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Transfer and Trade System Entry Capacity (TTSEC) Auction

Invitation to participate in auction for Monthly NTS Entry Capacity for period November 2007 to March 2008

Dear Colleague

Pursuant to Uniform Network Code Transition Document Part IIC, Paragraph 1.1.7(b) (v), National Grid Gas plc ("**National Grid**") invites you to take part in the Transfer and Trading Auction for Firm NTS System Entry Capacity (TTSEC) for the Capacity period November 2007 to March 2008 (inclusive).

Users may submit bids for Monthly NTS Entry Capacity in respect of each Recipient ASEP and each Non-Recipient ASEP located in the same ASEP zone or in another related ASEP zone (together the "**Relevant ASEP's**") for any **Available Month** in the Capacity period.

Relevant ASEPS:

Short Code	ASEP Name
BA	Bacton
BR	Barrow
EA	Easington
GM	Glenmavis
HM	Hatfield Moor Onshore
HS	Hornsea
HT	Hatfield Moor Storage
IG	Isle of Grain
SF	St Fergus
TE	Teesside
TH	Theddlethorpe

Available Months remain as:

November 2007
December 2007
January 2008
February 2008
March 2008

Please refer to Appendix A - Table 1 for the relevant ASEP and available month combinations.

National Grid would like to draw your attention to the following:

Pursuant to Uniform Network Code Transition Document Part IIC, Paragraph 1.1.7(c) (i) National Grid will conduct the TTSEC auction on the invitation dates listed below:

- **Thursday** **27th September 2007** **(Tranche 1)**
- **Wednesday** **10th October 2007** **(Tranche 2)**

On each day, the auction window will commence at 08:00 and close at 17:00. A Transfer and Trade System Entry Capacity (TTSEC) bid may be withdrawn or amended until, but not after, 17:00 on each auction day. Please note that business support will only be available during normal business hours.

On each auction day Users may make an application (a “**capacity trade bid**”) for Monthly NTS Entry Capacity at a Relevant ASEP for an Available Month in accordance with Uniform Network Code Transition Document Part IIC, Paragraph 1.1.7(e). Please note, the minimum quantity that can be applied for will be 100,000 kWh and Users may submit up to 3 Capacity trade bids in respect of a Relevant ASEP per Available Month.

The TTSEC auction will be conducted via Gemini and capacity trade bids should be made via the **Deal>Capture>Create Bids** screen.

Pursuant to Uniform Network Code Transition Document Part IIC, Paragraph 1.1.7(c) (ii) National Grid has specified relevant information for each Available Month, please refer to Appendix A. Following the Surrender process conducted on the 17th and 18th September, the information referred to in Appendix A has been amended where appropriate to take account of any capacity surrender offers received.

In summary, below is the information specified within Appendix A:

- Table 1** – lists the Relevant ASEP’s
- Table 2** - the nodal allocation maximum for each Recipient ASEP
- Table 3** - the Zonal Allocation Maximum for each Relevant ASEP Zone
- Table 4** – the aggregate amount of Monthly NTS Entry Capacity which Users are willing to surrender at a Relevant ASEP and the amount of Unsold NTS Entry Capacity at each Non-Recipient ASEP which is a Relevant ASEP
- Table 5** - the Available Monthly Capacity for each Relevant ASEP zone
- Table 6** - the inter-zone exchange rate(s) between the Relevant ASEP Zone in which the Recipient ASEP is located and each other related Relevant ASEP Zone
- Table 7** - the ASEP merit order for each Relevant ASEP Zone and related Relevant ASEP Zone
- Table 8** - the applicable reserve price

In the first tranche of the TTSEC auction the amount of capacity offered will be 50% of the Available System Entry Capacity being offered. In the last tranche the remaining available System Entry Capacity being offered will be offered for sale, together with that unsold in the previous tranche

Following the completion of tranche one of the TTSEC auction, Users will be able to view their individual Allocations on Gemini. In addition, all users will be able to view the aggregate TTSEC auction information (Highest, Lowest & WAP of successful bids, Aggregate Capacity Allocations & Number of Successful/Unsuccessful Bidders) as per the requirements pursuant to Uniform Network Code Transition Document Part IIC, Paragraph 1.1.7(r) (ii). The aggregate information will be published on the National Grid website.

Surrendering Users who completed and submitted the fax proforma during the initiation process will be informed **by fax** what quantity, of their Surrender Amount that has been accepted during tranche one of the TTSEC auction. Following the completion of Round Two of the TTSEC Auction, all Surrendering Users will be able to view the total quantity of surrender offers that have been accepted across both rounds of the auction via Gemini.

Surrendering Users who have not had any surrender bids accepted can view their rejected bids on Gemini after tranche 2 has closed.

Allocations will be published to Users by 17:00 hours on the 7th Business Day following each invitation date

Please note that this invitation is being sent by fax (business hours operational list) and by e-mail via the Joint Office. The delivery notification audit report will be considered as evidence of receipt.

If you have any queries about the auction process please contact me on + 44 (0) 1926 65 4071 or my colleague Dave Wagstaff on 44 (0) 1926 65 4045. Alternatively you can e-mail the capacity team at box.capacityauctions@uk.ngrid.com

Yours sincerely,

Chris Gumbley

Appendix A

Pursuant to the Uniform Network Code transition Document Part IIC, Paragraph 1.1.7 (c) (ii) is hereby notifying users, in respect of each Available Month and Relevant ASEP of the following relevant information:

Table 1 - List of Available Months and Relevant ASEPs

ASEP	ASEP ID	Nov'07	Dec'07	Jan'08	Feb'08	Mar'08
Easington	EA	R	R	R	R	R
Hatfield Moor OS	HM	NR	NR	R	R	NR
Hatfield Moor Storage	HT	R	R	R	R	R
Hornsea	HS	NR	R	R	R	R
Teesside	TE	R	R	R	R	
St Fergus	SF	NR	NR	NR	NR	
Barrow	BR	NR	NR	NR	NR	
Glenmavis	GM	NR	NR	NR	NR	
Isle of Grain	IG	NR	NR	NR	NR	NR
Bacton	BA	NR	NR	NR	NR	NR
Theddlethorpe	TH	NR				

Note: R = Recipient ASEP, NR = Non Recipient ASEP.
R/NR denotes an applicable month for an ASEP. Bids received for months that have not been indicated as available will be rejected.

Table 2 - Nodal Allocation Maximum for each Recipient ASEP

Zone	Recipient ASEP	Proposed Nodal Allocation maximum (NAM) (kWh/Day)				
		Nov-07	Dec-07	Jan-08	Feb-08	Mar-08
Easington	Easington	1,256,666,667	1,267,500,000	1,267,500,000	1,267,500,000	1,267,500,000
Easington	Hornsea	247,000,000	247,000,000	247,000,000	247,000,000	247,000,000
Easington	Hatfield Moor Onshore	450,000	450,000	450,000	450,000	450,000
Easington	Hatfield Moor Storage	22,350,000	22,350,000	22,350,000	22,350,000	22,350,000
Northern Triangle	Teesside	476,666,667	476,666,667	476,666,667	476,666,667	476,666,667

Table 3 – Zonal Allocation Maximum for Each Relevant ASEP Zone

Zone	Zonal Allocation Maximum (ZAM) (kWh/Day)				
	Nov-07	Dec-07	Jan-07	Feb-07	Mar-07
Easington	1,105,000,000	1,105,000,000	1,105,000,000	1,105,000,000	1,105,000,000
Northern Triangle	2,361,666,667	2,361,666,667	2,361,666,667	2,361,666,667	2,361,666,667

Table 4 – Aggregate Amount of Unsold NTS Entry Capacity (kWh/d) and Aggregate Amount of Surrendered Capacity (kWh/d) at each Non-Recipient ASEP

ASEP		Nov-07		Dec-07		Jan-08		Feb-08		Mar-08	
		Unsold	Surrendered	Unsold	Surrendered	Unsold	Surrendered	Unsold	Surrendered	Unsold	Surrendered
BA	Bacton	681,523,998	0	565,291,522	0	535,350,491	0	537,723,754	0	559,968,589	0
BR	Barrow	0	38,000,000	0	38,000,000	0	38,000,000	0	38,000,000	0	38,000,000
EA	Easington	1	0	66,325	0	0	0	1	0	0	0
GM	Glenmavis LNG	26,500,000	0	26,500,000	0	26,500,000	0	26,500,000	0	26,500,000	0
HM	Hatfield Moor Onshore	0	300,000	0	300,000	0	300,000	0	300,000	0	300,000
HT	Hatfield Moor Storage	0	14,900,000	0	14,900,000	0	14,900,000	0	14,900,000	0	14,900,000
HS	Hornsea	76,021,352	17,583,720	0	11,301,684	0	10,114,359	0	10,114,359	0	26,376,390
IG	Isle of Grain LNG	175,000,000	0	175,000,000	0	175,000,000	0	175,000,000	0	175,000,000	0
SF	St Fergus	182,869,346	29,000,000	181,905,723	26,000,000	226,072,793	25,000,000	228,630,213	26,000,000	251,083,590	26,500,000
TE	Teesside	0	0	0	0	0	0	0	0	20,189,704	0
TH	Theddlethorpe	329,446,933	89,912,670	150,583,225	187,386,872	123,835,001	233,118,401	92,951,536	265,617,736	206,170,743	160,412,341

Table 5 – Available Monthly Capacity for Each ASEP Zone

Important: 50% of the Available Monthly Capacity will be available in each Tranche of the auction with any unallocated capacity from the first Tranche being rolled over to the second Tranche.

Zone	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08
Easington*	0	0	0	0	0
Northern Triangle	214,269,352	210,305,729	253,472,797	257,030,213	300,173,294
South East +	173,333,333	173,333,333	173,333,333	173,333,333	173,333,333
Theddlethorpe	419,359,603	0	0	0	0

Notes:

1/ * There will be no within zone process for the Easington zone and it is not a donor zone. Therefore there is no capacity available for allocation.

2/+ Available Capacity limited to 173,333,333 kWh across both tranches, as Zero exchange rate applies after this amount.

Table 6 - The Inter-Zone Exchange Rate(s) between the ASEP Zone in which the Recipient ASEP is located and each other related ASEP Zone

For Nov 2007 – Mar 2008

Donor Zone	Recipient Zone	Available Capacity Banding for Allocation in Donor Zone (kWh/Day)	Exchange Rate
South East	Easington	Between 0 & 86,666,667	2.3:1
		Between 86,666,667 & 173,333,333	1.8:1
		>173,333,333	0
South East	Northern Triangle	Between 0 & 86,666,667	2:1
		Between 86,666,667 & 173,333,333	1:1
		>173,333,333	0

For Nov 2007 only

Donor Zone	Recipient Zone	Available Capacity Banding for Allocation in Donor Zone (kWh/Day)	Exchange Rate
Theddlethorpe	Easington	419,359,603	19.5:1
Theddlethorpe	Northern Triangle	419,359,603	7.8:1

For exchange rates from other zones, we are applying a “zero” rate based on current capacity holdings.

Table 7 - ASEP Merit Order(s) for each Relevant & Related ASEP Zone

Zone	ASEP	Merit Order
Easington	Easington	1
	Hatfield Moor Storage	2
	Hatfield Moor On-shore	3
	Hornsea	4
	Garton	5
South East	Isle of Grain	1
	Bacton	2
Northern Triangle	Teesside	1
	St.Fergus	2
	Barrow	3
	Glenmavis LNG	4
Theddlethorpe	Theddlethorpe	1

Table 8 – Applicable Reserve Price (p/kWh)

Applicable ASEP	ASEP ID	Price (p/kWh)
Easington	EA	0.0075
Hatfield Moor OS	HM	0.0022
Hatfield Moor Storage	HT	0.0022
Hornsea	HS	0.0078
Teesside	TE	0.0091
St Fergus	SF	0.0374
Barrow	BR	0.0080
Glenmavis	GM	0.0178
Isle of Grain	IG	0.0001
Bacton	BA	0.0060
Theddlethorpe	TH	0.0063