

To: National Grid Gas plc (with respect to its gas transmission business)

**Gas Act 1986
Section 23(1)(a)**

MODIFICATION OF SPECIAL CONDITION 11E 'RESTRICTION OF PRICES FOR LIQUEFIED NATURAL GAS (LNG) STORAGE SERVICES' OF THE GAS TRANSPORTER LICENCE HELD BY NATIONAL GRID GAS PLC

Whereas –

1. National Grid Gas plc ("the Licence Holder") is the holder of a gas transporter licence ("the Licence") granted or treated as granted under section 7 of the Gas Act 1986 ("the Act").
2. In accordance with section 23(2) of the Act the Gas and Electricity Markets Authority ("the Authority") gave notice on 31 January 2013 ("the Notice") that it proposed to make modifications to condition C3 (now modified to 11E) of the Licence and by requiring any representations to the modification to be made on or before 28 February 2013.
3. The numbering of this condition was modified on 1 February 2013, under RIIO-T1, from C3 to 11E and this change will come into effect on and from 1 April 2013¹. For the avoidance of doubt, the change to the numbering of this condition has been taken into account for the purposes of this modification and all modifications proposed to be made to condition C3 are in effect being made to the now renumbered Condition 11E.
4. Prior to the close of the consultation period in respect of the Notice, the Authority received no responses.
5. In accordance with section 23(4)(b) of the Act, the Authority gave notice that it proposed to make the modifications to the Secretary of State on 31 January 2013 and has not received a direction not to make the modification.
6. In accordance with section 38A of the Act the Authority gives the following reasons for making the licence modification:
 - a. to update the restriction of the minimum prices for regulated services from the Avonmouth LNG storage facility to apply from 1 May 2013; and
 - b. to reflect the closure of Partington LNG storage facility.
7. The effect of the modification will be to:
 - a. continue with the restriction of the minimum prices for regulated services from the Avonmouth LNG storage facility; and
 - b. remove any references to the Partington LNG storage facility.

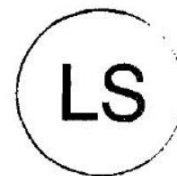
Now therefore

In accordance with the powers contained in section 23(1)(a) of the Act, the Authority hereby modifies the gas transporter licence of National Grid Gas PLC in the manner specified in Schedule 1 attached. This decision will take effect on and from 1 May 2013.

¹ RIIO-T1 modifications to the special conditions of the gas transporter licence held by National Grid Gas PLC: <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=440&refer=Networks/Trans/PriceControls/RIIO-T1/ConRes>

This document constitutes notice of the reasons for the decision to modify the gas transporter licence as required by 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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Ian Marlee
Senior Partner, Smarter Grids and Governance (Transmission)
Duly authorised on behalf of the Gas and Electricity Markets Authority
4 March 2013

ANNEX 1 of MODIFICATION OF SPECIAL CONDITION 11E 'RESTRICTION OF PRICES FOR LIQUEFIED NATURAL GAS (LNG) STORAGE SERVICES' OF THE GAS TRANSPORTER LICENCE HELD BY NATIONAL GRID GAS PLC

Special Condition 11E. Restriction of Prices for Liquefied Natural Gas (LNG) Storage Services

1. (a) The licensee shall ensure that the charges made by the licensee for:
- (i) the provision of Operating Margins; and
 - (ii) the supply of LNG storage services to any DN Operator whose transportation system includes independent systems which are operated using LNG
- for the relevant year commencing on 1 May 2013 and each subsequent relevant year are the charges set out in Tables 1 and 2 below.

TABLE 1

| LNG storage facility | Reserved space (pence per kWh per annum) | Reserved deliverability (pence per peak day kWh per annum) | Storage injection (pence per kWh) | Storage withdrawal (pence per kWh) |
|----------------------|--|--|-----------------------------------|------------------------------------|
| Avonmouth | W | Y | 0.519 * LNGSPIT _t | 0.052 * LNGSPIT _t |

Where:

W equals a price in pence per kWh per annum which is the higher of
 $3.189 * \text{LNGSPIT}_t$ or $0.85 * \text{WAHAPSS}_t$.

Y equals a price in pence per peakday kWh per annum which is the higher of
 $2.932 * \text{LNGSPIT}_t$ or $0.15 * \text{WAHAPSS}_t$

WAHAPSS_t equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at

Avonmouth, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the relevant year

TABLE 2

| | |
|-----------------------|--|
| TANKER CHARGES | |
| Tanker filling slots | £7493.75 * LNGSPIT _t per annum |
| Tanker filling charge | £545.00 * LNGSPIT _t per tanker filled or partially filled |

LNGSPIT_t is the price indexation adjustment term, which shall be calculated using the following formula:

$$LNGSPIT_t = \left(1 + \frac{RPI_t}{100}\right) \times LNGSPIT_{t-1}$$

where LNGSPIT shall take the value 1 in respect of the relevant year commencing 1 May 2007 only and RPI_t shall be as follows:

RPI_t means the percentage change (whether of a positive or a negative value) in the arithmetic average of the retail prices index published or determined with respect to each of the six months from July to December (both inclusive) in relevant year t-1 and the arithmetic average of the retail prices index numbers published or determined with respect to the same months in relevant year t-2

- (b) The Authority may direct in writing that the requirement set out in paragraph 1(a) shall be suspended for such period of time as the Authority may specify in respect of (i) the provision of Operating Margins and/or (ii) the supply of LNG storage services to any DN Operator whose transportation system includes independent systems which are operated using LNG. Such a direction may be made in respect of one or more LNG storage facility and/or in respect of one or more Operating Margins requirements. For the purposes of this condition only, “Operating Margins requirements” means the Operating Margins procured by the licensee for:

- Supply loss and forecast demand change;
- Compressor failure and pipeline failure, which is further subdivided into:
 - Locational – South;
 - Locational – West;
 - Locational – Wales;
 - Locational – Scotland; and
 - Locational – North
- Non-locational; and
- Orderly rundown

or such other requirements as may be necessary having regard to the licensee's obligations under the licensee's network code and its Safety Case.

2. For each relevant year for which, and to the extent to which, the licensee charges for the supply of LNG storage services in accordance with paragraph 1 of this condition the licensee, so far as concerns LNG storage arrangements, shall be deemed to have complied for that relevant year with the provisions of Standard Special Conditions A4 (Charging – General) and A5 (Obligations as Regard Charging Methodology).
3. The licensee shall provide a report in writing to the Authority stating the volume and price of all Storage Capacity sold in respect of each relevant year. This report shall be provided to the Authority as soon as reasonably practicable and in all circumstances by no later than 31 August following the end of the relevant year to which it relates.
4. In this condition "Operating Margins" and "Storage Capacity" shall bear the meaning given to those terms in the licensee's network code as at 16 March 2007.
5. For the purposes of this condition only "relevant year" means a period of twelve months commencing on 1 May at the start of the Day (as defined in the Uniform Network Code).
6. In this condition "Safety Case" means the safety case prepared by the licensee pursuant to the Gas Safety (Management) Regulations 1996.