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Dear Robert,

Notice of Revised Gas Transmission Transportation Charges from 1st April 2008

In order to bring revenue recovery from transportation charges in line with National Grid's Transmission Price Control Formulae, National Grid is publishing this notice of revised transmission charges two months in advance of the changes, consistent with our Licence and Uniform Network Code obligations.

From 1st April 2008 changes will be applied to NTS charges as follows;

1. The **NTS TO Entry Commodity** charge levied on entry flows will be **0.0019** p/kWh. The charge has been calculated taking account forecasts of auction revenue set against a background of uncertainties around future entry capacity baselines and trades and transfer methodologies. Other uncertainties around this figure include forecasts of the allowed revenue and entry volumes. The charge has been calculated assuming a repeat pattern of bidding behaviour as seen in 2007/08 and that it will be applied for the full financial year. However, the charge will be reassessed in October 2008, following further entry capacity auctions.
2. The **NTS SO Commodity** charge as applied to both entry and exit flows will be levied at a rate of **0.0129** p/kWh, an increase of 19% from its level at October 2007. This figure compares with a charge of 0.0136 p/kWh in the same period last year.

This increase has been primarily caused by,

- Forecast increases in shrinkage costs impacting on the Allowed Revenue. Charges have been set assuming shrinkage volumes that correspond to St. Fergus flows between 95 and 100mcm/d and our view of present forward compressor fuel prices. The uncertainty in shrinkage costs remains high as both volumes and prices vary and this is very likely to necessitate further changes to charges in October 2008.
 - The recent Price Control introduced a new term into our GT Licence, the NTS Exit Capacity Investment Incentive, associated with the sale of NTS incremental capacity at new and existing exit points, which has lead to additional income from the SO Commodity charge.
3. The **Compression** charge levied at the Total Oil Marine sub-terminal at St. Fergus will increase to **0.0104** p/kWh. This is higher than proposed at the indicative stage, largely because the current sustained rise in compressor fuel prices was not anticipated when the

indicative charges were published. As with other shrinkage costs, the charge has been based on present forward market compressor fuel prices.

For the avoidance of doubt, all other administered charges will remain the same until October 2008.

Please find attached a copy of our document "Notice of Gas Transmission transportation Charges effective from 1st April 2008", which contains all of the above price changes. This document will also be available on the National Grid website www.nationalgrid.com/uk/gas/ under Charging, Transportation Charges.

If you have any questions about this Notice, or NTS charges in general, please contact myself or Karin Elmhirst on 01926 655540.

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