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Dear Ian

National Grid Electricity Transmission plc (“NGET”): Balancing Services Activity Revenue Restriction – Managing the impact of the volume of generation connecting in Scotland on constraint costs.

I am writing to you in the context of development of the supplementary provisions of the charge restriction conditions set out in Special Condition AA5A (Balancing Services Activity Revenue Restriction) (the “Condition”) of NGET’s electricity transmission licence. This letter deals with events that will constitute a “material change”¹ as provided for in paragraph B1b) of Part B of Schedule A to the Condition.

The 2010/11 Incentivised Balancing Cost (IBC) target² as at 1 April 2010 is based on the assumption that 893 MW of new generation capacity will connect in Scotland by 31 October 2010³. Scottish constraint costs will be reduced in the event that less generation connects in Scotland.

To that end, NGET has proposed that the IBC target should be adjusted downwards by way of a direction from the Authority if the material change described in this letter arises. The material change anticipated by NGET is defined by a reduction in the capacity of generation connecting in Scotland from the level forecast by NGET.

In the event that the actual capacity of new generation connecting is lower than that volume assumed in the forecast, NGET accepts that this constitutes a material change and that the Authority will direct a reduction to the MT_t and IBC_t parameters in Schedule A to the Condition by subtracting an amount (in £) calculated in accordance with the following formula:

$$35,000 * (893 - X)$$

where X is the volume of new generation connected (in MW) by 31 October 2010, and can take a value between 0 and 893 MW. The volume of new generation connected shall be determined by reference to the maximum metered flow in MW from each generation site listed in the appendix to this letter in any half hour during the period 1 April 2010 to 31 October 2010.

¹ This is referred to as a change to the “volume in the specified key variables from those assumed by the licensee when developing its forecasts” in Schedule A

² As defined in Special Condition AA5A

³ A list of the expected plants and their capacity which will connect in Scotland by 31 October 2010 is appended to this letter.

NGET will calculate the appropriate reduction to the MT_t and IBC_t parameters following the end of October 2010.

NGET will provide the Authority with such information as the Authority may require in order to enable it to direct an appropriate adjustment. Such information shall be provided by 30 November 2010.

Yours sincerely

[By e-mail]

Paul Whittaker
UK Director of Regulation

Appendix: Expected volume of new generation connecting

Station Name	MW
Crystal Rig 2	138
Toddleburn	28
Total:	166
An Suidhe Wind Farm, Argyll (SRO)	30
Andershaw	45
Ardossan Extension	6
Arecleoch	150
Beinn an Tuirc 2	38
Boyndie	1.7
Burnfoot Hill	26
Cairnmore Farm	2.55
Carraig Gheal Wind Farm	60
Craigengelt Hill	21
Dummuies Wind Farm Stage 2	1.9
East Skitchen	3.9
Extra Embedded SP	31.94
Extra Embedded SSE	26.11
Fasnakyle G4	7.5
Glenkerie	22
Gordonstown	12.5
Greengairs	27
Hill of Fiddes	7.5
Holodyke	1.3
Mains of Hatton	3.9
Mark Hill Wind Farm	56
McCrierick's Cairn	1.5
St John's Hill	13
St John's Well	3.9
Strath of Brydock	4
Tullo Wind Farm Laurencekirk	3.5
Total:	607.7
Clyde	84
Kingsburn	20
Millennium	15
Total:	119
Grand Total:	893