

**DIRECTION ISSUED PURSUANT TO PARAGRAPH 4L.6 OF SPECIAL CONDITION 4L (EMR DISPUTE RESOLUTION INCENTIVE) OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC'S ELECTRICITY TRANSMISSION LICENCE IN RELATION TO THE EMR DISPUTE RESOLUTION INCENTIVE**

**Whereas:**

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. Special condition 4L (EMR Dispute Resolution Incentive) ("SpC 4L") of the Licence establishes arrangements to determine an adjustment to NGET's Maximum SO Internal Revenue as a result of the financial incentive placed upon NGET to accurately determine certain disputes referred to it under:
  - a. the Contracts for Difference (Allocation) Regulations 2014 (the "CfD Regulations"); and
  - b. the Electricity Capacity Regulations 2014 (the "CM Regulations")(together the "Regulations").
3. The arrangements in SpC 4L apply to disputes arising from the following decisions made by NGET:
  - a. decisions made under regulation 20(4) of the CfD Regulations to uphold Non-qualification Determinations<sup>1</sup>;
  - b. decisions made under regulation 69(3) of the CM Regulations to uphold Prequalification Decisions; and
  - c. decisions made under regulation 69(3) of the CM Regulations to uphold decisions not to amend the Capacity Agreement Notice and decisions not to rectify the Capacity Market Register,(together the "Decisions").
4. During the Relevant Year 2014/15 the Gas and Electricity Markets Authority (the "Authority") was referred one Prequalification Decision and three Non-qualification Determinations and none were overturned.
5. On the basis that there were no overturned Decisions in Relevant Year 2014/15, the Authority has determined that the term SOEMRDRI for Relevant Year 2016/17 should take the value £125,000 (in 2009/10 prices) in accordance with the provisions of Part B of SpC 4L.<sup>2</sup>

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<sup>1</sup> Defined terms that are not defined in this Direction and defined in the Licence and the Regulations.

<sup>2</sup> SpC 4L has been amended and the changes are due to come into effect on 1 April 2016. Whilst SpC4L refers the term SOEMRDRI at this time it will essentially become the term DRI on 1 April 2016. As such, the power to direct the value of SOEMRDRI will actually direct the value of the term DRI for Relevant Year 2016/17.

**Therefore:**

In accordance with SpC 4L.6, and following consultation with NGET, the Authority hereby directs that the value of the term SOEMRDRI for the Licensee for Relevant Year 2016/17 is £125,000 (in 2009/10 prices).

This document constitutes notice of the reasons for the decision to issue the direction pursuant SpC 4L.6, as required by section 49A(2) of the Act.

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**Philippa Pickford – Associate Partner, Wholesale Markets**  
**For and on behalf of the Gas and Electricity Markets Authority**

**Date: 19 November 2015**