

16 March 2007

Dear Colleague

Monthly System Entry Capacity (MSEC)

**Conditional invitation to participate in auction
for capacity period May 2007 to March 2009**

Pursuant to Section B2.2 of the Transportation Principal Document (TPD) of the Uniform Network Code, National Grid Gas plc (National Grid) invites you to take part in the 2007 auction for Monthly System Entry Capacity (MSEC).

The provisions of the Uniform Network Code (including in particular, but not limited to, TPD Section B and any relevant provisions of the Transition Document) apply to this invitation, the 2007 Annual Monthly System Entry Capacity (AMSEC) auction for MSEC, any bids made and rejected or accepted pursuant to such auction, and any subsequent allocation of MSEC.

Users may make applications for MSEC for each calendar month for the capacity period May 2007 to March 2009 (inclusive) (the Capacity Period).

National Grid will conduct the AMSEC auction on the invitation dates listed below:

➤ Thursday	12th April 2007	(Tranche 1)
➤ Tuesday	17th April 2007	(Tranche 2)
➤ Friday	20th April 2007	(Tranche 3)
➤ Wednesday	25th April 2007	(Tranche 4)

On each day, the **auction window will commence at 08:00 and close at 17:00**. A MSEC bid may be withdrawn or amended until, but not after, 17:00. Allocations will be published to Users by 09:00 hours on the Business Day following each invitation date.

The quantity of System Entry Capacity being offered for each month in the Capacity Period in respect of each Aggregate System Entry Point is shown in **Table One** attached to this invitation letter.

It should be noted that these offered quantities are subject to direction being given by the Gas and Electricity Markets Authority (the "Authority") to modify the conditions of the gas transporter license treated as granted to National Grid Gas plc in respect of the National Transmission System ("NTS") under section 7 of the Gas Act 1986 (the "Act") by removing Table A2: Initial NTS SO baseline entry capacity (GWh/day) from Schedule A: NTS output measures for the price control and replacing with the table set out in the Appendix of the notice given by the Authority on 16 February 2007 under section 23 (3) of the Act. We anticipate that this direction will be given on Monday 19th March. Should this direction be given on Monday 19th March this invitation will become unconditional. **In the event that the Authority do not give such a direction on Monday 19th March, National Grid will cancel this auction and will issue a revised invitation notice once the direction is given.**

In each of the first three tranches of the AMSEC auction the amount of capacity offered will be 25% of the System Entry Capacity being offered. In the fourth tranche the remaining System Entry Capacity being offered will be offered for sale, together with that unsold in the previous three tranches.

Reserve prices apply for the AMSEC auction. These are shown in **Table Two**.

Following the close of each auction window, we will publish information for each Aggregate System Entry Point (ASEP) for each month on our Information Exchange Website (www.nationalgrid.com). Once on the web-site, the information can be accessed through Capacity Auctions>Annual Monthly System Entry Capacity (AMSEC).

- Weighted average price of all accepted bids
- Weighted average price of highest 50% of accepted bids
- Aggregate volume of allocated System Entry Capacity
- Total amount of revenue derived in respect of allocated System Entry Capacity
- Highest and lowest bids accepted
- Volume allocated at highest and lowest prices
- Total number of shippers who submitted successful capacity bids
- Total number of shippers who submitted unsuccessful capacity bids
- The amount of System Entry Capacity which remains unsold (if any) following the allocation

May I also draw your attention to proposed license obligations for National Grid to offer entry capacity for transfer and trade between entry points, and as such this could reduce the availability of capacity at certain ASEPs in future RMSEC, DADSEC and WDDSEC auctions.

Please note that this letter will be sent by e-mail via the Joint Office and web fax (business hours operational list) and will be posted on the National Grid web site. The delivery notification audit report will be considered as evidence of receipt.

If you have any queries about the auction process, please contact either myself on (01926) 654 071, or my colleagues Kay Haycock on (01926) 655 342 or Natasha Ranatunga on (01926) 654 312.

Yours sincerely,
For and on behalf of
National Grid Gas plc

Chris Gumbley
Commercial Officer
Network Operations

Table One – Monthly System Entry Capacity (kWh/d)

Month	Avonmouth (AV)	Bacton (BA)	Burton Point (BP)	Barrow (BR)	Barton Stacey (BS)	Cheshire (CH)
May-07	179,300,000	1,132,479,484	18,500,000	183,600,000	82,600,000	285,900,000
Jun-07	179,300,000	1,132,479,484	18,500,000	183,600,000	82,600,000	285,900,000
Jul-07	179,300,000	1,339,470,018	18,500,000	272,900,000	82,600,000	285,900,000
Aug-07	179,300,000	1,339,470,018	18,500,000	272,900,000	82,600,000	285,900,000
Sep-07	179,300,000	1,339,470,018	29,500,000	272,900,000	82,600,000	285,900,000
Oct-07	179,300,000	771,630,481	29,500,000	69,000,000	82,600,000	256,600,000
Nov-07	179,300,000	771,630,481	29,500,000	69,000,000	82,600,000	256,600,000
Dec-07	179,300,000	683,630,481	29,500,000	69,000,000	82,600,000	256,600,000
Jan-08	179,300,000	675,287,297	29,500,000	69,900,000	82,600,000	256,600,000
Feb-08	179,300,000	675,287,297	29,500,000	69,900,000	82,600,000	256,600,000
Mar-08	179,300,000	693,824,007	29,500,000	69,900,000	82,600,000	256,600,000
Apr-08	179,300,000	1,514,619,466	29,500,000	202,500,000	82,600,000	285,900,000
May-08	179,300,000	1,514,619,466	29,500,000	202,500,000	82,600,000	285,900,000
Jun-08	179,300,000	1,514,619,466	29,500,000	202,500,000	82,600,000	285,900,000
Jul-08	179,300,000	1,587,760,104	29,500,000	259,200,000	82,600,000	285,900,000
Aug-08	179,300,000	1,587,760,104	29,500,000	259,200,000	82,600,000	285,900,000
Sep-08	179,300,000	1,587,760,104	29,500,000	259,200,000	82,600,000	285,900,000
Oct-08	179,300,000	859,526,361	29,500,000	103,700,000	82,600,000	256,600,000
Nov-08	143,440,000	502,846,361	14,800,000	41,880,000	66,080,000	199,420,000
Dec-08	143,440,000	502,846,361	14,800,000	41,880,000	66,080,000	199,420,000
Jan-09	143,440,000	499,731,341	14,800,000	42,680,000	66,080,000	114,420,000
Feb-09	143,440,000	499,731,341	14,800,000	42,680,000	66,080,000	114,420,000
Mar-09	143,440,000	499,731,341	14,800,000	42,680,000	66,080,000	114,420,000

Table One – Monthly System Entry Capacity (kWh/d)

Month	Dynevor Arms (DA)	Easington (EA)	Fleetwood (FL)	Glenmavis (GM)	Garton (GR)	Hole House Farm Storage (HH)
May-07	8,000,000	882,183,503	0	28,500,000	2	110,821,266
Jun-07	8,000,000	882,183,503	0	28,500,000	2	110,821,266
Jul-07	8,000,000	884,585,123	0	28,500,000	2	110,821,266
Aug-07	8,000,000	884,585,123	0	28,500,000	2	110,821,266
Sep-07	8,000,000	884,585,123	0	28,500,000	2	110,821,266
Oct-07	8,000,000	212,400,000	0	28,500,000	2	110,821,266
Nov-07	8,000,000	212,400,000	0	28,500,000	2	110,821,266
Dec-07	8,000,000	212,400,000	0	28,500,000	2	110,821,266
Jan-08	8,000,000	212,400,002	0	28,500,000	2	110,821,266
Feb-08	8,000,000	212,400,002	0	28,500,000	2	110,821,266
Mar-08	8,000,000	212,400,002	0	28,500,000	2	110,821,266
Apr-08	8,000,000	717,039,898	0	28,500,000	2	110,821,266
May-08	8,000,000	717,039,898	0	28,500,000	2	110,821,266
Jun-08	8,000,000	717,039,898	0	28,500,000	2	110,821,266
Jul-08	8,000,000	703,070,209	0	28,500,000	2	110,821,266
Aug-08	8,000,000	703,070,209	0	28,500,000	2	110,821,266
Sep-08	8,000,000	703,070,209	0	28,500,000	2	110,821,266
Oct-08	8,000,000	212,400,003	0	28,500,000	2	110,821,266
Nov-08	6,400,000	3	0	22,800,000	2	84,501,266
Dec-08	6,400,000	3	0	22,800,000	2	84,501,266
Jan-09	6,400,000	0	0	22,800,000	2	84,501,266
Feb-09	6,400,000	0	0	22,800,000	2	84,501,266
Mar-09	6,400,000	0	0	22,800,000	2	84,501,266

Table One – Monthly System Entry Capacity (kWh/d)

Month	Hatfield Moor Onshore (HM)	Hornsea (HS)	Hatfield Moor Storage (HT)	Isle Of Grain LNG (IG)	Milford Haven (MH)	Partington LNG (PR)
May-07	300,000	164,000,000	14,900,000	175,000,000	0	174,600,000
Jun-07	300,000	164,000,000	14,900,000	175,000,000	0	174,600,000
Jul-07	300,000	164,000,000	14,900,000	175,000,000	0	174,600,000
Aug-07	300,000	164,000,000	14,900,000	175,000,000	0	174,600,000
Sep-07	300,000	164,000,000	14,900,000	175,000,000	0	174,600,000
Oct-07	300,000	164,000,000	14,900,000	175,000,000	0	174,600,000
Nov-07	300,000	164,000,000	14,900,000	175,000,000	0	174,600,000
Dec-07	300,000	164,000,000	14,900,000	175,000,000	0	174,600,000
Jan-08	300,000	164,000,000	14,900,000	175,000,000	0	174,600,000
Feb-08	300,000	164,000,000	14,900,000	175,000,000	0	174,600,000
Mar-08	300,000	164,000,000	14,900,000	175,000,000	0	174,600,000
Apr-08	300,000	164,100,000	14,900,000	175,000,000	0	174,600,000
May-08	300,000	164,100,000	14,900,000	175,000,000	0	174,600,000
Jun-08	300,000	164,100,000	14,900,000	175,000,000	0	174,600,000
Jul-08	300,000	164,100,000	14,900,000	175,000,000	0	174,600,000
Aug-08	300,000	164,100,000	14,900,000	175,000,000	0	174,600,000
Sep-08	300,000	164,100,000	14,900,000	175,000,000	0	174,600,000
Oct-08	300,000	164,100,000	14,900,000	600,000	0	174,600,000
Nov-08	240,000	131,280,000	11,920,000	0	0	139,680,000
Dec-08	240,000	131,280,000	11,920,000	0	0	139,680,000
Jan-09	240,000	0	11,920,000	0	0	139,680,000
Feb-09	240,000	0	11,920,000	0	0	139,680,000
Mar-09	240,000	0	11,920,000	0	0	139,680,000

Table One – Monthly System Entry Capacity (kWh/d)

Month	St Fergus (SF)	Teesside (TE)	Theddlethorpe (TH)	Wytch Farm (WF)
May-07	407,374,848	215,528,158	515,314,630	100,000
Jun-07	439,374,848	243,538,158	515,314,630	100,000
Jul-07	488,020,387	236,892,651	555,699,212	100,000
Aug-07	488,020,387	252,812,651	523,799,212	100,000
Sep-07	475,089,677	236,852,651	523,799,212	740,000
Oct-07	329,100,003	214,261,647	510,332,093	740,000
Nov-07	329,100,003	214,311,647	510,332,093	740,000
Dec-07	329,100,003	214,361,647	510,332,093	740,000
Jan-08	329,100,000	214,334,964	514,917,888	740,000
Feb-08	329,100,001	214,384,964	514,917,888	740,000
Mar-08	329,100,000	214,434,964	514,917,888	740,000
Apr-08	336,355,797	227,130,968	549,488,551	3,300,000
May-08	336,355,797	227,130,968	549,488,551	3,300,000
Jun-08	336,355,797	227,130,968	549,488,551	3,300,000
Jul-08	455,182,869	244,520,898	555,304,803	3,300,000
Aug-08	455,182,869	244,520,898	555,304,803	3,300,000
Sep-08	455,182,869	244,520,898	555,304,803	3,300,000
Oct-08	351,694,837	154,037,720	558,921,054	3,300,000
Nov-08	17,554,837	81,777,720	436,781,054	2,640,000
Dec-08	17,554,837	81,777,720	436,781,054	2,640,000
Jan-09	29,773,636	105,417,200	443,785,832	2,640,000
Feb-09	29,773,636	105,417,200	443,785,832	2,640,000
Mar-09	29,773,636	105,417,200	443,785,832	2,640,000

Table Two - Reserve Prices for Monthly System Entry Capacity (pence per kWh per day)

ASEP	p/kWh/day
Avonmouth	0.0022
Bacton	0.0063
Barrow	0.0005
Barton Stacey	0.0000
Burton Point	0.0001
Cheshire	0.0001
Dynevor Arms	0.0000
Easington (incl. Rough)	0.0012
Fleetwood	0.0000
Garton	0.0013
Glenmavis	0.0183
Hatfield Moor (onshore)	0.0014
Hatfield Moor (storage)	0.0014
Hole House Farm	0.0001
Hornsea	0.0053
Isle of Grain	0.0064
Milford Haven	0.0089
Partington	0.0003
St Fergus	0.0220
Teesside	0.0020
Theddlethorpe	0.0011
Wytch Farm	0.0000