilwern in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i), 1(d)(ii) or 1(d)(iii)	£1,304
Barking (Horndon)	To deliver NTS incremental exit shipper capacity or NTS obligated incremental flat capacity of 23.8 GWh/day at Barking (Horndon) in respect of which a revenue driver has not previously been applied	£171,895

NTS Exit Point z	Project description	RDNEWPROJ _{z,t} £ /GWh/year
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	pursuant to paragraphs 1(d)(i), 1(d)(ii) or 1(d)(iii)	
Coryton 2 (Thames Haven) Power Station	To deliver NTS incremental exit shipper capacity or NTS obligated incremental flat capacity of 46.2 GWh/day at Coryton 2 (Thames Haven) Power Station in respect of which a revenue driver has not previously been applied pursuant to paragraphs 1(d)(i), 1(d)(ii) or 1(d)(iii)	£129,552