

Joint Office, Shippers, Gas Distribution Networks and other interested parties

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Dear Colleague

Transmission Planning Code

National Grid has an obligation under Special Condition C11 of its Gas Transporter Licence in respect of the NTS to prepare, consult upon and have in force a Transmission Planning Code by 1 October 2008. In accordance with National Grid's obligations, the Transmission Planning Code is intended to "cover all material technical aspects relating to the planning and development of the pipe-line system...which may have a material impact upon persons connected to or using (or intending to connect or to use) the pipe-line system".

As discussed at the Transmission Workstream on 6 March, we intend to develop the Transmission Planning Code through discussions with the industry through April and May of this year, and to conclude these discussions with a formal 28 day consultation process in June/July 2008. We intend to hold workshops to support these discussions after the Transmission Workstream meetings in April, May, June and July. The first meeting will be on 3 April 2008 at the Elexon offices in London.

In order that we can develop a draft document for further discussion, we are taking this opportunity to invite views on the attached draft scope for the Transmission Planning Code (Appendix 1). In particular, we would be interested in your views on how the Transmission Planning Code should interact with the annual Transporting Britain's Energy consultation process and National Grid's Ten Year Statement. We have also attached a copy of the Licence text in Appendix 2 for information.

We would appreciate any views you have on the scope document by **Friday 21 March 2008**. Please address your responses to Chandima Dutton by email (chandima.dutton@uk.ngrid.com) or at the following address.

Chandima Dutton
Transmission Asset Management
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

We will publish this letter and all non-confidential responses to this letter on our website. Please mark your response Confidential if you do not wish it to be published. If you have any questions on the Transmission Planning Code or the consultation process, please contact Chandima Dutton on 01926 653231.

Yours sincerely

Russell Cooper

Appendix 1: Transmission Planning Code Scope – Draft for comment

The Transmission Planning Code will include a description of the technical aspects related to the planning and development of the NTS (Special Condition C11 paragraph 3). There are various statutory obligations and legislative guidance documents and policy documents that will determine how National Grid plans and develops the NTS. These will be covered in sections 1, 2 and 3 below.

National Grid is also required to describe how entry and exit capacity release obligations and potential incremental flows are considered when determining physical capability of the NTS. This aspect of the Transmission Planning Code is covered under section 4. The assumptions made on supply and demand are addressed in section 5.

1. Legislative guidance documents

It is intended that this section describes the legislation that is relevant to how National Grid develops the NTS. Guidance documents already published in this area include IGE/GL/2 (Legislative Guidance Document), IGE/TD/1 Edition 4 (Pipelines - Recommended Practice), IGE/TD/13 (AGI's - Recommended Practice Document).

2. Planning legislation and process

There are various planning requirements enforced through legislation that require National Grid to obtain planning consents to develop the system. This section will describe how these affect the planning process, and in particular how National Grid assesses lead times for investment on the NTS.

3. National Grid policies applicable to the NTS

National Grid maintains and develops its internal policies in regard to planning and development of the NTS. Examples of policies include those for assessment of new loads connecting to the NTS, gas quality measurement requirements, and the design/construction of NTS pipelines and installations.

4. Network analysis techniques

National Grid undertakes network analysis and other forms of analysis in order to determine how the system is to be developed in line with its statutory and licence obligations. This section will describe at a high level how National Grid applies network analysis techniques in order to assess investment needs. This section will also describe how such techniques may be applied to the methodologies developed under other licence obligations, for example, the Entry Capacity Transfer and Trade Methodology, Entry Capacity Substitution Methodology, Exit Capacity Release Methodology, and the Incremental Entry Capacity Release Methodology.

5. Supply and Demand Outlook

In order to develop investment plans, National Grid undertakes an annual consultation process known as the "Transporting Britain's Energy" (TBE) process to develop a view on the supply and demand outlook for the planning horizon. This culminates in the publication of the Ten Year Statement. This section will describe how the supply and demand forecasts gathered through the TBE process links into our planning process.

Appendix 2: Special Condition C11: Transmission Planning Code

1. The licensee shall, in consultation with interested parties for a period of not less than 28 days, prepare and have in force by 1 October 2008 a transmission planning code, which shall be in a form approved by the Authority (the “**transmission planning code**”).
2. Once the transmission planning code is in force, the licensee shall at all times maintain the transmission planning code and comply with its provisions.
3. The transmission planning code shall cover all material technical aspects relating to the planning and development of the pipe-line system to which this licence relates, which may have a material impact upon persons connected to or using (or intending to connect to or use) the pipe-line system to which this licence relates, and shall include:
 - (a) a methodology to determine the physical capability of the pipe-line system to which this licence relates specifying in detail how the licensee is taking into account:
 - (i) its entry capacity release obligations pursuant to Special Condition C8D (NTS gas entry incentive, costs and revenues) and its exit capacity release obligations pursuant to Special Condition C8E (NTS gas exit incentive, costs and revenues);
 - (ii) the amount of capacity that may technically be transferred or traded between NTS entry points;
 - (iii) the impact of incremental gas flows upon the capability of the pipe-line system to which this licence relates at each NTS entry point and NTS exit point; and
 - (iv) statutory network security standards.
 - (b) the detailed assumptions that the licensee is using in respect of:

- (i) the likely developments in the patterns of the supply of gas and the demand for gas;
 - (ii) the likely developments in the levels of the supply of gas and the demand for gas; and
 - (iii) the likely operation of the pipe-line system to which this licence relates for any given pattern and/or level of supply of gas or demand for gas.
4. The licensee shall periodically review (being not less than once every two years including, upon the request of the Authority) the transmission planning code (maintained pursuant to paragraph 2). As part of the review, the licensee shall consult interested parties liable to be materially affected thereby.
5. Within 28 days of completing any such review, the licensee shall send to the Authority:
 - (a) a report on the outcome of such review;
 - (b) any proposed revisions to the transmission planning code from time to time as the licensee (having regard to the outcome of such review) reasonably considers fit; and
 - (c) any written representations or objections from interested parties arising during the consultation process (including any proposals by such parties for revisions to the transmission planning code not accepted by the licensee in the course of the review) and not withdrawn.
6. Revisions to the transmission planning code proposed by the licensee and sent to the Authority pursuant to paragraph 5 shall require the approval of the Authority. If the Authority does not inform the licensee in writing of its decision in respect of such revisions within 28 days from the date of the report pursuant to paragraph 5 being submitted to the Authority, the Authority shall be deemed to have approved such revisions.
7. The Authority may (following consultation with the licensee) issue directions relieving the licensee of its obligations to implement or comply with the licensee's transmission planning code in respect of such parts of the pipe-line

system to which the licence relates and/or to such extent as may be specified in the directions.

8. In this condition:

“statutory network security standards” shall have the meaning given to “gas security standard” as defined in Standard Special Condition A9 (Pipe-Line System Security Standards) ; and

“interested parties” means gas shippers, DN operators, owners of storage facilities and the owners of LNG import facilities.