



Juliana Urdal  
National Grid plc  
National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

*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](mailto:ian.marlee@ofgem.gov.uk)

Date: 19 April 2011

Dear Juliana

**Information provision for 2011/12 System Operator Incentive Scheme: formal information request under paragraph 1 of Standard Special Condition A26 and paragraph 14 of Special Condition C5 of National Grid Gas's gas transporter licence**

On 30 March 2011 the Authority<sup>1</sup> issued a Direction modifying National Grid Gas (NGG)'s gas transporter licence to implement the System Operator (SO) incentives schemes which apply from 1 April 2011. As seven of NGG's SO activities will now be covered by distinct incentive schemes from April 2011, we require NGG to provide us with the following information:

- **A Monthly data pack**, to be submitted four weeks after the end of each month of the year commencing April 2011, provided in a spreadsheet in accordance with the table accompanying this letter;
- **A Monthly report**, to be provided one week after the end of each month of the year commencing April 2011, providing a qualitative summary of NGG's SO performance during the month including (but not limited to):
  - flagging any expected substantial variations in cost or incentive performance against the incentive targets;
  - details of any expected substantial variation and a commentary on why this has occurred e.g. changes to market conditions, a one-off event etc;
- **Presentation** to Ofgem (as requested by Ofgem and on dates to be agreed between Ofgem and NGG) to highlight the main points relative to NGG's SO performance over the relevant period as specified by Ofgem. Such presentations will not be required at intervals smaller than a month;
- **A Quarterly report**, to be submitted five weeks after the end of each quarter of the year commencing April 2011, including:
  - **A general System Operator report:** providing qualitative analysis of NGG's System Operator performance during the quarter concerned including:
    - an overview of its performance against each incentive;

<sup>1</sup> 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.

- a discussion of any changes to market conditions which may be affecting the System Operator's costs/role;
- an explanation of any significant changes in System Operation costs/actions;
- **Unaccounted for Gas (UAG) incentive**
  - an outline of activities undertaken by NGG during the quarter concerned and an outline of the activities NGG is considering undertaking in respect of UAG;
  - an indication of the costs associated with these activities;
  - a view as to the likely effects that these activities may have on UAG;
  - proposals for any actions that should/could be taken by other parties for the purpose of reducing UAG;
- **Incentives from April 2012**
  - an update on actions taken by NGG regarding the development of initial proposals (and its proposed next steps) for the one year rollover of its SO incentives that are due to expire on 31 March 2012;
- **Incentives from April 2013**
  - an update on actions taken by NGG regarding any relevant work on incentive schemes to be in place from April 2013.

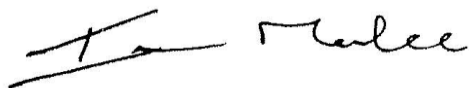
The Authority is requesting this information pursuant to paragraph 1 of Standard Special Condition A26 (Provision of Information to the Authority) and paragraph 14 of Special Condition C5 (Licensee's procurement and use of system management services) of NGG's gas transporter licence in order to monitor its performance against its incentive schemes and NGG's procurement and use of system management services respectively.

The Authority requires that this information is provided to Miles Perry ([miles.perry@ofgem.gov.uk](mailto:miles.perry@ofgem.gov.uk)), and to [soincentive@ofgem.gov.uk](mailto:soincentive@ofgem.gov.uk).

**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<sup>2</sup>.**

Ofgem may also require information on an ad hoc basis as and when it is needed. NGG should also continue to bring to the attention of Ofgem any information or data which it considers is important to the efficient, economic and co-ordinated operation of the GB transmission system. Please contact Philippa Pickford (07786 197346) to discuss any aspect of this letter further.

Yours sincerely



**Ian Marlee**  
**Partner, GB Markets**

---

<sup>2</sup> Under section 30A of the Gas Act 1986, where the Authority is satisfied that a licence holder has contravened or is contravening any relevant condition, the Authority may, subject to section 30C, impose on the licence holder a penalty of such amount as is reasonable in the circumstances of the case.