

21st January 2008

Dear Colleague

Annual Monthly System Entry Capacity Auction (AMSEC)

Invitation to participate in auction for capacity period April 2008 to March 2010

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 2008 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 2008 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 April 2008 to March 2010 (inclusive) (the Capacity Period).

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

- | | | |
|-------------------|--------------------------------------|--------------------|
| ➤ Monday | 18th February 2008 | (Tranche 1) |
| ➤ Thursday | 21st February 2008 | (Tranche 2) |
| ➤ Tuesday | 26th February 2008 | (Tranche 3) |
| ➤ Friday | 29th February 2008 | (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 A MSEC bid may be withdrawn or amended until, but not after, 17:00.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.

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 25% of System Entry Capacity being offered will be offered for sale, together with any unsold in the previous three tranches.

Reserve prices apply for the AMSEC auction. These are shown in **Table Two, page 7** within this invitation letter. The reserve prices are also published in Table 2 of The Statement of Gas Transmission Transportation Charges, effective from 1 October 2007 and can be viewed via www.nationalgrid.com/uk/Gas/Charges/statements/

Please note: There are different reserve prices for three separate delivery periods within this AMSEC transaction period.

Following the close of each tranche, National Grid will publish the following 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.

Points of Note for this Auction:

1. Due to the rejection of the planning application for the Corse Pressure Reduction Installation, two Force Majeure notices were issued by National Grid Gas plc on 9 November 2007 and 21 December 2007 pursuant to GT Section B3.3.1(a) UNC. Therefore unsold capacity at Milford Haven has been reduced for April 2009 to September 2009. Please see the table on page 5 of this letter for details.
2. It should also be noted that Ofgem are currently holding a review of Entry Capacity baselines ('TPCR Gas Entry Baseline Review', please contact Ofgem for more information) and as such baselines could change resulting in either more or less capacity being available at the ASEPs in future auctions. In either case any increase or decrease in capacity will be communicated and unsold levels will be adjusted and offered in the next auction covering this transaction period that follows any implemented changes.
3. Ofgem have placed a Licence condition, amongst others, on National Grid Gas regarding substitution of capacity between ASEPs following this AMSEC auction and as such users are advised to take this into consideration when bidding for Long Term capacity. Again for further information please see the relevant industry work-stream communications on the Joint Office of gas Transporters website or contact Ofgem.

Uniform Network Code and Licence changes may occur at any time, which may increase or decrease capacity rights, or availability. These changes may also alter the timing of the auctions and the Transaction Periods, therefore users are advised to keep themselves up to date with the regime changes.

National Grid has put this document together with due care and attention. In the unlikely event of an error, National Grid reserves its right to correct the error and amend relevant elements of the auction as required.

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.

If you have any queries about the long term auction process, please contact either myself on (01926) 654 071, or my colleagues Kay Haycock on (01926) 655 342 or Dave Wagstaff on (01926) 654 045. Alternatively the capacity team can be contacted by e-mail at: CapacityAuctions@uk.ngrid.com

If you have any queries pertaining to the Daily Auctions, please contact National Grid GNCC on 01926 653 206.

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

Chris Gumbley
Commercial Officer
Network Operations

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

Month	Avonmouth (AV)	Bacton (BA)	Burton Point (BP)	Barrow (BR)	Barton Stacey (BS)	Cheshire (CH)
Apr-08	179,300,000	1,443,878,032	18,500,000	0	82,600,000	285,900,000
May-08	179,300,000	1,473,698,032	18,500,000	0	82,600,000	285,900,000
Jun-08	179,300,000	1,473,552,032	18,500,000	0	82,600,000	285,900,000
Jul-08	179,300,000	1,519,690,222	18,500,000	32,400,000	82,600,000	285,900,000
Aug-08	179,300,000	1,520,240,222	18,500,000	32,400,000	82,600,000	285,900,000
Sep-08	179,300,000	1,485,636,222	18,500,000	32,400,000	82,600,000	285,900,000
Oct-08	179,300,000	784,054,315	18,500,000	0	82,600,000	256,600,000
Nov-08	179,300,000	784,252,980	18,500,000	0	82,600,000	256,600,000
Dec-08	179,300,000	756,895,534	18,500,000	61,820,000	67,600,000	256,600,000
Jan-09	179,300,000	664,860,262	18,500,000	61,820,000	52,600,000	171,600,000
Feb-09	179,300,000	665,238,155	18,500,000	61,820,000	52,600,000	171,600,000
Mar-09	179,300,000	665,520,666	18,500,000	61,820,000	52,600,000	171,600,000
Apr-09	179,300,000	1,516,985,408	29,500,000	186,800,000	82,600,000	200,900,000
May-09	179,300,000	1,516,985,408	29,500,000	186,800,000	82,600,000	200,900,000
Jun-09	179,300,000	1,516,985,408	29,500,000	186,800,000	82,600,000	200,900,000
Jul-09	179,300,000	1,519,501,642	29,500,000	220,900,000	82,600,000	155,900,000
Aug-09	179,300,000	1,519,501,642	29,500,000	220,900,000	82,600,000	155,900,000
Sep-09	179,300,000	1,519,501,642	29,500,000	220,900,000	82,600,000	155,900,000
Oct-09	146,716,450	674,198,203	22,150,000	102,490,000	74,340,000	86,110,000
Nov-09	146,716,450	674,198,203	22,150,000	102,490,000	74,340,000	86,110,000
Dec-09	146,716,450	674,198,203	22,150,000	102,490,000	74,340,000	86,110,000
Jan-10	5,170,000	681,319,674	22,150,000	102,590,000	74,340,000	86,110,000
Feb-10	5,170,000	681,319,674	22,150,000	102,590,000	74,340,000	86,110,000
Mar-10	5,170,000	681,319,674	22,150,000	102,590,000	74,340,000	86,110,000

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

Month	Dynevor Arms (DA)	Easington (EA)	Fleetwood (FL)	Glenmavis (GM)	Garton (GR)	Hole House Farm Storage (HH)
Apr-08	8,000,000	5	0	28,500,000	2	27,705,318
May-08	8,000,000	598,316,721	0	28,500,000	2	27,705,318
Jun-08	8,000,000	598,252,280	0	28,500,000	2	27,705,318
Jul-08	8,000,000	599,894,722	0	28,500,000	2	27,705,318
Aug-08	8,000,000	601,692,069	0	28,500,000	2	27,705,318
Sep-08	8,000,000	601,589,416	0	28,500,000	2	27,705,318
Oct-08	1,600,000	3	0	28,500,000	2	27,705,318
Nov-08	1,600,000	3	0	28,500,000	2	27,705,318
Dec-08	1,600,000	212,400,003	0	28,500,000	2	47,445,318
Jan-09	1,600,000	212,400,000	0	28,500,000	2	47,445,318
Feb-09	1,600,000	212,400,000	0	28,500,000	2	47,445,318
Mar-09	1,600,000	212,400,000	0	28,500,000	2	47,445,318
Apr-09	8,000,000	643,871,421	0	28,500,000	2	110,821,266
May-09	8,000,000	643,871,421	0	28,500,000	2	110,821,266
Jun-09	8,000,000	643,871,421	0	28,500,000	2	110,821,266
Jul-09	8,000,000	644,890,538	0	28,500,000	2	110,821,266
Aug-09	8,000,000	644,890,538	0	28,500,000	2	110,821,266
Sep-09	8,000,000	644,890,538	0	28,500,000	2	110,821,266
Oct-09	0	20,246,433	0	25,650,000	2	97,661,266
Nov-09	0	20,246,433	0	25,650,000	2	97,661,266
Dec-09	0	20,246,433	0	25,650,000	2	97,661,266
Jan-10	0	4	0	0	2	97,661,266
Feb-10	0	4	0	0	2	97,661,266
Mar-10	0	4	0	0	2	97,661,266

Table One – Available 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)
Apr-08	0	164,000,000	0	175,000,000	98,000,000	174,600,000
May-08	0	164,000,000	0	175,000,000	98,000,000	174,600,000
Jun-08	0	164,000,000	0	175,000,000	98,000,000	174,600,000
Jul-08	0	164,000,000	0	175,000,000	98,000,000	174,600,000
Aug-08	0	164,000,000	0	175,000,000	98,000,000	174,600,000
Sep-08	0	164,000,000	0	175,000,000	98,000,000	174,600,000
Oct-08	0	159,603,935	0	600,000	0	174,600,000
Nov-08	0	113,595,740	0	600,000	0	174,600,000
Dec-08	60,000	32,820,000	2,980,000	600,000	0	174,600,000
Jan-09	60,000	24,100,000	2,980,000	600,000	0	174,600,000
Feb-09	60,000	24,100,000	2,980,000	600,000	0	174,600,000
Mar-09	60,000	24,100,000	2,980,000	600,000	0	174,600,000
Apr-09	300,000	164,100,000	14,900,000	350,440,000	99,000,000	174,600,000
May-09	300,000	164,100,000	14,900,000	350,440,000	99,000,000	174,600,000
Jun-09	300,000	164,100,000	14,900,000	350,440,000	99,000,000	174,600,000
Jul-09	300,000	164,100,000	14,900,000	350,440,000	149,000,000	174,600,000
Aug-09	300,000	164,100,000	14,900,000	350,440,000	149,000,000	174,600,000
Sep-09	300,000	164,100,000	14,900,000	350,440,000	149,000,000	174,600,000
Oct-09	270,000	147,690,000	13,410,000	0	0	142,486,450
Nov-09	270,000	147,690,000	13,410,000	0	0	142,486,450
Dec-09	270,000	147,690,000	13,410,000	0	0	142,486,450
Jan-10	0	0	10,000	0	0	0
Feb-10	0	0	10,000	0	0	0
Mar-10	0	0	10,000	0	0	0

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

Month	St.Fergus (SF)	Teesside (TE)	Theddlethorpe (TH)	Wytch Farm (WF)
Apr-08	252,475,797	48,982,744	445,688,551	0
May-08	253,675,797	58,360,536	447,338,551	0
Jun-08	274,575,797	68,364,733	449,488,551	0
Jul-08	371,302,869	44,029,180	457,954,803	0
Aug-08	364,102,869	45,420,820	463,154,803	0
Sep-08	354,402,869	48,369,164	459,754,803	0
Oct-08	233,453,376	33,509,432	446,336,327	0
Nov-08	234,837,843	33,509,430	385,417,287	0
Dec-08	334,140,020	72,260,000	122,140,003	660,000
Jan-09	334,140,000	72,260,001	122,140,001	660,000
Feb-09	334,140,000	72,260,000	122,140,001	660,000
Mar-09	334,323,385	72,260,000	122,140,001	660,000
Apr-09	982,377,078	147,334,750	516,873,556	3,300,000
May-09	982,377,078	147,334,750	516,873,556	3,300,000
Jun-09	982,377,078	147,334,750	516,873,556	3,300,000
Jul-09	1,084,443,419	175,475,120	550,621,280	3,300,000
Aug-09	1,084,443,419	175,475,120	550,621,280	3,300,000
Sep-09	1,084,443,419	175,475,120	550,621,280	3,300,000
Oct-09	447,378,464	131,332,111	478,530,000	2,970,000
Nov-09	447,378,464	131,332,111	478,530,000	2,970,000
Dec-09	447,378,464	131,332,111	478,530,000	2,970,000
Jan-10	547,791,629	149,795,302	501,030,000	2,970,000
Feb-10	547,791,629	149,795,302	501,030,000	2,970,000
Mar-10	547,791,629	149,795,302	501,030,000	2,970,000

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

	01 Apr'08 to 30 Sep'08	01 Oct'08 to 30 Sep'09	01 Oct'09 to 31 Mar'10
ASEP	p/kWh/day	p/kWh/day	p/kWh/day
Avonmouth	0.0001	0.0001	0.0001
Bacton	0.0060	0.0087	0.0098
Barrow	0.0080	0.0064	0.0036
Barton Stacey	0.0001	0.0001	0.0001
Burton Point	0.0001	0.0001	0.0001
Cheshire	0.0001	0.0001	0.0001
Dynevor Arms	0.0001	0.0040	0.0052
Easington (incl. Rough)	0.0075	0.0068	0.0080
Fleetwood	0.0002	0.0001	0.0032
Garton	0.0094	0.0071	0.0086
Glenmavis	0.0178	0.0162	0.0137
Hatfield Moor (onshore)	0.0022	0.0015	0.0023
Hatfield Moor (storage)	0.0022	0.0015	0.0023
Hole House Farm	0.0001	0.0001	0.0001
Hornsea	0.0078	0.0071	0.0092
Isle of Grain	0.0001	0.0001	0.0001
Milford Haven	0.0151	0.0152	0.0164
Partington	0.0001	0.0001	0.0001
St Fergus	0.0374	0.0362	0.0343
Teesside	0.0091	0.0072	0.0067
Theddlethorpe	0.0063	0.0067	0.0068
Wytch Farm	0.0001	0.0001	0.0001