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Dear Julian

UNC Modification Proposal 0065: 'Amend the BNFA Neutrality Interest Rate'

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Thank you for your invitation seeking representations with respect to the above Modification Proposal.

National Grid Gas plc (UK Distribution) ("Distribution") is of the opinion that this modification should be implemented.

Distribution have reached this position on the basis that the proposed arrangements should improve the ease by which interest payments are accounted for in the energy balancing neutrality account and, consequently, will improve the transparency and efficiency of these transactions.

It is clearly in the interests of all parties that this bank account is managed as efficiently as possible and the application of a commercially available interest rate, rather than a nominal one, is the simplest way of implementing this particular obligation.

We believe implementation is fully consistent with National Grid's licence obligations to promote competition between shippers and suppliers by ensuring the interest payments relating to this account are transparent and predictable, and therefore we are in accordance with the proposer's view that implementation would be consistent with the relevant objective.

Yours sincerely,

Declan McLaughlin