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Your Reference GDT/TRA/MS/4

Dear Joanna,

Proposal to modify Standard Special licence conditions A4, A5 and D11 of the Gas Transporter licence

We welcome the opportunity to comment on the proposal to amend the charging and charging methodology provisions applicable to gas Distribution Network (“DN”) Operators (**the “Proposal”**). National Grid Gas Transmission notes that the Proposal only relates to DN charging regimes.

Our response covers two issues:

1. The Proposal and
2. A request for clarity on whether the proposal is specific to the DN Operators or includes Transmission.

Turning to the substantive issues raised in the Proposal, we note that the first recommendation set out in the Proposal will have the effect of permitting the DN Operators to amend their charges and charging methodologies twice per year, in the same manner as National Grid Gas is currently permitted to do in relation to the NTS. We believe that this is an appropriate amendment which will enable DN Operators to reduce the volatility in their charges, as the consultation notes. Given that this approach would be consistent both with the position in relation to NTS charges and that in electricity distribution, National Grid Transmission supports the proposed licence modification enabling DN Operators to amend their charges and charging methodologies twice in each year.

As for the recommendation contained in the Proposal that the notice period for indicative charges contained in paragraph 2(d) of Standard Special Condition A4 be reduced from 150 days to three months, National Grid considers that this change should enable a greater use to be made of actual, rather than forecast, data and should lead to indicative charges being more accurate when compared

to the actual charges announced two months prior to their introduction. Provision of indicative charges at three months' notice may therefore increase their value to the industry. We would also point out that these arguments are equally applicable to gas transmission charging and therefore suggest that this change be implemented for all NTS and DN licensees.

In any event, if the changes included in the Proposal are to be effected for DN licensees only, this can only be implemented by a change to Standard Special Condition D11, made through the "private" collective licence modification procedure contained in Standard Special Condition D2. This is because Standard Special Condition D11 has the effect of "pasting in" to Standard Special Conditions A4 and A5 the text which governs the DN Operators' ability to change their charges. Standard Special Condition D11 therefore does not affect the licence obligations of National Grid Gas under its gas transporter licence in respect of the NTS.

However, if, as we suggest, the change to the notice period for indicative charges is reduced for all NTS and DN licensees by amending paragraph 2(d) of Standard Special Condition A4, the "private" collective licence modification procedure contained in Standard Special Condition A2 should be used to amend that provision directly.

I hope this is helpful, but if you have any queries about the points I have raised in this letter, please do not hesitate to contact me.

Yours sincerely,

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