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04 April 2007

Dear Robert,

Indicative Notice of Revised NTS Entry Capacity Reserve and Step Prices

The Uniform Network Code (UNC) requires that annual auctions for long-term quarterly NTS entry capacity be held every September. Consistent with our licence obligations, National Grid NTS is hereby giving 150 days notice of changes to the Entry Capacity Reserve and Step Prices to be used in the next Quarterly System Entry Capacity (QSEC) Auction.

There is presently uncertainty around the reserve prices due to Gas Transmission Transportation Charging Methodology modification proposal GCM01, which has been submitted to the Authority and proposes revisions to the methodology used for setting both NTS Entry and Exit Capacity prices. The Authority's decision on this proposal will not be made until 25th April 2007. In the event that the proposal is vetoed and no subsequent proposals are raised, we would expect no change to entry reserve prices. If the proposal is not vetoed, we would expect reserve prices to change in line with the indicative reserve prices given in the GCM01 - Conclusions Report, Appendix D – Indicative NTS Entry Capacity Baseline Reserve Prices. A copy of this report is available on National Grid's web site: <http://www.nationalgrid.com/uk/gas/charges/consultations/>.

Step prices will be recalculated in accordance with the methodology set out in the Incremental Entry Capacity Release (IECR) Methodology Statement. An updated version of the IECR Methodology Statement will be published for industry consultation shortly after the outcome of Gas Transmission Transportation Charging Methodology modification proposal GCM01 is known.

Notice of the exact reserve and step prices to apply will be given two months in advance of the QSEC auction, which is currently planned for September 2007.

If you have any questions about this Indicative Notice please contact myself or Karin Elmhirst on 01926 655540 or email Karin.elmhirst@uk.ngrid.com.

Yours sincerely,

Nigel Fox
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