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Dear Robert,

NOTIFICATION OF THE INTENTION TO CHANGE THE ELECTRICITY TRANSMISSION NETWORK USE OF SYSTEM (TNUoS) CHARGES FOR 2007/08

Under the terms of the Electricity Transmission Licence Condition C4 5(a), National Grid is required to give the Authority 150 days notice of any proposal to change the Transmission Network Use of System charges. Without prejudice to any of the ongoing discussions between Ofgem and National Grid on charging related issues, this letter gives notice of our intention to change the following schedules to be published in the Statement of Use of System Charges for the financial year 2007/08.

Schedule 1: Transmission Network Use of System charges for Generation and Demand (kW) and Energy Consumption (kWh). See Appendix 1

Schedule 3: Charge-Out Rates for National Grid Engineering Charges for Variable Price Applications. See Appendix 2

If you have any questions on any of the above or the attached appendices, please do not hesitate to contact me on 01926 656823.

Yours sincerely,

Nigel Fox
Charging and Revenue Manager
UK Transmission – Commercial
National Grid

**Notification of the Intention to Change
Transmission Network Use of System Charges for 2007/08**

Appendix 1

The Statement of the Use of System Charging Methodology (Chapter 1) outlines the principles and methodology upon which National Grid recovers allowed revenue via the application of a tariff for Transmission Network Use of System (TNUoS) charges. National Grid intends to amend the TNUoS tariffs with effect from 1st April 2007 for the financial year 2007/08.

The factors that affect the level of TNUoS charges from year to year include the forecast level of peak demand on the system, the Price Control, the Price Control formula (including the effect of any under/over recovery from the previous year), the expansion constant, changes in the transmission network and changes in the pattern of generation capacity and demand.

In addition to these factors the Use of System Charging Methodology is subject to change according to its modification process set-out in National Grid's Transmission Licence. National Grid is presently consulting users on one modification proposal, GB ECM-06. If implemented, this proposal would provide a discount on TNUoS tariffs to those users that had elected single circuit connections under the design variation provisions of the GB Security and Quality of Supply Standards. The implementation of this proposal is still subject to the Authority's power of "veto". It is our intention that this modification should be implemented from 1 April 2007. However, if this modification is deemed "important" and is therefore subject to an impact assessment, the achievement of this date would be dependent on the Authority's agreement to a shorter notice period of charges to users than that normally required by the CUSC.

There is a possibility that the TNUoS tariffs for April 2007 could be affected by the implementation of any further Charging Methodology proposals, BSC or CUSC amendments raised following the submission of this notification, if proposed for implementation before April 2007.

It is our intention to publish the revised Statement of Use of System Charges (containing the TNUoS tariffs) in January 2007 in line with our CUSC obligations.

**Notification of the Intention to Change
Transmission Network Use of System Charges for 2007/2008**

Appendix 2

The Statement of Use of System Charges details the charge-out rates for National Grid engineering charges for variable price applications.

The fees are currently being reviewed incorporating updated staff costs, inflation and appropriate resource categorisation.