

Stuart Cook
Senior Partner, Transmission and Governance
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Paul Whittaker
UK Director of Regulation

paul.whittaker@uk.ngrid.com
Direct tel +44 (0)1926 653190
Direct fax +44 (0)1926 656520

www.nationalgrid.com

19th May 2010

Dear Stuart

Notice under section 23 of the Gas Act 1986 (re Modification of Special Condition C8G (NTS System Operator internal incentives, costs and revenues) (the “Condition”) of National Grid Gas plc’s gas transporter licence in respect of the NTS (the “NTS licence”)

I refer to the notice (the “Notice”) given by the Gas and Electricity Markets Authority on 11 May 2010 pursuant to Section 23 of the Gas Act 1986 (the “Act”) that it proposes to modify the NTS licence in the manner set out in the Schedule to the Notice.

National Grid Gas plc (“National Grid”) has considered the proposed modifications and considers that they would benefit from slight amendment in order to clarify the definition of $OMPC_t$ so that it is completely clear which costs are relevant to the calculation of IOC_t within the Condition.

National Grid has discussed these further amendments with Ofgem and does not consider that the changes that it is proposing to the drafting of the Condition materially affect the objective served by proposed modification: rather it considers that they clarify it. As such, it does not consider that these changes are material.

In this light, I confirm that, for the purposes of Section 23 of the Act, National Grid Gas plc hereby consents to the modification of its NTS licence in the manner specified in the Schedule to the Notice, subject to the amendments set out below being made to the definition of “ $OMPC_t$ ”.

$OMPC_t$ means the total costs incurred by the licensee **in respect of formula year t** in respect of the procurement and utilisation of services that have been paid for the purposes of establishing and testing potential future Operating Margins services and which are not included in the calculation of OMC_t and shall have a zero value for all formula years except formula year $t=8$;

Yours sincerely

[By e-mail]

Paul Whittaker
UK Director of Regulation