



Helen Mahy
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*Promoting choice and value for
all gas and electricity customers*

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Dear Ms Mahy

Date: 6 June 2011

Direction issued pursuant to Special Condition C28: Requirement to develop and undertake a Scheme of Work to facilitate the establishment of a long term external gas system operator incentive to reduce targeted greenhouse gases

Special Condition C28 places an obligation on National Grid Gas (NGG) to develop and undertake a Scheme of Work to facilitate the establishment of a long term external gas system operator incentive to reduce targeted greenhouse gases. We received a draft Scheme of Work from NGG under this condition on 28 April 2011. Since then Ofgem and the Consultants have been undertaking a review of the Scheme of Work. The draft report from the Consultants undertaking this review was received on 31 May 2011 and a meeting between NGG, the Consultants and Ofgem was also held that day.

The draft report identified the need for the draft Scheme of Work to be modified to include, amongst other things, a project relating to the improvement of NGG's methodology for calculating emissions from compressor seals. The revised draft Scheme of Work will then need to be reviewed by Ofgem and the Consultants.

In order for the Authority and the Consultants to review the revised draft Scheme of Work and to enable NGG to make the consequential amendments to the draft Scheme of Work arising from the Review, the Authority directs pursuant to paragraphs 2 and 3 of Special Condition C28, that NGG:

- cooperate with the Authority and the Consultants in the conduct of the Review by or around 28 June 2011; and
- make the consequential amendments by 1 July 2011.

We would note that there are a number of elements of the Scheme of Work that have been agreed, and we would expect NGG to make progress on these in the meantime.

Please contact Philippa Pickford (Philippa.pickford@ofgem.gov.uk) if you have any questions relating to this direction.

Yours sincerely

Ian Marlee
Partner, GB Markets