



Making a positive difference  
for energy consumers

National Grid Electricity  
Transmission Plc and other  
interested parties

Direct Dial: 020 7901 7125  
Email: [adam.cooper@ofgem.gov.uk](mailto:adam.cooper@ofgem.gov.uk)

Date: 17 September 2015

Dear colleagues,

**Statutory consultation on proposed licence modifications to National Grid Electricity Transmission plc Licence**

Please find enclosed statutory licence consultation notices that propose to modify the following special conditions of the electricity transmission licence held by National Grid Electricity Transmission plc (NGET):

- 4A (Restriction of System Operator Internal Revenue)
- 4L (EMR Dispute Resolution Incentive)
- 7D (Arrangements for the recovery of SO uncertain costs)

In our April consultation<sup>1</sup>, we set out how we would assess NGET's allowances, outputs and incentives required to deliver its roles under Electricity Market Reform (EMR) from August 2014 to March 2021. Our decision<sup>2</sup> on these matters is published today alongside this notice.

Special conditions 4A and 4L provide four financial incentives for NGET in relation to its EMR functions:

- (a) the dispute resolution incentive which adjusts the licensee's revenue depending on how many of the reviewable decisions made by the licensee are overturned by the Authority;
- (b) the demand forecasting accuracy incentive which adjusts the licensee's revenue as a result of the accuracy with which the licensee forecasts Peak National Demand;
- (c) the demand side response incentive which adjusts the licensee's revenue as a result of the licensee encouraging and facilitating participation of Demand Side Response providers in the Year Ahead Capacity Auction; and

---

<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/consultation-initial-proposals-setting-revenue-outputs-and-incentives-national-grid-electricity-transmission-plc-s-roles-electricity-market-reform>

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/consultation-initial-proposals-setting-revenue-outputs-and-incentives-national-grid-electricity-transmission-plc-s-roles-electricity-market-reform>

- (d) the customer and stakeholder satisfaction survey incentive which adjusts the licensee's revenue depending on the licensee's performance as measured by the customer and stakeholder satisfaction survey.

Special condition 7D provides arrangements for NGET or the Authority to propose relevant adjustments to allowed expenditure in relation to EMR uncertain cost categories.

Further detail on the reasons and effects of these modifications is provided in the statutory consultation notices, which are published alongside this covering letter.

If we decide to proceed with the licence modifications, they will take effect on 1 April 2016. Representation or objections to the proposed modification should be made in writing on or before 15 October 2015.

If you have any queries regarding the information contained within this letter, or for queries in relation to special conditions 4A and 4L, please contact Sujitra Krishnanandan on 020 3263 9832 or by email [sujitra.krishnanandan@ofgem.gov.uk](mailto:sujitra.krishnanandan@ofgem.gov.uk). For queries in relation to special condition 7D, please contact Phillip Heyden on 020 7901 0516 or by email [phillip.heyden@ofgem.gov.uk](mailto:phillip.heyden@ofgem.gov.uk).

Yours faithfully,

.....  
**Adam Cooper,**  
**Associate Partner, Wholesale Markets**