



Making a positive difference
for energy consumers

To: National Grid Electricity
Transmission plc

CC: Transmission System
Owners, Generators, Suppliers,
Traders, Consumers and Other
Interested Parties

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Date: 4 November 2015

Dear colleagues

Decision to direct National Grid Electricity Transmission plc (NGET) to make revisions to C16 statement that facilitate the pricing of New Balancing Services (NBS) in cash-out at the administrative Value of Lost Load (VoLL).

Background

Ofgem¹ published its decision on 15 October 2015 not to veto C16 statement revisions proposed by NGET. Further to that decision, NGET identified an outstanding issue which would lead to an incorrect pricing of certain Supplemental Balancing Reserve (SBR) Balancing Mechanism Units (BMUs) in cash-out. NGET presented the Authority with change marked versions of the C16 statements that would address this issue on 4 November 2015.

NGET's proposed revisions to the C16 statements

NGET has subsequently raised the issue that the C16 statements, approved by Authority on 15 October 2015, would not deliver the intended outcome of allowing for all SBR contracted BMUs – specifically those with a stable export limit equal to maximum export limit – to be priced in cash-out at the administrative VoLL.

We note that NGET's preparation of the proposed revisions submitted on 4 November 2015 deviates from process in that the issue has not been sent out for consultation. With the most recent changes, NGET have invited us to approve the deviation from C16 process and approve the proposed revisions to the C16 statement submitted on 4 November 2015.

Our decision

We approve the deviation from process. In accordance with our powers under paragraph 8 of standard condition C16 of the transmission licence, Ofgem directs that paragraph 8(a)(ii) and (iii) of that condition shall not apply to these revisions and that NGET shall make the proposed revisions to the C16 statements such that they become effective on 5 November 2015.

In assessing NGET's proposed revisions, we have considered the arguments that were presented by NGET in the original report submitted to us on 17 September 2015. We have also considered the current views of NGET and Elexon. We consider that in providing greater clarity that NBS will be priced at administrative VoLL in the calculation of cash-out prices, the proposed changes deliver more effectively the intent of the previously approved

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

C16 statements. The effect of this approved change is therefore further to support: an efficient market response to scarcity; the economic and efficient operation of the system and; the interests of the consumer.

Yours sincerely,

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