

To: National Grid Electricity Transmission plc

**Electricity Act 1989
Section 11A(1)(a)**

Modification of special condition 4A and 4L of the electricity transmission licence held by National Grid Electricity Transmission plc

1. National Grid Electricity Transmission plc ('NGET') is the holder of an electricity transmission licence ('the Licence') granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ('the Act').
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 17 September 2015 ('the Notice') that we propose to modify special conditions 4A (Restriction of System Operator Internal Revenue) and 4L (EMR Dispute Resolution Incentive) of the Licence. We stated that any representations to the modification proposal must be made on or before 15 October 2015.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the changes should not be made.
4. We received one response to the Notice, which we carefully considered. We have placed the response on our website. Our response to the comments raised is set out in the accompanying letter.
5. It is necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are highlighted in yellow in the attached Schedule 1. The reasons for any differences between the modifications set out in the Notice and the modifications reflected in Schedule 1 are to correct minor typographical errors and omissions raised in the consultation response.
6. The reasons for this modification is to ensure suitable performance incentives are in place for NGET in its role as the Electricity Market Reform (EMR) Delivery Body from 1 April 2016 to 31 March 2021. In particular, the incentives include:
 - a. a dispute resolution incentive on how many of NGET's reviewable decisions are overturned by the Authority;
 - b. a demand forecasting accuracy incentive on NGET accurately forecasting demand;
 - c. a demand side response incentive on NGET influencing participation of Demand Side Response providers in the T-1 Capacity Market auction; and
 - d. a customer and stakeholder satisfaction survey incentive on NGET's performance.
7. The effect of the proposed modification is to adjust NGET's allowed revenue either upwards or downwards depending on how well it performs against the incentives set out in paragraph 6 of this Modification. Further details on the effect of the proposed modification are set out in our 17 September 2015 decision entitled 'Decision on revenue, outputs and incentives for National Grid Electricity Transmission plc's roles in Electricity Market Reform'.
8. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of

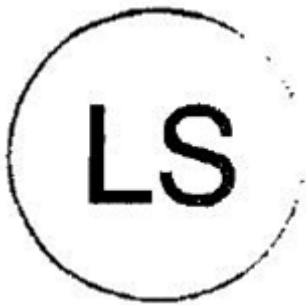
¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

the CMA's Energy Licence Modification Appeals Rules² requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides the name of the relevant licence holder in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section section 11A(1)(a) of the Act, we hereby modify special conditions 4A and 4L of the electricity transmission licence of NGET in the manner specified in attached Schedule 1. This decision will take effect from 1 April 2016.

This document is notice of the reasons for the decision to modify special conditions 4A and 4L of the electricity transmission licence of NGET as required by section 49A(2) of the Act.

**The Official Seal of the Gas and Electricity Markets Authority
here affixed is authenticated by the signature of**



.....
**Adam Cooper, Duly authorised on behalf of the
Gas and Electricity Markets Authority**

29.10.2015

² The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the CMA.

Schedule 1: Licence Drafting

Special Condition 4A. Restriction of System Operator Internal Revenue

Introduction

4A.1 The purpose of this condition is as follows:

- (a) to establish the charging restrictions that determine the level of allowed revenue that may be recovered by the licensee, associated with its internal costs in relation to Balancing Services Activity and its additional internal costs associated with preparing for the performance of EMR Functions; and
- (b) to set out the obligations of the licensee in respect of those charging restrictions.

Part A: Licensee's obligation

4A.2 The licensee must use its best endeavours to ensure that, in Relevant Year t , the revenue collected by the licensee from the Balancing Services Activity associated with internal costs (i.e. excluding the revenue associated with procuring and using balancing services) does not exceed the amount derived in accordance with the Maximum SO Internal Revenue (SOI) formula set out in Part B below.

Part B: Calculation of Maximum SO Internal Revenue

4A.3 The Maximum SO Internal Revenue is derived in accordance with the following formula (in this condition, the "Principal Formula"):

$$SOI_t = (SOPU_t + \cancel{SOEMRDRI_t} + SOMOD_t + \cancel{SOEMRINC_t} + SOEMR_t + SOEMRCO_t + SOTRU_t) \times RPIF_t$$

4A.4 In the Principal Formula:

SOI_t means the amount of Maximum SO Internal Revenue in Relevant Year t .

$SOPU_t$ means the amount set out against the licensee's name in Appendix 1 of this condition and represents the SO Opening Base Revenue Allowance in Relevant Year t determined by the Authority.

$SOMOD_t$ has the value zero in Relevant Year 2013/14 and in each subsequent Relevant Year is the value of the incremental change for Relevant Year t from the licensee's SO Opening Base Revenue Allowance as derived in accordance with the Annual Iteration Process set out in Parts A and B of Special Condition 5B (Annual Iteration Process for the ET1 Price Control Financial Model).

$\cancel{SOEMRINC_t}$
 $\cancel{SOEMRDRI_t}$ means the adjustment in Relevant Year t to the licensee's Maximum SO Opening Base Internal Revenue Allowance (either positive or negative) ~~determined by the Authority~~ as a result of the financial incentives placed upon the licensee to undertake the EMR Functions, collectively referred to as the System Operator Electricity Market Reform Incentives as derived in accordance with Special Condition 4L (Financial Incentives on EMR), calculation made under Parts A and B of Special Condition 4L (EMR Dispute Resolution Incentive);

SOEMR _t	means the initial amount of allowed revenue for the licensee's internal costs associated with preparing for the performance of EMR Functions in Relevant Year t and has the value as set out in Appendix 2.
SOEMRCO _t	means the adjustment to allowed revenue in Relevant Year t and will be determined by the Authority as a result of a calculation which compares SOEMR _t with the licensee's actual incremental and efficiently incurred internal costs associated with preparing for the performance of EMR Functions that are conferred upon the licensee. SOEMRCO _t will have the value of zero until such time as the EMR Functions either are or are not conferred on the licensee under the Energy Act 2013, thereafter: <ul style="list-style-type: none"> i. where the EMR Functions are not conferred on the licensee then SOEMRCO_t will have a value which is equal and opposite to the value for SOEMR_t so that the net impact of these two terms on SOI_t is zero, or ii. where the EMR Functions are conferred on the licensee then SOEMRCO_t will be calculated by 31 March 2016 in respect of Relevant Year 2016/17 and will have the value of zero for all other Relevant Years.
SOTRU _t	has the value zero in Relevant Year 2013/14 and in each subsequent Relevant Year means the revenue adjustment made in Relevant Year t in respect of the actual value of the Retail Prices Index in Relevant Year t-2 minus the assumed value of the Retail Prices Index in Relevant Year t-2, as derived in accordance with paragraph 4A.5 of this condition.
RPIF _t	has the value given to it by Part C of Special Condition 3A.

Part C: Calculation of SOTRU_t

4A.5 For the purposes of the Principal Formula, SOTRU_t is derived in accordance with the following formula:

$$SOTRU_t = \left(\frac{RPIA_{t-2} - RPIF_{t-2}}{RPIA_{t-2}} \right) \times SOREV_{t-2} \times PVF_{t-2} \times PVF_{t-1}$$

4A.6 In the above formula for SOTRU_t:

RPIA _{t-2}	has the value given to it by Part C of Special Condition 3A.
RPIF _{t-2}	has the value given to it by Part C of Special Condition 3A.
SOREV _{t-2}	means the amount (in 2009/10 prices), for Relevant Year t-2, of the combined value of all revenue adjustments under the Relevant SO Special Conditions that are indexed by the Retail Prices Index as derived in accordance with the formula in paragraph 4A.7 or 4A.8 of this condition.

PV_{Ft} has the value given to it by Part C of Special Condition 3A.

4A.7 For the purposes of paragraph 4A.6 of this condition, but subject to paragraph 4A.8, SOREV_{t-2} is derived in accordance with the following formula:

$$\text{SOREV}_{t-2} = \text{SOPU}_{t-2} + \text{SOMOD}_{t-2} + \text{SOEMR}_{t-2} + \text{SOEMRINC}_{t-2} + \text{SOEMRCO}_{t-2} + \text{SOTRU}_{t-2}$$

where:

SOPU_{t-2} means an amount set out against the licensee's name in Appendix 1 of this condition and represents the SO Opening Base Revenue Allowance in Relevant Year t-2 determined by the Authority.

SOMOD_{t-2} means the value of the incremental change for Relevant Year t-2 from the licensee's SO Opening Base Revenue Allowance as derived in accordance with the Annual Iteration Process set out in Parts A and B of Special Condition 5B.

SOTRU_{t-2} means the revenue adjustment made in Relevant Year t-2 in respect of the actual value of the Retail Prices Index in Relevant Year t-2 minus the assumed value of the Retail Prices Index in Relevant Year t-2, as derived in accordance with paragraph 4A.5 of this condition.

SOEMR_{t-2} means the initial amount of allowed revenue for the licensee's internal costs associated with preparing for the performance of EMR Functions and has the value as set out in Appendix 2 for the Relevant Year t-2.

SOEMRINC_{t-2} means the adjustment made in Relevant Year t-2 to the licensee's Maximum SO Opening Base Internal Revenue Allowance (either positive or negative) determined by the Authority as a result of the financial incentives placed upon the licensee to undertake the EMR Functions, collectively referred to as the System Operator Electricity Market Reform Incentives as derived in accordance with Special Condition 4L.

SOEMRCO_{t-2} means the adjustment to allowed revenue determined by the Authority as a result of a calculation which compares SOEMR_t with the licensee's actual incremental and efficiently internal costs incurred associated with preparing for the performance of EMR Functions that are conferred upon the licensee.

4A.8 For the purposes of paragraph 4A.6 of this condition, in Relevant Year 2014/15 only SOREV_{t-2} is derived in accordance with the following formula:

$$\text{SOREV}_{t-2} = \frac{\text{CSOC}_{t-2} + \text{NC}_{t-2}}{\text{RPIF}_{t-2}}$$

where:

CSOC_{t-2} means, in respect of the Relevant Year commencing 1 April 2012, the Base Transmission Revenues derived in accordance with Part 2 (ii) of Special Condition AA5A (Balancing Services Activity Revenue Restriction) of this licence in the form in which it was in force at 31 March 2013.

NC_{t-2} means, in respect of the Relevant Year commencing 1 April 2012,

the non-incentivised costs as derived in accordance with Part 2 (ii) of Special Condition AA5A of this licence in the form in which it was in force at 31 March 2013.

Part D: Calculation of SOEMRCO_t

4A.9 SOEMRCO_t will be determined, using 2009/10 prices, by comparing the actual efficient incremental costs incurred by the licensee in preparing for the performance of EMR Functions with the sum allowed for SOEMR_t. The calculation will be performed by using a workbook agreed between the licensee and the Authority.

4A.10 The value of SOEMRCO_t as determined by the Authority in accordance with condition 4A.9, will be directed by the Authority by 31 March 2016.

Part E: Interpretation

For the purposes of this condition 'EMR Functions' has the same meaning as in Chapter 5 of the Energy Act 2013.

Appendix 1

Value of the $SOPU_t$ term (2009/10 prices)

(see paragraph 4A.4 of this condition)

Licensee	SOPU(£m)							
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
National Grid Electricity Transmission plc	113.976	113.533	114.357	116.705	122.833	117.524	124.731	126.191

Appendix 2

Value of the $SOEMR_t$ term (2009/10 prices)

(see paragraph 4A.4 of this condition)

Licensee	SOEMR _t (£m)							
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
National Grid Electricity Transmission plc	0.0	14.7	0.0	0.0	0.0	0.0	0.0	0.0

Special Condition 4L. Financial incentives on EMREMR Dispute Resolution Incentive

Introduction

4L.1 ~~The purpose of this condition is to establish arrangements to determine an adjustment to the licensee's Maximum SO Internal Revenue (either positive or negative) in Relevant Year t by means of the term $SOEMRINC_t$ for the purposes of paragraphs 4A.3 and 4A.4 of Special Condition 4A (Restriction of System Operator Internal Revenue) as a result of the financial incentives placed upon the licensee relating to the EMR Functions, to the licensee's SO Opening Base Revenue Allowance in Relevant Year t by means of the term $SOEMRDRI_t$ for the purposes of paragraphs 4A.3 and 4A.4 of Special Condition 4A (Restriction of System Operator Internal Revenue) as a result of the financial incentive placed upon the licensee to accurately determine certain disputes referred to it under the Regulations.~~

4L.2 The financial incentives placed upon the licensee are as follows:

- (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 (the "Dispute Resolution Incentive");
- (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 (the "Peak National Demand Forecasting Accuracy Incentive");
- (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 (the "Demand Side Response Incentive"); and
- (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 (the "Customer and Stakeholder Satisfaction Survey Incentive") which is described in Part F of this condition.

~~4L.2 The adjustments to the licensee's SO Opening Base Revenue Allowance (either positive or negative) in Relevant Year t derived under this condition will depend on how many of the Reviewable Decisions made by the licensee in Relevant Year t-2 under the Regulations are overturned by the Authority.~~

4L.3 The "Regulations" for the purposes of this condition are:

- (a) The Contracts for Difference (Allocation) Regulations 2014, as amended from time to time (the "CfD Regulations"); and
- (b) The Electricity Capacity Regulations 2014, as amended from time to time (the "CM Regulations").

Part A: Calculation of $SOEMRINC_t$, $SOEMRDRI_t$

4L.4 For the purposes of paragraphs 4A.3 and 4A.4 in Special Condition 4A the value of the term $SOEMRINC_t$ is derived in accordance with the following formula:

$$\underline{SOEMRINC_t = DRI_t + DFA_t + DSR_t + CSSS_t}$$

where:

- SOEMRINC_t means the adjustment to the licensee's Maximum SO Internal Revenue (either positive or negative) in Relevant Year t as a result of the financial incentives placed upon the licensee in relation to the EMR Functions, collectively known as the System Operator Electricity Market Reform Incentives.
- DRI_t means the Dispute Resolution Incentive as described in paragraph 4L.2(a) above and calculated pursuant to the provisions in Part B of this condition.
- DFA_t means the Peak National Demand Forecasting Accuracy Incentive as described in paragraph 4L.2(b) above and calculated pursuant to the provisions in Part C of this condition.
- DSR_t means the Demand Side Response Incentive as described in paragraph 4L.2(c) above and calculated pursuant to the provisions in Part D of this condition.
- CSSS_t means the Customer and Stakeholder Satisfaction Survey Incentive as described in paragraph 4L.2(d) above and calculated pursuant to the provisions in Part E of this condition.

4L.4 For the purposes of paragraphs 4A.3 and 4A.4 in Special Condition 4A, and subject to Part B of this condition, $SOEMRDRI_t$ has the value zero in all years except for 2016/17 and 2017/18 when it is derived in accordance with the following formula:

$$SOEMRDRI_t = (CfDQD_t + CMQD_t + CANMR_t)$$

4L.5 In the above formula $SOEMRDRI_t$:

$CfDQD_t$ means the amount shown in column 1 of the table in Schedule 1 of this condition against the number of decisions made in relation to CfD Qualification Decisions under the CfD Regulations in Relevant Year t 2, which have been overturned by the Authority under regulation 46 of the CfD Regulations.

$CMQD_t$ means the amount shown in column 2 of the table in Schedule 1 of this condition against the number of decisions made in relation to CM Qualification Decisions in Relevant Year t 2, which have been overturned by the Authority under regulation 71 of the CM Regulations.

$CANMR_t$ means the amount shown in column 3 of the table in Schedule 1 of this condition against the number of decisions made in relation to CM Capacity Agreement Notice ("CAN") Decisions and CM Capacity Market Register ("CMR") Decisions in Relevant Year t 2, which have been overturned by the Authority under regulation 71 of the CM Regulations.

The values of the terms in the table in Schedule 1 of this condition are expressed in 2009/10 prices.

Part B: Calculation of DRI_t

4L.5 The DRI_t term has the value derived in accordance with the following formula:

$$\underline{DRI_t = CfDQD_t + CMQD_t + CANMR_t}$$

where:

CfDQD_t means the revenue adjustment for the licensee related to CfD Qualification Decisions . It is equal to:

for Relevant Years 2016/17 and 2017/18 the amount shown in column 1 of the table in Schedule 1 of this condition; and

for Relevant Years from 2018/19 onwards the amount shown in column 1 of the table in Schedule 2 of this condition,

against the number of decisions made in relation to CfD Qualification Decisions in Relevant Year t-2, which have been overturned by the Authority under regulation 46 of the CfD Regulations.

CMQD_t means the revenue adjustment for the licensee related to CM Qualification Decisions. It is equal to:

for Relevant Years 2016/17 and 2017/18 the amount shown in column 2 of the table in Schedule 1 of this condition; and

for Relevant Years from 2018/19 onwards the amount shown in column 2 of the table in Schedule 2 of this condition,

against the number of decisions made in relation to CM Qualification Decisions in Relevant Year t-2, which have been overturned by the Authority under regulation 71 of the CM Regulations.

CANMR_t means the revenue adjustment for the licensee related to Capacity Agreement Notice Decisions and Capacity Market Register Decisions. It is equal to:

for Relevant Years 2016/17 and 2017/18 the amount shown in column 3 of the table in Schedule 1 of this condition against the number of decisions made in relation to CM Capacity Agreement Notice (“CAN”) Decisions and CM Capacity Market Register (“CMR”) Decisions in Relevant Year t-2, which have been overturned by the Authority under regulation 71 of the CM Regulations.

For all other years, CANMR_t shall take the value zero.

4L.6 If no CfD qualification process took place either in or in respect of Relevant Year t-2, CfDQD_t shall equal zero and if no CM pre-qualification process took place either in or in respect of Relevant Year t-2, CMQD_t shall equal zero.

4L.64L.7 The Authority shall, after consultation with the licensee, and having regard to the rest of Part B of this condition, direct the value of DRI_t for Relevant Year t.

4L.8 The direction made pursuant paragraph 4L.7 shall be made by the Authority on or before 30 November in the year preceding Relevant Year t.

Part B: Determination of SOEMRDRI_t

4L.7 The Authority shall, after consultation with the licensee, and having regard to Part A of this condition, direct the value of SOEMRDRI_t for the Relevant Year t.

4L.8 The direction made pursuant paragraph 4L.6 shall be made by the Authority on or before 30 November in the year preceding Relevant Year t.

Part C: Calculation of DFA_t

4L.9 The DFA_t term is derived in accordance with the following formula:

$$\text{DFA}_t = \text{DFAA}_{t-2} + \text{DFAB}_{t-2},$$

where:

$$\text{DFAA}_{t-2} = \text{£1,000,000} \times \frac{4\% - \min(\text{DFEA}_{t-2}, 8\%)}{4\%}$$

$$\text{DFAB}_{t-2} = \text{£2,000,000} \times \frac{2\% - \min(\text{DFEB}_{t-2}, 4\%)}{2\%}$$

DFAA_{t-2} means the Peak National Demand Forecasting Accuracy Incentive for Relevant year t-2 arising from the Peak National Demand Forecast made in year t-6.

DFAB_{t-2} means the Peak National Demand Forecasting Accuracy Incentive for year t-2 arising from the Peak National Demand Forecast made in year t-3.

DFEA_{t-2} means the difference between Peak National Demand observed in year t-2 and the Peak National Demand Forecast for year t-2 made in year t-6 expressed as an absolute percentage.

DFEB_{t-2} means the difference between Peak National Demand observed in year t-2 and the Peak National Demand Forecast for year t-2 made in year t-3 expressed as an absolute percentage.

4L.10 If either of the Peak National Demand Forecasts in DFEA or DFEB are not available, or such forecast has been prepared before this condition came into force (1 April 2016), then DFAA or DFAB as applicable shall take the value zero.

4L.11 The Weather Correction Methodology used for calculating Peak National Demand will be the Weather Correction Methodology in place at the time each Peak National Demand Forecast was produced.

4L.12 The Weather Correction Methodology must be published by the licensee at the same time as the Electricity Capacity Report that uses that Peak National Demand Forecast.

4L.13 The licensee shall write annually to the Authority, at the same time it publishes the Electricity Capacity Report, setting out the steps it has taken to improve its Peak System Demand Forecast and publish this letter on its website.

Part D: Calculation of DSR_t

4L.14 The DSR_t term is derived in accordance with the following formula except in respect of any Relevant Year up to and including the Relevant Year when the first Year Ahead Capacity Auction takes place, where the value of DSR_t is nil:

If $DSRC_t > DSRT_t + 0.2$, then

$$DSR_t = \pounds 1,000,000 \times \frac{\min(DSRC_t, DSRT_t + 2) - DSRT_t - 0.2}{1.8}$$

If $DSRT_t + 0.2 > DSRC_t \geq DSRT_t - 0.2$, then

$$DSR_t = \pounds 0$$

If $DSRC_t < DSRT_t - 0.2$, then

$$DSR_t = \pounds 1,000,000 \times \frac{\max(DSRC_t, DSRT_t - 2) - DSRT_t + 0.2}{1.8}$$

where:

DSR_t means the revenue adjustment for the licensee related to additional volume of Demand Side Response Capacity that pre-qualifies for the Year Ahead Capacity Auction for delivering electricity capacity one year ahead in Relevant Year t-2.

DSRC_t means the volume of Demand Side Response Capacity (expressed in gigawatts to three decimal places) that pre-qualifies for the Year Ahead Capacity Auction for delivering electricity capacity one year ahead in Relevant Year t-2.

DSRT_t means the target for the volume of Demand Side Response Capacity to be delivered.

For the first Relevant Year following the first Year Ahead Capacity Auction DSRT_t is equal to the volume in gigawatts (expressed to three decimal places) of pre-qualified Demand Side Response Capacity in the first Year Ahead Capacity Auction.

For the second and subsequent Relevant Years following the first Year Ahead Capacity Auction, DSRT_t is calculated as the average of the volume in gigawatts (expressed to three decimal places) of pre-qualified Demand Side Response Capacity in the two previous Year Ahead Capacity Auctions.

4L.15 The licensee shall, as soon as practicable, but in any event no later than three months after the corresponding Year Ahead Capacity Auction pre-qualification round, submit to the Authority a report setting out the steps that it has taken in each Year Ahead Capacity Auction pre-qualification round to encourage and facilitate the participation of Demand Side Response, including how it has ensured that Demand Side Response providers understand the implications of capacity market participation.

4L.16 The licensee shall publish the report described in paragraph 4L.15 on its website.

Part E: Calculation of CSSS_t

4L.17 The CSSS_t term is derived in accordance with the following formula:

$$\text{CSSS}_t = \text{CSSSCfD}_t + \text{CSSSCM}_t$$

where:

CSSSCfD_t means the adjustment to revenues resulting from the incentive on Contracts for Difference (“CfD”) Customer and Stakeholder Satisfaction Survey Scores in Relevant Year t-2 as calculated below.

CSSSCM_t means the adjustment to revenues resulting from the incentive on Capacity Market (“CM”) Customer and Stakeholder Satisfaction Survey Scores in Relevant Year t-2 as calculated below.

If CfDS_{t-2} > CfDT, then:

$$\text{CSSSCfD}_t = \text{£}300,000 \times \frac{\min(\text{CfDS}_{t-2}, \text{CfDC}) - \text{CfDT}}{\text{CfDC} - \text{CfDT}}$$

If CfDS_{t-2} < CfDT, then:

$$\text{CSSSCfD}_t = -\text{£}300,000 \times \frac{\text{CfDT} - \max(\text{CfDS}_{t-2}, \text{CfDF})}{\text{CfDT} - \text{CfDF}}$$

If CMS_{t-2} ≥ CMT, then:

$$\text{CSSSCM}_t = \text{£}300,000 \times \frac{\min(\text{CMS}_{t-2}, \text{CMC}) - \text{CMT}}{\text{CMC} - \text{CMT}}$$

If $CMS_{t-2} < CMT$, then:

$$CSSSCM_t = -£300,000 \times \frac{CMT - \max(CMS_{t-2}, CMF)}{CMT - CMF}$$

where:

<u>CfDS_{t-2}</u>	<u>means the arithmetic average of all CfD Customer and Stakeholder Satisfaction Survey Scores.</u>
<u>CfDT</u>	<u>means the target for all CfD Customer and Stakeholder Satisfaction Survey Scores. CfDT is equal to the higher of:</u> <u>(i) CfDS_k where k equals 2015/16 or if no CfD allocation round commenced in 2015/16, the first Relevant Year in which a CfD allocation round takes place, rounded to one decimal place, and</u> <u>(ii) 5.0.</u>
<u>CfDC</u>	<u>means the score cap applying to all CfD Customer and Stakeholder Satisfaction Survey Scores and is equal to CfDT + CfDSD_k, rounded to one decimal place, but in any event, must not be lower than CfDT + 1.</u>
<u>CfDF</u>	<u>means the score floor applying to all CfD Customer and Stakeholder Satisfaction Survey Scores and is equal to CfDT – CfDSD_k, rounded to one decimal place, but in any event, must not be higher than CfDT – 1.</u>
<u>CfDSD_k</u>	<u>means the standard deviation of all CfD Customer and Stakeholder Satisfaction Survey Scores in year k where k equals 2015/16 or if no CfD allocation round takes place in 2015/16, the first Relevant Year in which a CfD allocation round takes place. The standard deviation is calculated as the square root of the sum of the squared variances from the population average.</u>
<u>CMS_{t-2}</u>	<u>means the arithmetic average of all CM Customer and Stakeholder Satisfaction Survey Scores.</u>
<u>CMT</u>	<u>means the target for all CM Customer and Stakeholder Satisfaction Survey Scores. CMT is equal to the higher of:</u> <u>(i) CMS_k where k equals 2015/16 or if no CM auction commenced in 2015/16, the first Relevant Year in which a CM auction takes place, rounded to one decimal place, and</u> <u>(ii) 5.0.</u>
<u>CMC</u>	<u>means the score cap applying to all CM Customer and Stakeholder Satisfaction Survey Scores and is equal to CMT + CMSD_k, rounded to one decimal place, but in any event, must not be lower than CMT + 1.</u>
<u>CMF</u>	<u>means the score floor applying to all CM Customer and Stakeholder Satisfaction Survey Scores and is equal to CMT</u>

– $CMSD_k$, rounded to one decimal place, but in any event, must not be higher than $CMT - 1$.

$CMSD_k$

means the standard deviation of all CM Customer and Stakeholder Satisfaction Survey Scores in year k where k equals 2015/16 or if no CM auction takes place in 2015/16, the first Relevant Year in which a CM auction takes place. The standard deviation is calculated as the square root of the sum of the squared variances from the population average.

4L.18 If no results of a CfD allocation round were published either in or in respect of Relevant Year t-2, then $CSSSCfD_t$ shall take the value zero, and the licensee is not obliged to conduct the CfD Customer and Stakeholder Satisfaction Survey.

4L.19 In case of multiple CfD allocation rounds in Relevant Year t-2, the licensee is only obliged to conduct one CfD Customer and Stakeholder Satisfaction Survey.

4L.20 If no results of a capacity market auction were published either in or in respect of Relevant Year t-2, then $CSSSCM_t$ shall take the value zero, and the licensee is not obliged to conduct the CM Customer and Stakeholder Satisfaction Survey.

4L.21 In case of multiple capacity market auctions in Relevant Year t-2, the licensee is only obliged to conduct one CM Customer and Stakeholder Satisfaction Survey.

Part F: Customer and Stakeholder Satisfaction Surveys

4L.22 In each CM and CfD Customer and Stakeholder Satisfaction Survey, the licensee may include such questions as it deems appropriate, subject to the inclusion of one question that asks for overall satisfaction with the licensee's performance of its CfD or CM activity respectively to be rated on a scale of 1 to 10, when 1 is low and 10 is high.

4L.23 The licensee must report on the outcomes of each overall customer and stakeholder satisfaction question in accordance with Standard Condition B15 (Regulatory Instructions and Guidance).

4L.24 The licensee must publish the outcomes from these surveys on its website within three months of these surveys taking place.

4L.25 The Authority will review the licensee's approach to conducting the surveys and reporting the outcome of the satisfaction questions as required by paragraph 4L.22 of this condition and provide feedback to the licensee.

Part EG: Definitions

4L.26 The Definitions in this condition will have the following meaning:

Annual Average Cold Spell Conditions as defined in the Grid Code;

Capacity Agreement Notice as defined in regulation 2 of the CM Regulations;

Capacity Market Register as defined in regulation 2 of the CM Regulations;

CfD Qualification Decisions means decisions made by the licensee under regulation 20(4) of the CfD Regulations to uphold Non-qualification Determinations;

CfD Customer and Stakeholder Satisfaction Survey Score means the score from 1 to 10 that a survey participant assigns to the question referred to in paragraph 4L.22 of this condition in Relevant Year t-2;

CM Capacity Agreement Notice (“CAN”) Decisions means decisions made by the licensee under regulation 69(3) of the CM Regulations to uphold the decision not to amend the Capacity Agreement Notice;

CM Capacity Market Register (“CMR”) Decisions means decisions made by the licensee under regulation 69(3) of the CM Regulations to uphold the decision not to rectify the Capacity Market Register;

CM Customer and Stakeholder Satisfaction Survey Score means the score from 1 to 10 that a survey participant assigns to the question referred to in paragraph 4L.22 of this condition in Relevant Year t-2;

CM Qualification Decisions means decisions made by the licensee under regulation 69(3) of the CM Regulations to uphold Prequalification Decisions;

Demand Side Response means a commitment by a person to provide an amount of electricity capacity by either reducing the import of electricity or exporting electricity generated (as more fully defined in the CM Regulations);

Demand Side Response Capacity

means amount of electricity capacity made available by Demand Side Response providers;

Electricity Capacity Report

as defined in regulation 7 of the CM Regulations;

EMR Functions

has the same meaning as the term “EMR functions” in Chapter 5 of Part 2 of the Energy Act 2013;

National Demand

as defined in the Grid Code;

Non-qualification Determinations

as defined in regulation 19(2)(b) of the CfD Regulations;

Peak National Demand

means the outturn peak National Demand adjusted in accordance with the Weather Correction Methodology;

Peak National Demand Forecast

means the one-year or four-year ahead forecast of Peak National Demand that is associated with the licensee’s Peak System Demand Forecast and estimate of capacity to meet that Peak System Demand Forecast in the Electricity Capacity Report ;

Peak System Demand Forecast

means the forecast in the Electricity Capacity Report of peak demand across the whole of the electricity system met by all forms of generation; which includes forecasts of Peak National Demand, peak demand met by distributed generation and peak demand reduction by Demand Side Response .

Prequalification Decisions

as defined in regulation 2 of the CM Regulations;

Reviewable Decisions

means CfD Qualification Decisions, CM Qualification Decisions, CM Capacity Agreement Notice Decisions and CM Capacity Market Register Decisions;

Weather Correction Methodology

means the methodology used by the licensee at the time a Peak National Demand Forecast was produced to correct the associated outturn Peak National Demand to Annual Average Cold Spell Conditions;

**Year Ahead
Capacity
Auction**

means a capacity auction held not less than one year and not more than two years before the start of the delivery year for which the capacity auction is held (as more fully defined in the CM Regulations).

Schedule 1

Components of the term DRI_t in 2009/10 prices for qualification decisions taken in respect of CfD allocation and/or CM auctions conducted in 2014/15 and 2015/16

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
<u>Number of overturned decisions</u>	<u>$CfDQD_t$</u> <u>£000s</u>	<u>$CMQD_t$</u> <u>£000s</u>	<u>$CANMR_t$</u> <u>£000s</u>
<u>No overturned decisions</u>	<u>50</u>	<u>50</u>	<u>25</u>
<u>1 overturned decision</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>2 overturned decisions</u>	<u>-10</u>	<u>-10</u>	<u>-5</u>
<u>3 overturned decisions</u>	<u>-20</u>	<u>-20</u>	<u>-10</u>
<u>4 overturned decisions</u>	<u>-30</u>	<u>-30</u>	<u>-15</u>
<u>5 overturned decisions</u>	<u>-40</u>	<u>-40</u>	<u>-20</u>
<u>6 or more overturned decisions</u>	<u>-50</u>	<u>-50</u>	<u>-25</u>

Schedule 2

Components of the term DRI_t in 2009/10 prices for qualification decisions taken in respect of CfD allocation and/or CM auctions conducted from 2016/17 onwards

	<u>(1)</u>	<u>(2)</u>
<u>Number of overturned decisions</u>	<u>$CfDQD_t$</u> <u>£000s</u>	<u>$CMQD_t$</u> <u>£000s</u>
<u>No overturned decisions</u>	<u>100</u>	<u>100</u>
<u>1 overturned decision</u>	<u>0</u>	<u>0</u>
<u>2 overturned decisions</u>	<u>-35</u>	<u>-35</u>
<u>3 overturned decisions</u>	<u>-65</u>	<u>-65</u>
<u>4 or more overturned decisions</u>	<u>-100</u>	<u>-100</u>

Schedule 2: Relevant Licence Holders³

National Grid Electricity Transmission plc

³ Electricity licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/list-all-electricity-licensees-registered-or-service-addresses>