

Compliance Annual Report

National Grid Gas plc

Prepared pursuant to paragraphs 6 and 7 of Standard Special Condition A34 of the Gas Transporter Licence granted to National Grid Gas plc (registered in England with number 2006000 and whose registered office is at 1-3 Strand, London WC2N 5EH) under section 7 of the Gas Act 1986 (as amended) in respect of its transmission system

29th May 2007

Definitions

For the purposes of this report, the following definitions apply:

Confidential Information	Means information relating to, or derived from, the Transportation Business which is not published or otherwise legitimately in the public domain: <ul style="list-style-type: none">• except where such information is made available on an equal basis to any meter asset manager;• except where such information appertains to a customer who at the time to which the information relates was a customer of the relevant supplier; or• where the Authority otherwise consents in writing
Transportation Business	Means the business of National Grid Gas plc in respect of its Gas National Transmission System
MRSB	Means Meter-related services business as defined in the GT licence
MRB	Means meter reading business as defined in the GT licence
GT Licence	Means the gas transporter's licence held by National Grid Gas plc in respect of its Gas National Transmission System

Introduction

Paragraphs 6 and 7 of Standard Special Condition A34 of the Gas Transportation Licence ("Licence") granted to National Grid Gas plc ("NGG") in respect of the NTS require NGG to produce an annual report covering its compliance during the relevant year with relevant duties, its implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement, as approved by the Gas and Electricity Markets Authority, the activities of the Compliance Officer during the relevant year and the details of any investigations conducted by the CO. This is the annual report in respect of the Period 1st May 2006 to 30th April 2007 ("Period").

Compliance with relevant duties

Throughout the Period National Grid Gas has been compliant with the relevant duties.

Implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement

The Compliance Statement (“Statement”) prepared pursuant to paragraph 4 of Standard Special Condition A33 of the gas transporter licence granted to National Grid Gas plc was approved by Ofgem on 1st May 2005. The Statement describes the practices, procedures and systems adopted by NGG to secure compliance with its obligations under paragraphs 2 and 3 of Standard Special Condition A33 (Restriction on use of Information and Independence of the Transportation Business) of its GT licence, which respectively provide how NGG:

- Shall maintain managerial and operational systems which prevent any MRSB or MRB having access to Confidential Information other than as permitted by paragraphs 2(a) and 2(b) of Standard Special Condition A33; and
- Shall at all times manage and operate the Transportation Business in a way best calculated to ensure that it does not restrict, prevent or distort competition in the supply of meter related services or meter reading (together, “the Conditions”).

Managerial Independence

Pursuant to the written consent of the Authority dated 12 October 2006, NGG is relieved of its obligation to implement managerial independence of the transportation business.

Operational Independence of the Transportation Business from MRSB and MRB

Pursuant to the written consent of the Authority dated 12 October 2006, NGG is relieved of its obligation to implement operational independence of the transportation business.

Independent Branding

Pursuant to the written consent of the Authority dated 12 October 2006, NGG is relieved of its obligation to implement separate branding for the Transportation Business.

Use of equipment, facilities, property and personnel employed by the Transportation Business

Pursuant to the written consent of the Authority dated 12 October 2006, NGG is relieved of its obligation to implement independence of equipment, facilities, property and personnel employed by the Transportation Business

Activities of the CO

During the Period the CO:

- Provided advice and information to directors, managers and staff on ensuring compliance with the relevant duties, both pro-actively and in response to requests;
- Monitored the effectiveness of the practices, procedures and systems put in place as set out in the Compliance Statement;
- Provided advice and information to directors, managers and staff to ensure the implementation of practices, procedures and systems put in place as set out in the Compliance Statement;
- Communicated the requirements of the Compliance Statement to appropriate employees.

Investigations conducted by the Compliance Officer

There have been no complaints during the Period and therefore no investigations or the requirement to advise upon remedial action.

Any enquiries regarding the content of this report should be addressed in the first instance to the Compliance Officer at the following address:

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Licence Co-ordination Manager
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Warwick CV34 6DA

29th May 2007