

Nigel Fox
Charging and Revenue Manager

nigel.fox@uk.ngrid.com
Direct tel +44 (0)1926 656823

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www.nationalgrid.com

Dear Industry Colleague

Revised Indicative Notice of Gas NTS Charges to apply from 1 October 2007

National Grid issued an Indicative Notice on 4th May 2007 to inform the industry of potential changes to NTS gas transportation charges that would apply from 1st October 2007. The definitive notice of these charges will be published by 1st August 2007, in line with the two months notice required by our licence and Uniform Network Code (UNC) obligations.

The indicative TO Commodity Charge was determined using a forecast of the revenue to be recovered from the AMSEC auctions. This forecast included a consideration of the impact on auction revenues that could materialise from framework changes to introduce facilities to transfer and trade entry capacity. It has since transpired that the actual auction revenue received from the 2007/8 AMSEC auction is significantly higher than expected..

The TO Commodity Charge is designed to recover any expected shortfall between the allowed TO entry revenue and that collected through the entry capacity auctions. Therefore any increase in forecast or actual auction revenue will have an inverse effect on the TO Commodity Charge. The actual revenue recovered through the AMSEC auctions is such that the forecasted TO Commodity Charge revenue to be recovered up until October 2007 plus forecasted auction revenue up until April 2008 will roughly equal our allowed TO Entry revenue for the formulae year in question.

Against this background, to ensure that National Grid does not over recover against its allowed revenue, the TO Commodity Charge to apply from 1 October 2007 will fall significantly from 0.0127 p/kWh (as indicated in May) and is likely to be set at or close to zero.

If you would like to discuss this, please contact myself or Karin Elmhirst on 01926 655540.

Yours sincerely

[by email]

Nigel Fox