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*Promoting choice and value for
all gas and electricity customers*

Your Ref:
Our Ref:
Direct Dial: 020 7901 7487
Email: ian.marlee@ofgem.gov.uk

Date: 15 April 2010

Dear Alan

Information provision for 2010/11 external balancing costs and volumes: formal information request under paragraph 14 of Standard Condition C16 of NGET's transmission licence

This letter constitutes a formal information request under paragraph 14 of Standard Condition C16 of National Grid Electricity Transmission's (NGET) transmission licence, with regard to the information to be provided by NGET in respect of its procurement and use of balancing services.

The Authority¹ requires NGET to provide the following information in respect of external balancing costs and volumes for the period 1 April 2010 to 31 March 2011:

- **weekly cost data pack** (in a spreadsheet) as specified in section a) of the attached table;
- **monthly cost data pack and other monthly data** (in a spreadsheet) as specified in section b) of the attached table;
- **monthly volume data pack** (in a spreadsheet) as specified in section c) of the attached table;
- **quarterly QPR** as specified in section d) of the attached table;
- **monthly "Hot Spot" reports:** to be generated where balancing costs or volumes for an individual component or for IBC overall varies substantially from the forecast. Each report should specify details of the variation and a commentary on why this may have occurred and should be provided alongside the monthly data packs;
- information in respect of the monthly volume of the specified key variables as referred to in NGET's licence and specified in sections a) and b);
- **monthly presentations to Ofgem** (on dates to be agreed between Ofgem and NGET) summarising:
 - the main events in cost and volume terms occurred during the previous month; and
 - any hot spot reports that have been generated during the previous month.

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.

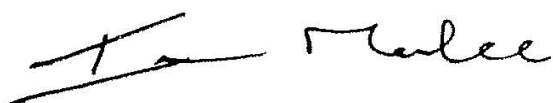
The Authority is requesting this information pursuant to paragraph 14 of Standard Condition C16 of NGET's transmission licence, in order to monitor effectively NGET's external balancing costs and its performance against its incentive scheme. We consider this information to be important in order for Ofgem to gain a fuller understanding of the different drivers behind each aspect of NGET's incentivised operating costs.

The Authority requires that the information be provided to Tim Wyndham (Tim.Wyndham@ofgem.gov.uk) and to soincentive@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 penalty².

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 Tim Wyndham on 020 7901 7146 if you would like to discuss any aspect of this letter further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Marlee', written in a cursive style.

Ian Marlee
Partner, 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.