



The Company Secretary
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

*Promoting choice and
value for all customers*

Direction issued to National Grid Electricity Transmission ("NGET") by the Gas and Electricity Markets Authority pursuant to paragraph B1(b) of Part B of Schedule A to Special Condition AA5A (Balancing Services Activity Revenue Restriction) of NGET's electricity transmission licence

1. This Direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant to paragraph B1(b) of Part B of Schedule A to Special Condition AA5A (Balancing Services Activity Revenue Restriction) ("the Condition") of NGET's electricity transmission licence ("the Licence") granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 (the "Act") to NGET (the "Licensee").
2. In the preparation of the 2009/10 Balancing Services Incentive Scheme ("BSIS") final proposals the Authority and NGET agreed to the inclusion of automatic adjusters in respect of a "material change"^[1] in the availability to the licensee of ancillary services from that assumed by the licensee when developing its forecast for Incentivised Balancing Costs for 2009/10. On the basis of such a material change the Authority would accordingly direct a reduction of the BSIS target.
3. In accordance with paragraph B1(b) of Part B of Schedule A to the Condition NGET wrote to the Authority on 19 January 2010 to report that a material change had occurred which NGET considered should result in a reduction to the target of £15.0m.
4. Paragraph B1(b) of Part B of Schedule A to the Condition of the Licence states that "any relevant material change in the availability of ancillary services to the licensee and the associated costs of such material change shall be agreed between the Authority and the licensee prior to the commencement of the relevant year". The Authority can confirm that the material change considered in this Direction was agreed prior to the commencement of the relevant year.
5. The Authority hereby directs, pursuant to paragraph B1(b) of Part B of Schedule A to the Condition of the Licence, that the table in B1(a) of Part B of Schedule A to the Condition of the Licence be replaced with

^[1] These were referred to as "Material Events" in the correspondence from National Grid at the relevant time.

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IBC_t (£)	MT_t (£)	SF_t	CB_t (£)
IBC _t < 511,430,000	0	0	15,000,000
511,430,000 ≤ IBC _t < 571,430,000	571,430,000	0.25	0
571,430,000 ≤ IBC _t < 601,430,000	IBC _t	0	0
601,430,000 ≤ IBC _t < 701,430,000	601,430,000	0.15	0
IBC _t ≥ 701,430,000	0	0	-15,000,000

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6. This Direction shall have retrospective effect on and from 1 April 2009.

Dated: 21 January 2010

Ian Marlee

Partner, Trading Arrangements

Signed on behalf of the Authority and authorised for that purpose by the Authority