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www.nationalgrid.com

Monday 5th November 2007

Dear User

RE: Tender for Entry Capacity Buy Back Options (National Grid Gas plc as Buyer) OT48

National Grid Gas plc would like to invite you to take part in a Tender for options to buy back entry capacity as part of its ongoing role in ensuring efficient capacity management and release. This Tender will take place on Thursday 8th November 2007. All ASEPs are included in this Tender and National Grid Gas will consider all offers made. Offers are particularly welcome at Easington, Teesside and Theddlethorpe.

Users will be able to submit up to 10 bids per ASEP for each Option period offered, all of which could be accepted. The Option Exercise Period is detailed in the Tender Invitation Notice.

Please note: both the Premium and Strike price are to be specified by the Tendering Users.

The Tender will be conducted in Gemini and offers for the Option Exercise Period should be made via the **Deal>Capture>Create Bids** screen. Before entering an offer the tender rules and terms can be viewed from the Gemini system via reference number 1.48. The rules and terms must be accepted before offers can be made.

May I ask you to note that in respect of any ASEP, Users should not offer for buy back a greater volume than the entry capacity entitlement they hold on Gemini on Thursday 8th November 2007. This can be viewed via the Product>Entitlements-Net screen. Offers not meeting this criterion will be rejected by Gemini when bids are processed.

National Grid shall notify Tendering Users of Tender Acceptances by means of a Tender Acceptance Notice, which may be viewed on the Bid Information Screen in Gemini. National Grid will endeavour to provide this notification as soon as possible after the close of the Offer Window Period, dependent on the number of bids received, but in any case by 16:00 hours on Tuesday 13th November 2007.

We would appreciate your support in the tender, as it is an important element in ensuring efficient capacity management and release under the new regime. If on reading the attached you have any queries then please call me on 01926 655342.

We look forward to receiving your offers.

Yours sincerely

Kay Haycock
Network Operations

National Grid is a trading name for:
National Grid Gas plc
Registered Office: 1-3 Strand, London WC2N 5EH
Registered in England and Wales, No 2006000

Appendix 1

Reference No: OT48

TENDER INVITATION NOTICE

1. This Tender Invitation Notice (“**Tender Invitation Notice**”) is issued in accordance with, and is subject to, the Option Tender Rules 1.48 (the “**Option Tender Rules**”) and the Terms also with the Reference Number 1.48 (the “**Terms**”), both of which can be accessed via the **Deal>Capture>Create Bids** screen in Gemini.
2. Defined terms used in this Tender Invitation Notice shall, unless the context otherwise requires or otherwise defined herein, have the meanings given to them in the Terms.
3. Users are invited to submit Tender Offers (each for the grant of an Option to National Grid for the surrender to National Grid of System Entry Capacity) in accordance with, and subject to, this Tender Invitation Notice, the Option Tender Rules and the Terms.
4. Each Tender Offer may be in respect of one only of the following Aggregate System Entry Points:
 - a) Avonmouth
 - b) Bacton
 - c) Barrow
 - d) Barton Stacey
 - e) Burton Point
 - f) Cheshire
 - g) Dynevor Arms
 - h) Easington
 - i) Garton
 - j) Glenmavis
 - k) Hatfield Moor (Onshore)
 - l) Hatfield Moor (Storage)
 - m) Hole House Farm
 - n) Hornsea
 - o) Isle of Grain
 - p) Milford Haven
 - q) Partington
 - r) St. Fergus
 - s) Teesside
 - t) Theddlethorpe
 - u) Wytch Farm

5. Each Tender Offer must confirm to one of the combinations of Exercise Period and Permitted Exercise Days specified below.

Options Exercise Period (both Days inclusive)	Number of Permitted Exercise Days to not exceed
19/11/07 – 31/03/08	3
19/11/07 – 31/03/08	5
19/11/07 – 31/03/08	10
19/11/07 – 30/11/07	1
01/12/07 – 31/12/07	1
01/01/08 – 31/01/08	1
01/02/08 – 29/02/08	1
01/03/08 – 31/03/08	1
19/11/07 – 30/11/07	3
01/12/07 – 31/12/07	3
01/01/08 – 31/01/08	3
01/02/08 – 29/02/08	3
01/03/08 – 31/03/08	3
19/11/07 – 30/11/07	5
01/12/07 – 31/12/07	5
01/01/08 – 31/01/08	5
01/02/08 – 29/02/08	5
01/03/08 – 31/03/08	5

6. The Tender Capacity stated in a Tender Offer must not be less than 100,000 kWh per Day and must be a whole multiple of 100,000 kWh per Day.

7. The Premium (in pence per kWh) for each Tender offer shall be specified by the User.
8. The Strike Price shall be specified by the User.
9. The Offer Window Period within which Tender Offers must be received by National Grid is between 09:00 hours and 14:00 hours on Thursday 8th November 2007.
10. Tender Offers must be made by completing in full and submitting to National Grid a Tender Offer Notice. The form of such Tender Offer Notice may be accessed accessed via the **Deal>Capture>Create Bids** screen in Gemini and should be submitted to National Grid via such screen.
11. The Option Exercise Notification Deadline for the purpose of Clause 3.2 of the Terms shall be 13:00 hours on the earliest Day for which the Option Exercise Notification relates.
12. The Final Option Exercise Time for the purpose of Clauses 3.3 and 5.1 of the Terms shall be 14:00 hours.
13. National Grid shall notify Tendering Users of Tender Acceptances by means of a Tender Acceptance Notice, which may be viewed on the Bid Information Screen in Gemini.
14. Any questions regarding this Tender Invitation Notice may be made prior to the end of the Offer Window Period between 08:30 hours and 16:30 hours Monday to Friday (bank holidays excepted) by telephone to either Kay Haycock on 01926 655342 or Chris Gumbley on 01926 654071.