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1 April 2008

Dear Duncan

Information Provision for 2008/09 SO Incentive Scheme: formal information request under paragraph 14 of standard condition C16 of NGET's transmission licence

Thank you for meeting with Ofgem on 11 March 2008. Further to that meeting and following the implementation of the 2008/09 System Operator (SO) Incentive Scheme on 1 April 2008, this letter clarifies the position with regard to the information to be provided by National Grid Electricity Transmission (NGET) in respect of its procurement and use of balancing services.

As the external balancing costs incurred in the period 1 April 2008 to 31 March 2009 are covered by an agreed SO Incentive scheme, we require NGET to provide the following data items:

- ◆ **Weekly BSIS data currently submitted under data category 1a**
 - BSIS data, on a weekly basis, which lists the total daily values for CSOBM, BSCC, NIA and transmission losses volumes.
- ◆ **Monthly data pack currently submitted under data category 1b**
 - A detailed monthly submission of data relating to the utilisation and payments/revenues arising from particular balancing services
- ◆ **Operational Strategy Meeting Summary**

The Authority¹ is requesting this information pursuant to paragraph 14 of Standard Condition C16 of NGET's transmission licence, in order to monitor effectively NGET's external balancing costs and its performance against its incentive scheme. As

¹ Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority (the "Authority"), the regulator of the gas and electricity industries in Great Britain. Ofgem's primary aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority was established by the Utilities Act 2000 and its powers are provided for under the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998, the Utilities Act 2000, the Enterprise Act 2002 and the Energy Act 2004. The terms "Ofgem", "we" and "the Authority" are used interchangeably in this letter.

discussed at the meeting on 11 March, this information is the same as provided by NGET in 2007/08.

The Authority requires that the information be provided to Kirsten Hall (kirsten.hall@ofgem.gov.uk), to Alessandro Rubino (alessandro.rubino@ofgem.gov.uk) and to gb.markets@ofgem.gov.uk, in accordance with the appendix to this letter.

Please note that a failure to comply with this information request may result in the enforcement of the relevant licence condition and the imposition of a financial penalty.²

Ofgem may also request information on an ad hoc basis as and when it is required. NGET should also continue to bring to the attention of Ofgem any information or data which it considers is relevant to the efficient, economic and co-ordinated operation of the GB transmission system.

Please contact Kirsten Hall on 020 7901 7362 or Alessandro Rubino on 020 7901 7216 if you would like to discuss any aspect of this letter further.

Yours sincerely



Kersti Berge
Head of GB Markets

² Under section 27A of the Electricity Act 1989 where the Authority is satisfied that a licence holder has contravened or is contravening any relevant condition, the Authority may, subject to section 27C, impose on the licence holder a penalty of such amount as is reasonable in the circumstances of the case.

Appendix – Please also see attached spreadsheet

Definitions³

CSOBM which represents the cost to the licensee of bids and offers in the balancing mechanism accepted by the licensee in a relevant settlement period j less the total non-delivery charge for that period.

BSCC means the costs to the licensee of contracts for the availability or use of balancing services during a relevant settlement period j , excluding costs within CSOBM but including charges made by the licensee for the provision of balancing services to itself in a relevant period;

NIA means the net imbalance adjustment calculated as the total net imbalance volume (TOEI) as defined in the BSC in force immediately prior to 1 April 2001 for that relevant period multiplied by the net imbalance volume reference price (NIRP) in the same settlement period.

NIRP_j, which is the net imbalance volume reference price for each settlement period j , during relevant period t , shall be derived as follows:

- (a) (i) where UKPXHH_j and UKPX4H_j data are published in respect of the relevant settlement period j then:

$$SPNIRP_j = (0.5 * UKPXHH_j) + (0.5 * UKPX4H_j)$$

- (ii) where UKPXHH_j data are published and UKPX4H_j data are not published in respect of the relevant settlement period j then:

$$SPNIRP_j = UKPXHH_j$$

- (iii) where UKPXHH_j data are not published and UKPX4H_j data are published in respect of the relevant settlement period j then:

$$SPNIRP_j = UKPX4H_j$$

- (iv) where neither UKPXHH_j data nor UKPX4H_j data have been published in respect of the relevant settlement period j then:

$$SPNIRP_j = SPNIRP_{j-1}$$

where:

³ The relevant definitions in this section refer to balancing services and data for a relevant settlement period j (in all cases shall mean a settlement period (being a half an hour) as defined in the BSC). Where information is requested over a relevant period t (for example to provide daily data) it will require necessary aggregation and averaging of these data (or other such calculation as required such as the highest and lowest costs or prices seen in the settlement periods that fall within that relevant period).

- SPNIRP_j means the single price net imbalance volume reference price for each settlement period j.
- j in all cases shall mean a settlement period (being a half an hour) as defined in the BSC.
- j-1 the settlement period immediately preceding the relevant settlement period j.
- UKPXHH_j means the United Kingdom Power Exchange (UKPX) volume weighted reference price for each settlement period j based on the traded prices of half hourly spot contracts.
- UKPX4H_j means the UKPX weighted average price in respect of all four (4) hour block market contracts delivered within the EFA block applying to those settlement periods j. In order to derive the UKPX4H_j price in respect of each relevant settlement period j the EFA block containing the relevant settlement period j shall be used.
- EFA block means the six four hourly blocks within the EFA day (being 23.00 hours to 23.00 hours in the immediately following day) set out in the table below:

Block	Time
1	23:00 to 03:00
2	03:00 to 07:00
3	07:00 to 11:00
4	11:00 to 15:00
5	15:00 to 19:00
6	19:00 to 23:00

(b) The term NIRP_j shall be derived as follows:

(i) where TQEI_j < 0

$$NIRP_j = SPNIRP_j + (SPNIRP_j * PA1)$$

(ii) where TQEI_j > 0

$$NIRP_j = SPNIRP_j - (SPNIRP_j * PA2)$$

(iii) where TQEI_j = 0

$$NIRP_j = 0$$

where in respect of the relevant period t, the terms PA1 and PA2 shall have the value ascribed to those terms in the following table:

PA1	1.5
PA2	0.5